

Wall Street vs. Main Street: Retail Sales and Home Affordability vs. Stocks and Home Prices

Another sign of the divergence between Wall Street and Main Street: Retail sales are flat year-to-date, with an average increase of 2.3% year-over-year (January-April 2024 compared to the same period in 2023), seasonally adjusted and not inflation-adjusted. The number is flat month-over-month (March to April). Accounting for inflation, this number is negative for both month-over-month and year-over-year. Housing affordability is no better; according to the Federal Reserve Bank of Atlanta, home affordability is at its lowest since 2007.

On the contrary, stocks are priced for perfection, with the P/E ratio for the S&P 500 and home prices at historically high levels, reflecting high confidence in forward earnings fueled by AI for the S&P 500 that tech companies make 40% of its valuation. A similar trend applies to appreciating home prices driven by high expected demand, productivity, and wage growth.

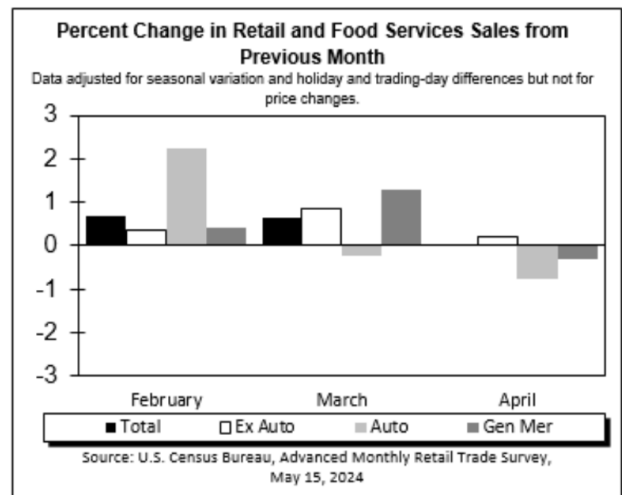
Nevertheless, monetizing AI and wage growth distribution are currently overlooked by investors, creating an underestimated risk in a high-interest rate environment.

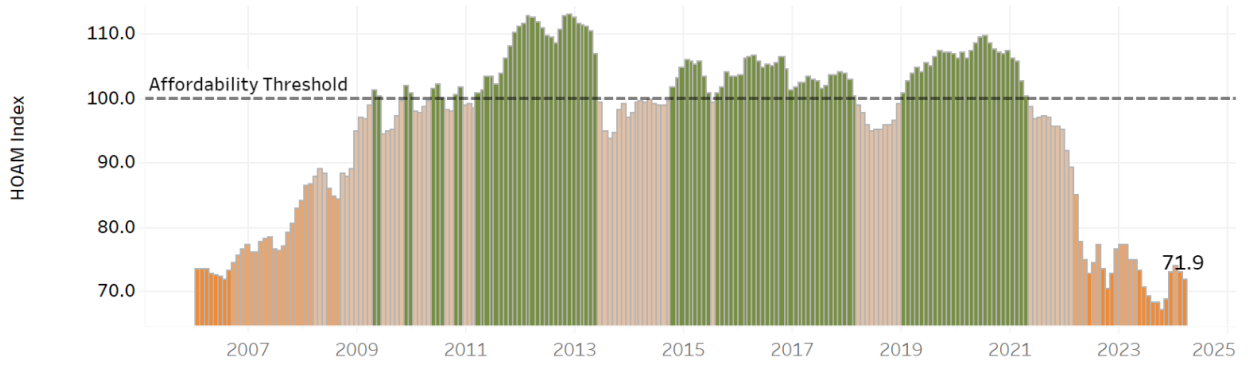
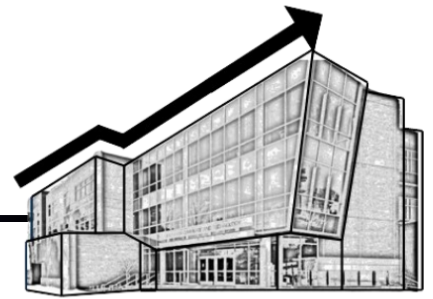
Fady Mansour, Ph.D

