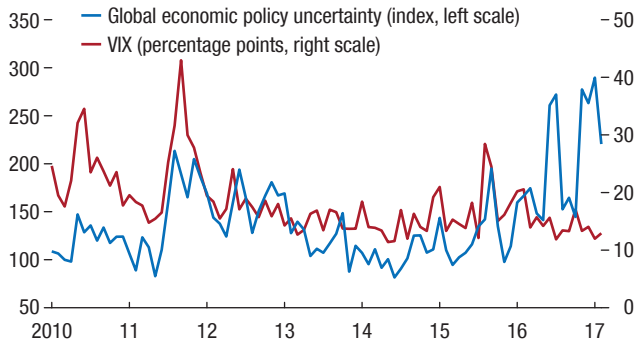


**Figure 1.4. Assessments of U.S. Equity Valuations**

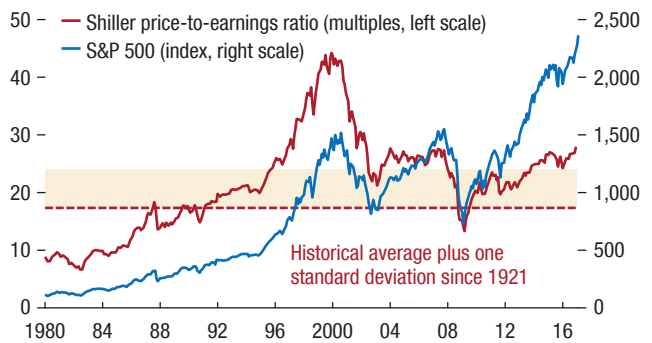
Despite greater policy uncertainty, implied volatility has declined to multiyear lows ...

**1. Policy Uncertainty and Implied Equity Volatility**



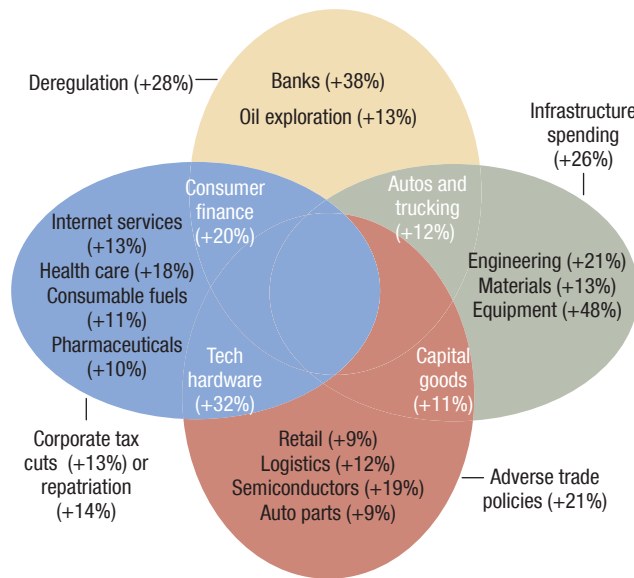
... while U.S. equity valuations have become increasingly overvalued.

**2. S&P 500 Index and Price-to-Earnings Ratio**



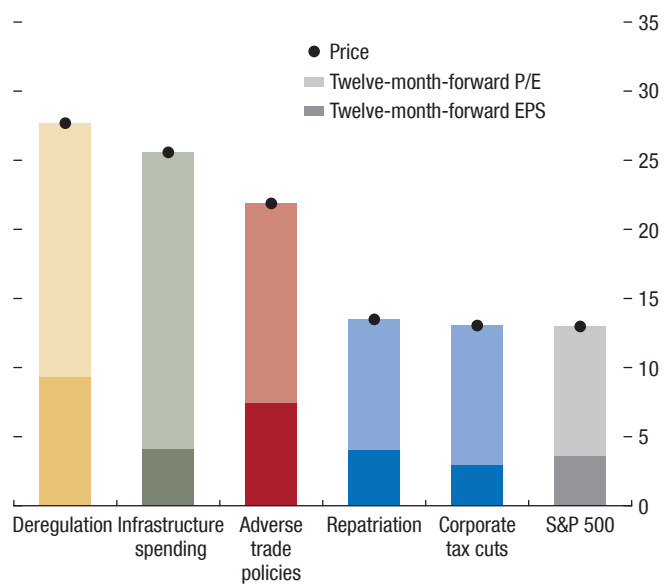
Some sectors have benefited disproportionately from the interplay of potential policies ...

**3. Performance of U.S. Equity Industry Subsectors (Percent change since U.S. election)**



... while expectations—not actual earnings—are driving valuations in sectors that would benefit from stimulus.

**4. Valuation of U.S. Equities Exposed to Policy Shifts (Percent change since U.S. election)**



Sources: Bloomberg L.P.; Haver Analytics; JPMorgan Chase & Co.; and IMF staff estimates.

Note: In panels 3 and 4, Corporate tax cuts = companies with high effective tax rates and domestic revenue exposures; Repatriation = companies with the largest total cash balances held by foreign subsidiaries; Adverse trade policies = trade-linked importers, outsourcers, and logistics firms; Infrastructure spending = firms that generate a significant portion of revenue from civil construction activities and revenue from within the United States; Deregulation = companies in sectors likely to experience regulatory relief, such as oil and gas, banks, consumer finance, and autos and trucking. EPS = earnings per share; P/E = price-to-earnings ratio; S&P = Standard and Poor's.