Siegel: Stocks may jump 15% in the 2nd half of 2016 — here's why

Alex Rosenberg | @AcesRose
Tuesday, 5 Jul 2016 | 7:21 AM ET

Jeremy Siegel makes the bull case for stocks

Friday, 1 Jul 2016 | 4:10 PM ET|04:38

Well-known Wharton professor of finance Jeremy Siegel says that a rebound in earnings amid low interest rates could add up to a huge rally for the stock market.

"If we get a good second half of the year earnings-wise, then I think the market could be up 10 to 15 percent, " Siegel predicted in a Friday interview on CNBC's "Trading Nation."

Siegel says that widespread investor perceptions that the market is richly valued are largely due to weak earnings that were engendered in part by the massive decline in oil prices. With energy earnings set to rise nicely and the global macroeconomic environment stabilizing, he says earnings may be ready to rise by 10 to 12 percent.

If that materializes, then "given the low interest rates, the market does not look expensive" — particularly with "all the central banks acting very, very dovish."

should drive investors to stocks, Siegel said.

Still, he grants that "we need an earnings rebound to really get the stock market going."

The first hints as to whether that will materialize come in a few weeks,

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when companies will begin to release their second-quarter earnings.

To be sure, not everyone is so excited about what they will announce. Bank of America Merrill Lynch strategist Savita Subramanian, for one, contends that the true pain of the U.K.'s decision to leave the European Union will be learned as many companies release Brexit-dampened guidance. This could cause investors a nasty hangover after last week's substantial post-Brexit bounce.

Alex Rosenberg
Producer

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Symbol	Price	Change	%Change
US 10-YR	1.4337 ▲	0.047	0%

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ConfuciusSaid • 2 days ago
Well-known Wharton professor of finance Jeremy Siegel says that a rebound in earnings amid low interest rates could add up to a huge rally for the stock market.
I wonder how much CNBC pays him for this pearl of wisdom.
I should have been an economist.
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Stanley Wasserman • 2 days ago
Just another zio criminal following what the Talmud says. God has turned his back on gentiles and turned their money over to Israel.
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Daniel dan • 2 days ago
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The currency will debase away with 4.3 Trillion on Feds Balance sheets.
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cheryl • 3 days ago
Why make ANYTHING if you can buy oil --hold for a short amount of time and sell making money? If the guy with money is buying oil and holding it to make money---the share market isn't the place to be.
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cal10pilot • 3 days ago

This index is finally out of a bear market, and it may be time to buy

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ABOUT TRADING NATION

Trading Nation will offer enthusiast traders insights from a group of "Trader Coaches," a collection of expert CNBC Contributors who are well-versed in the daily challenges of trading. Each "Trader Coach" will have a different area of expertise, and will share their unique perspective on the markets, allowing new insights to emerge from this collaboration. Trading Nation is not simply about finding that next trade; it's a forum where enthusiast traders can hear and compare investing ideas in order to build confidence in their trading decisions.

HOST

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How to use the price-to-earnings ratio

Using support and resistance levels

That settles it.... I'm selling ASAP... always believe the talking heads

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jack • 3 days ago

I wouldn't bet against him.

• Reply • Share ›

dblamp2 • 3 days ago

oh bull, the market will continue with the up & down BS, 19K by 2017

• Reply • Share ›

Saint Joseph • 3 days ago

Hi jw619,
As I understand the stock market,
I've been in for 4-1/2 decades,
it is NEVER overvalued.
For the market (a collection of stocks),
to go up, there are real people
willing to pay more for the stocks.
QED.

• Reply • Share ›

Saint Joseph • 3 days ago

Hi C.M. Aster,
DOW 19,000 is only 5.556% above, say, 18,000.
For this retail investor for 4-1/2 decades,
DOW 19.000 is "already in the bag".
I'm looking to DOW 20,000, and beyond!!!
QED.

• Reply • Share ›

libertyanyday ↪ Saint Joseph • 3 days ago

why are you still trading, if you knew what you were doing youd be on a beach on an island..........we are now japan, dont fool yourself, if you can outsmart the algos good for you

• Reply • Share ›

CAT_KIKI • 3 days ago

Low rates drive financial markets while killing financial systems/ real economy .
So at the end , the financial markets will be prosperous and all banks/insurance companies/pensions are DEAD.

