

Explanation and Demonstration of Real Estate and Stock Market Predictions

Over-valued stocks will be driven by the Finite Spreadsheet Instability to grow because their prices can only be justified by the increase in the price, not the revenues. Over-valuation, Under-valuation, and Inflation are all Instabilities driven by the Finite Spreadsheet Instability. Historically, economic instabilities have been stopped by market crashes, but, if the solution of value is widely used by market participants, it can stop instabilities or market crashes, rationally. Red-marked stocks have the potential of being over-valued (Return used is the smaller of the two rates based on 5-Yr and 1st Yr Growth<7%). (Below 15 out of 30 are potentially over-valued.)

Company	2/29/2016	IstYr	2 nd Yr	Earning	5-YrGrowth	Dividend	Price	Return
MMM 3M	8.23	8.91	8.10%	8.26	4.44	156.87	8.73%	
AXP American Express	5.49	5.61	8.10%	2.19	1.16	55.58	7.72%	1.59
AAPL Apple	9.08	10.01	11.93%	10.24	2.08	96.69	20.62%	13.16
BA Boeing	8.49	9.42	11.92%	10.95	4.36	118.16	25.97%	23.62
CAT Caterpillar	3.71	3.67	0.43%	-1.08	3.08	67.70	1.37%	
CVX Chevron	1.47	4.65	-23.86%	216.32	4.28	83.44	<1.2%	
CSCO Cisco	2.30	2.38	8.24%	3.48	1.04	26.18	11.09%	4.36
KO Coca-Cola	1.94	2.06	2.20%	6.19	1.40	43.13	1.70%	
DIS Disney	5.83	6.23	11.87%	6.86	1.42	95.52	13.91%	4.81
DD du Pont de Nemours	3.03	3.51	9.41%	15.84	1.52	60.87	9.96%	
XOM Exxon Mobil	2.49	4.45	26.40%	78.71	2.92	80.15	50.59%	
GE General Electric	1.51	1.77	7.97%	17.22	0.92	29.14	8.92%	
GS Goldman Sachs	17.31	19.21	4.31%	10.98	2.62	149.53	3.52%	
HD Home Depot	6.14	6.98	13.73%	12.38	2.76	124.12	22.37%	19.16
IBM IBM	13.50	14.19	7.25%	5.1	5.20	131.03	9.04%	6.35
INTC Intel	2.42	2.65	10.00%	9.5	1.04	29.59	20.06%	16.07
JNJ Johnson & Johnson	6.52	6.90	5.32%	5.83	3.00	105.21	5.19%	
JPM JPMorgan Chase	5.72	6.43	7.50%	12.41	1.76	56.30	8.35%	
MCD McDonald's	5.38	6.03	9.50%	12.08	3.56	117.19	13.67%	
MRK Merck	3.70	3.78	4.71%	2.16	1.84	50.21	5.49%	
MSFT Microsoft	2.76	3.06	9.51%	10.87	1.44	50.88	12.45%	
NKE Nike	2.15	2.48	12.62%	15.35	0.64	61.59	9.96%	
PFE Pfizer	2.28	2.47	5.44%	8.33	1.20	29.67	6.87%	
PG Procter & Gamble	3.63	4.04	5.93%	11.29	2.65	80.29	6.54%	
TRV Travelers Co.	9.73	9.96	2.94%	2.36	2.44	107.52	2.24%	1.74
UTX United Technologies	6.51	7.02	9.07%	7.8	2.56	96.62	9.69%	8.07
UNH UnitedHealth	7.73	8.78	14.03%	13.58	2.00	119.62	22.52%	21.27
VZ Verizon	3.99	4.07	4.51%	2.01	2.26	50.73	6.25%	3.16
V Visa	2.80	3.25	16.62%	16.07	0.56	72.39	19.55%	18.36
WMT Wal-Mart	4.12	4.36	0.23%	5.82	2.00	66.34	<1.2%	

The number following the 5-Yr Growth is the 1st Yr Growth, based on which the number following the Return is calculated, if the 1st Yr. Growth is smaller than the 5-Yr Growth.

Red-marked stocks have the potential of being over-valued (rate of return smaller of the two rates based on 5-Yr Growth and 1st Yr Growth<7%). (17 out of 30 are potentially over-valued.)