Director of The Butler Center for Research and Economic Development

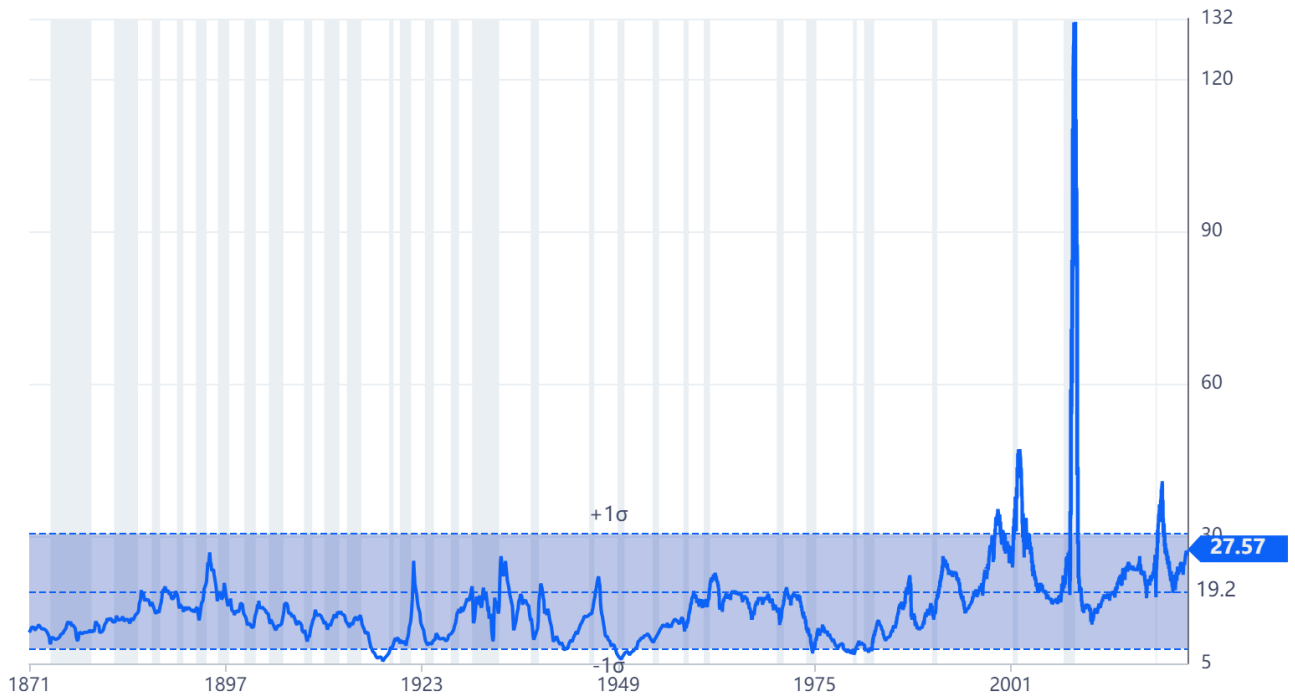
5/30/2024

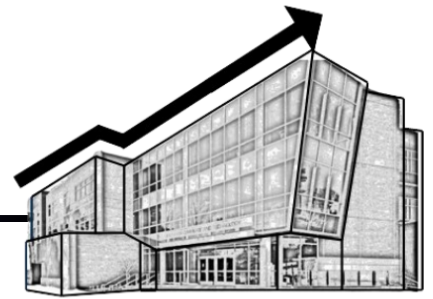
ADVANCE MONTHLY SALES		
April 2024	\$705.2 billion	0.0%*
March 2024 (revised)	\$705.1 billion	+0.6%
Next release: June 18, 2024		
<small>* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, May 15, 2024</small>		



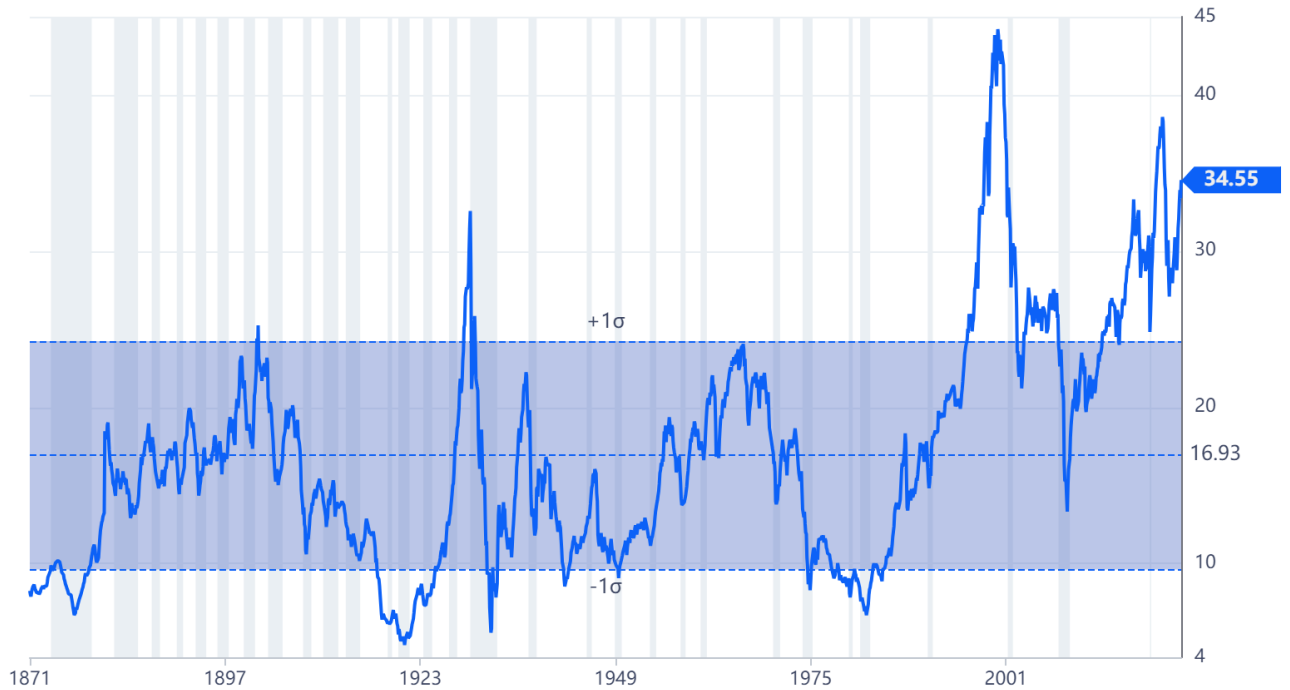


● PE Ratio (TTM) for the S&P 500





● Shiller PE Ratio for the S&P 500



FHFA House Price Index