So banks will vanish and when we need cash just go sell your Monsanto holdings.

• Reply • Share ›

Saint Joseph • 3 days ago

Hi Folks,
Since late 2015, I predicted DOW/SP500
would gain 8% +/- 2% for 2016.
As at 12:34 p.m. on July 5,
DOW/SP500 gained
1.28%, and 1.11%.
I reaffirm my prediction.
Of cause 15% for second half of 2016,
would be very nice, yet,
this retail investor for 4-1/2 decades
QED.

• Reply • Share ›

Josh Soffer • 3 days ago

Interest rates are lower because of all the economic uncertainty and fear floating around, and that's not exactly a catalyst for earnings growth. If earnings do rise rates will too, destroying whatever justification there is for high p/e's. BTW, historically there is only a weak correlation between interest rates and stock valuations. in the 1930's and 1940's rates were kept very low, but this did not cause stock valuations to soar. Also, it is not always the case that recovering earnings mean rising stock prices. A 1946 bear market began just as an earnings recession was replaced by 4 years of earnings growth.

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cheryl → Josh Soffer • 3 days ago

Interest rates are low because our Fed decided to print money instead of letting the bond market correct. Our Fed is still trying to keep the bond market from changing direction.

• Reply • Share ›

jb1907 • 3 days ago

I can only hope it goes up 15% more this year .

1 • Reply • Share ›

Mystic Knight • 3 days ago

I am inclined to agree with him. But and it's a pretty big but as well. If it explores that territory it will very soon after correct harder than Berry Bonds smacking a baseball out of the park.

• Reply • Share ›

My2Sense • 3 days ago

Only When Clinton is elected! Otherwise it will be a 15% drop and possibly another depression!

• Reply • Share ›

A. Fury → My2Sense • 2 days ago

She will surely borrow a jillion dollars to prop this phony market up. You are right, that's a healthy market alright.

• Reply • Share ›

Frankiev → My2Sense • 3 days ago

Do we tithe 15 percent to her crooked foundation so Chelsea could make 6 million a year instead of 3 million?

1 • Reply • Share ›

jb1907 → My2Sense • 3 days ago

Hope you like paying more taxes.

3 • Reply • Share ›

My2Sense → jb1907 • 2 days ago

I wish I did because that would mean I was making too much money!

• Reply • Share ›

My2Sense • 3 days ago

Stocks MAY fall 15% as well. May, perhaps, might, could, possibly, etc., etc., etc..

• Reply • Share ›

Mikepaa • 3 days ago

What a call. If there are good earnings, the market could rise. That's not exactly a prediction that there will be good earnings the 2nd half of the year. It's like saying if we get good rain, the crop yield could be good.

mm • 3 days ago

Also....if analysts are looking at the PE ratio of the market....I wonder where they get their numbers and how they calculate the market PE....I believe the numbers are quite inaccurate....for example ....I saw the PE for one stock that a national web site has listed at 10,990 (yes that is correct....not a typo) and I know for an absolute fact that their almost 11,000 PE ratio is grossly overstated

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Joe CTO Trader • 3 days ago
Siegel is the only financial expert I listen to.... He has made me a lot of money
• Reply • Share ›

C.M. Aster • 3 days ago
Let me guess - Dow to 19k
• Reply • Share ›

DONNA_SUMMER → C.M. Aster • 3 days ago
Dow 36,000! lol
2 • Reply • Share ›

jb1907 → DONNA_SUMMER • 3 days ago
It will happen someday.
1 • Reply • Share ›

Greg • 3 days ago
Has Jeremy Siegel ever NOT predicted a stock price boom? Just sayin'.
• Reply • Share ›

jb1907 → Greg • 3 days ago
The same as Robert Schiller predicting the end of the world.
• Reply • Share ›

DONNA_SUMMER • 3 days ago
Only 10-15%?
C'mon Jeremy, go for 30-40%. If you're trying to look foolish, you should go big or stay home.
3 • Reply • Share ›

SUNW_DREAM2000 • 3 days ago
The moron writer suc*ks .. he interviewed many analysts but put Jeremy moron's argument as the title.
• Reply • Share ›

Kim Farry • 3 days ago
"we need an earnings rebound to really get the stock market going.". Now, that's breakthrough Wharton Professor PHD analysis. You see, if the market goes-up, the market will rebound.
• Reply • Share ›

M30 • 3 days ago
and what if real estate prices in UK will fall and will cause bank crisis? what about china ? what about u.s momentum? what about japan?
• Reply • Share ›

Gen. Jack D. Ripper • 3 days ago
Slap a PhD on your name and become a professor at a prestige university and you don't NEED experience.

