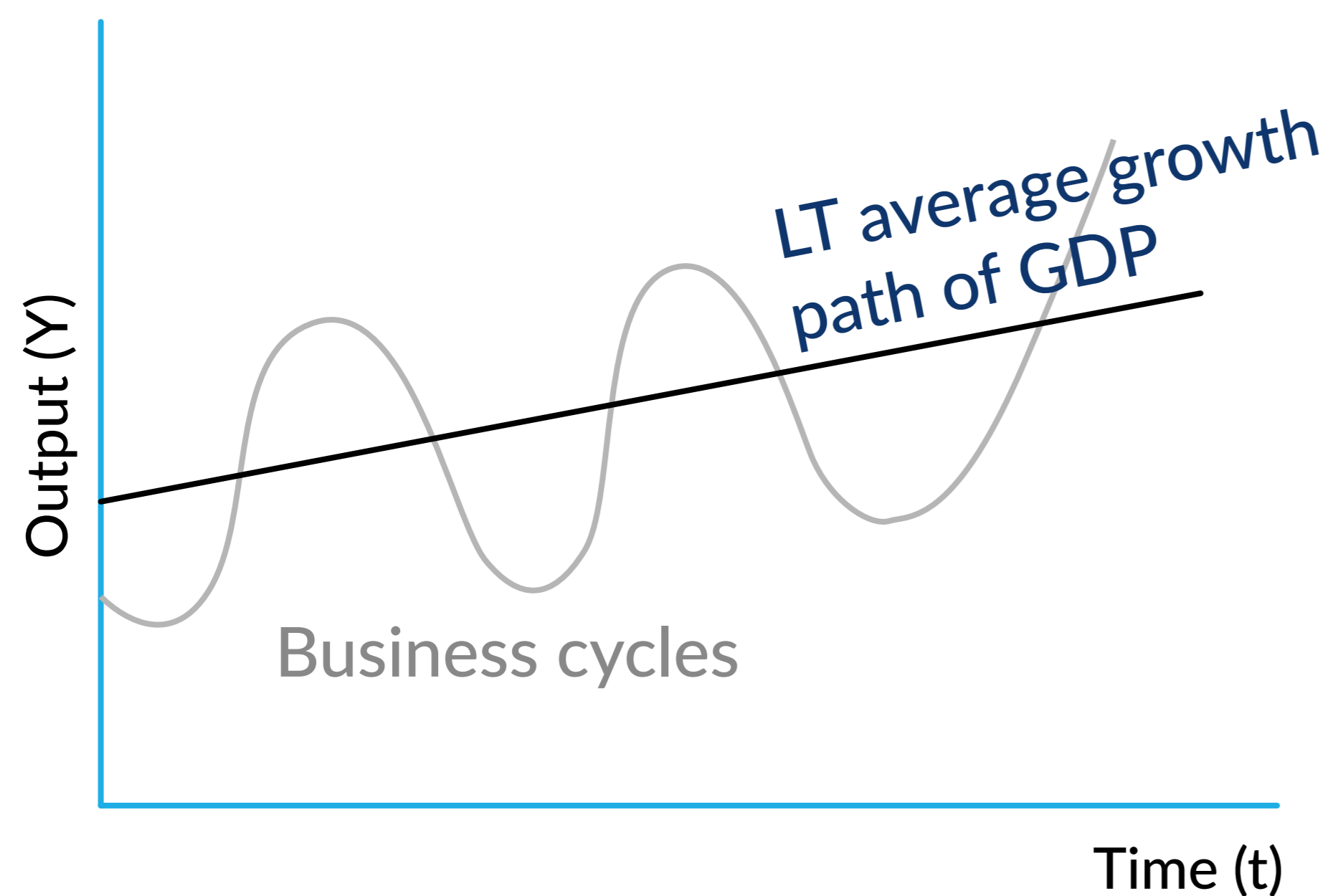


## Study Tips

### SS4 Capital Market Expectation #4

#### Analysis of Economic Growth Trend



#### R10 - 3.2.2.2 Anchoring Asset Returns to Trend Growth

- 1 Trend growth rate provides an anchor for LT equity appreciation:

$$V_t^e \uparrow = GDP_t \uparrow \times S_t^k \times PE_t$$

- 2 In the long run, share of profits in the economy ( $S_t^k$ ) and P/E multiples ( $PE_t$ ) can not continually  $\uparrow$  or  $\downarrow$ , trend growth rate ( $GDP_t$ ) implies growth rate of the total value of equity in the economy ( $V_t^e$ ).

