

There is room for further stock market falls

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Share prices are tumbling this week. And so they should. This is the [Shiller price ratio for the S&P 500](#) in the US but the trend is universal:



The ratio compares inflation-adjusted earnings with price.

For more than a century the ratio was around 15, implying 6% expected returns.

Now it is 36, down from a peak, but still way out of line with reasonable expectations.

There is room for further falls.

All that QE money might be in for a bumpy ride.