Company	6-9-2017	IstYr.Earning	2 nd Yr	5-YrGrowth	Dividend	Price	Return
<u>MMM</u> 3M	8.95	9.58	9.33%	7.04	4.70	206.93	9.57% 5.91
<u>AXP</u> American Express	5.7	6.31	7.29%	10.70	1.28	80.31	5.82%
<u>AAPL</u> Apple	8.94	10.53	11.07%	17.78	2.52	148.98	12.72%
<u>BA</u> Boeing	9.39	10.24	18.12%	9.05	5.68	190.03	33.91% 10.43
<u>CAT</u> Caterpillar	4.12	5.24	31.53%	27.18	3.08	105.92	58.86% 48.90
<u>CVX</u> Chevron	4.33	5.67	76.10%	30.94	4.32	106.40	132.95% 58.70
<u>CSCO</u> Cisco	2.38	2.45	10.29%	2.94	1.16	31.37	21.70% 3.30
<u>KO</u> Coca-Cola	1.89	1.98	4.83%	4.76	1.48	45.32	5.13% 5.04
<u>DIS</u> Disney	5.95	6.75	9.41%	13.45	1.56	105.62	7.81%
<u>DD</u> du Pont de Nemours	3.84	4.09	8.06%	6.51	1.52	82.90	6.06% 4.23
<u>XOM</u> Exxon Mobil	3.92	4.6	35.08%	17.35	3.08	82.13	65.69% 35.14
<u>GE</u> General Electric	1.64	1.89	11.93%	15.24	0.96	27.94	24.46%
<u>GS</u> Goldman Sachs	18.95	20.84	12.24%	9.97	3.00	222.44	16.99% 8.87
<u>HD</u> Home Depot	7.24	8.19	12.33%	13.12	3.56	152.96	19.30%
<u>IBM</u> IBM	13.7	13.92	2.56%	1.61	6.00	154.10	3.10% 1.96
<u>INTC</u> Intel	2.86	2.97	8.36%	3.85	1.09	35.71	9.28% 3.68
<u>JNJ</u> Johnson & Johnson	7.11	7.67	6.45%	7.88	3.36	131.53	6.10%
<u>JPM</u> JPMorgan Chase	6.68	7.59	8.04%	13.60	2.00	86.96	7.94%
<u>MCD</u> McDonald's	6.39	6.83	8.99%	6.89	3.76	151.48	9.41% 6.38
<u>MRK</u> Merck	3.84	4.18	-0.04%	8.85	1.88	64.39	<1.24%
<u>MSFT</u> Microsoft	3.03	3.32	9.35%	9.6	1.56	70.32	9.51%
<u>NKE</u> Nike	2.41	2.53	10.89%	4.98	0.72	53.46	8.85% 1.91
<u>PFE</u> Pfizer	2.55	2.74	5.64%	7.45	1.28	32.77	6.96%
<u>PG</u> Procter & Gamble	3.85	4.11	5.97%	6.75	2.76	88.16	6.40%
<u>TRV</u> Travelers Co.	9.24	9.81	0.94%	6.17	2.88	125.23	<1.20%
<u>UTX</u> United Technologies	6.58	7.06	6.62%	7.29	2.64	120.64	5.51%
<u>UNH</u> UnitedHealth	9.8	10.77	14.87%	9.90	3.00	181.46	22.79% 8.82
<u>VZ</u> Verizon	3.75	3.82	2.46%	1.87	2.31	46.72	4.33% 3.62
<u>V</u> Visa	3.37	3.94	17.03%	0.66	0.66	94.56	19.35% 19.08
<u>WMT</u> Wal-Mart	4.36	4.60	5.82%	5.5	2.04	79.42	5.23% 4.79

The number following the 5-Yr Growth is the 1st Yr Growth, based on which the number following the Return is calculated, if the 1st Yr. Growth is smaller than the 5-Yr Growth.

Dr. Ching has publicly predicted both the S&L Crisis and the Subprime Woe, as can be verified by the Fed Chairmen, Greenspan and Bernanke, respectively. Real estate crises are easy for him to predict because the real estate market changes slowly. Here in 2017, Dr. Ching is predicting that the stock market is helplessly heading into a crash due to the increasing number of over-valued stocks, shown for 2016(15/30 potentially over-valued) and 2017(17). Without the solution of value to keep the price in a state of equilibrium, the stock market is like a car without a brake; the only way to stop it is by crashing it into a wall.