Siegel's genius is never putting his money where his mouth is, but his babbling Keynesian finance ideology sounds good.
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well covered and growing yields i.e. telecoms and many utilities along with some consumer staples. People need income at moderate risk and those sectors seem to be the go to areas. TLT will probably also remain attractive both from a safety perspective and to many foreign investors looking at negative yields at home. As for Siegel? Throw some more coffee grounds in the flux capacitor Marty. We're going to 1999!

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Robert Boyle • 3 days ago
When they are actively deleting comments, you know the jig is up.
• Reply • Share ›

Reginald Johnson • 3 days ago
didn't make it past well known professor
1 • Reply • Share ›

John Kent • 3 days ago
Lets see....
Italian banks are imploding
UK real estate markets are frozen
Japan is on the brink
The EU is coming apart
China is approaching a crash
and Deutsche bank has trillions of euros in derivatives ready to explode? ...yea, stocks are going to jump 15% second half of 2016?
1 • Reply • Share ›

Reginald Johnson → John Kent • 3 days ago
all bullish in today's world...means more money printing
2 • Reply • Share ›

Joe SC • 3 days ago
This is off topic, His he related to Bernie Madoff?
1 • Reply • Share ›

NOUZARC • 3 days ago
It's more likely it will drop 15 percent or more, Jeremy.
1 • Reply • Share ›

Angusomy • 3 days ago
Never trust the advice of someone with a Ph.D.
2 • Reply • Share ›

EUimport • 3 days ago
We should probably also expect livestock to sprout wings this summer...
2 • Reply • Share ›

Sheldor • 3 days ago
What a moron.

We have ONE GIANT CASH FLOW BUCKET. It is called THE ECONOMY.

Money flowing back into our gas tanks comes at the expense of consumer discretionary spending.
1 • Reply • Share ›

jw619 • 3 days ago
the stock market is overvalued
1 • Reply • Share ›

Gen. Jack D. Ripper • 3 days ago
It is easy to expound Keynesian Economic theories from the

consequence.

It is unfortunate that our Fed has become a brass ring for these professors, as we see them climb the academic ladder only in hopes of being selected to sit in the inner sanctum of like minded central planners.

What is ever more disconcerting is how these Keynesians Theorist have melded monetary and fiscal theory and policies together giving birth to the Spaghetti monster who's amalgamation would make Monsanto blush with envy.

Siegel is bucking for a chair at the table.

4 • Reply • Share ›

John in Denver → Gen. Jack D. Ripper • 3 days ago

I think you enjoy reading your own writing... Have you actually tracked JS comments for more than the last news article. He has a great track record.... You sound like a short who continues to lose money so you go on message boards to complain... You've been saying your same comments when the dow was 10K. You know Gen Jack.... someday you will be right. it the money you've lost waiting for that moment that makes me laugh.... LOL

• Reply • Share ›

Gen. Jack D. Ripper → John in Denver • 2 days ago

First - his track record is NOT great. Because when it REALLY counts he has been dead wrong. I have been trading since 1990 and I remember clearly when Siegel was recommending to buy the market in 2000 and it was going higher. He also was a bull in 2007-2008.

Second - I have been long this market and it has been painful to be long. Because we are long the market for all the WRONG reasons. The market is being driven higher by Fed interventionism, pumping trillions in money supply, QE taking the bad paper off the private books and onto the public, monetizing government debt and deficit spending. Meanwhile in the private sector, we have seen huge share buy backs - that make EPS look far better (that's just basic math), which ironically is driving down equity supply. Demand has been FORCED out of fixed income and into the narrow supply channel of equities (which I explained is getting choked).

see more

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