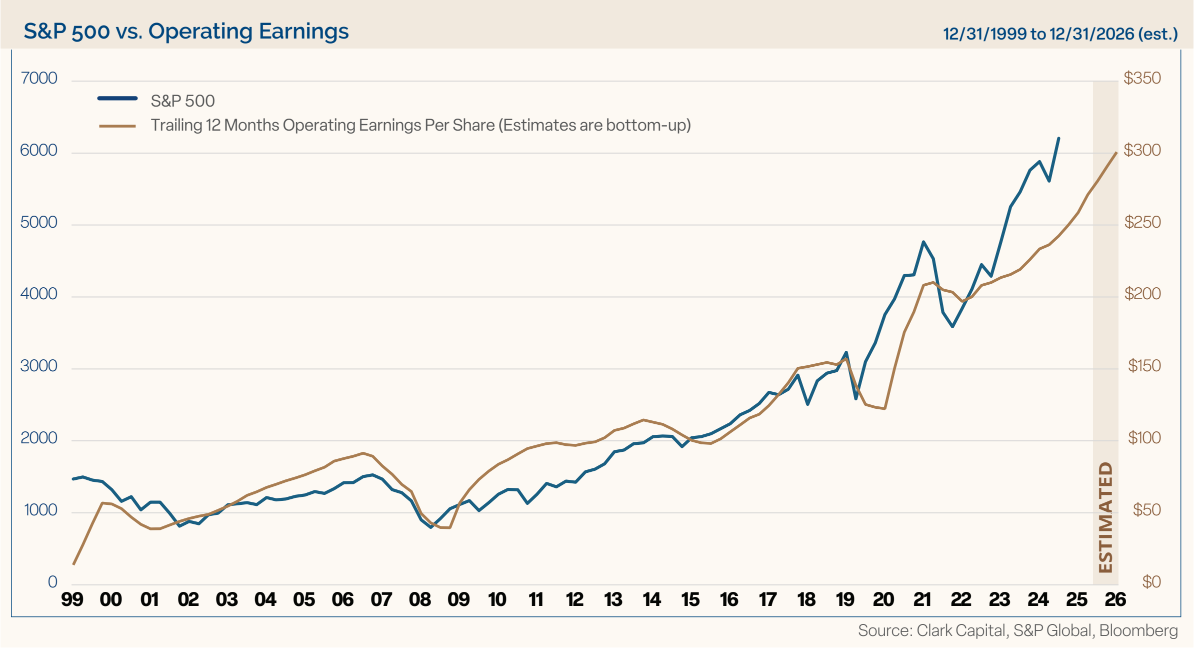
Office Hours Study Guide

Is the Market in a Bubble?

Investors often wonder if today's market resembles the tech bubble of the late 1990s. While similarities exist, the conditions are very different and potentially much more supportive of continued growth. We offer three key points below to help you with your client conversations on this topic.

Over Time, Earnings Drive Stock Prices



For illustrative purposes only. Past performance is not indicative of future results.

1. **AI VS. THE 1990S TECH BOOM**
   The current AI-driven rally resembles the 1990s technology revolution, but with more constructive implications. We believe AI is driving productivity gains and providing a durable earnings tailwind. Unlike the 1990s, we believe this trend is grounded in stronger fundamentals.

2. **EARNINGS AND VALUATIONS ARE SUPPORTIVE**
   Both corporate earnings and stock prices are reaching new highs, reflecting a healthier backdrop than in 2000. While stocks are fully valued, we do not view them as "wildly overvalued," and earnings strength helps support these higher levels.

3. CONDITIONS DIFFER FROM 2000

As our chart shows, in 2000, earnings were declining, and the Federal Reserve was raising rates—a toxic mix for stock prices. Today, the Fed is cutting rates, and earnings are projected to continue rising, which provides a potentially more constructive environment for stocks.

The Bottom Line

In our view, today's market does not reflect a bubble about to burst. With rising earnings, supportive Fed policy, and long-term AI-driven growth prospects, we believe the outlook remains constructive. To learn more about this topic, please watch our **Office Hours video** or reach out to your investment consultant.