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U.S. markets close in 14 minutes

S&P 500
2,937.02
+7.22 (+0.25%)

Dow 30
24,283.26
-48.06 (-0.20%)

Nasdaq
9,216.59
+95.27 (+1.04%)

Russell 2000
1,327.01
-2.62 (-0.20%)

The market is overvalued, warns veteran strategist

Ines Ferré
Markets Reporter
Yahoo Finance May 9, 2020

APRIL JOBS REPORT

NONFARM PAYROLLS	UNEMPLOYMENT	AVG. HOURLY WAGES (YOY)
↓ 20.5M	14.7%	↑ 7.9%

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Symbol	LAST_PRICE	Change	%
1557.T	31,400.00	+350.00	
SPDR S&P 500 ETF Trust			
D07.SI	244.50	+2.58	
SPDR Dow Jones Industrial Average E...			
DIA	243.10	-0.52	
SPDR Dow Jones Industrial Average E...			
DIA.AS	4.10	+0.60	
SPDR Dow Jones Industrial Average E...			
DIA.MX	5,800.00	+76.70	
SPDR Dow Jones Industrial Average E...			

The market is being “driven by sentiment” and is overvalued, warns one veteran strategist.

“The rally that has happened, it always happens after big crises, but going back to the beginning of time, we’ve never seen a bottom in a stock market within six months after a 30% sell-off leading into a recession,” James McDonald, CEO of Hercules Investments tells Yahoo Finance.

On Friday the markets rallied on the same day as [worst monthly jobs report since the Great Depression](#) as businesses cut jobs amid the coronavirus pandemic. The Dow (^DJI) and S&P 500 (^GSPC) and Nasdaq (^IXIC) each rose more than 1.5% during the session and ended the week higher.

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health care] to the extent that they're surviving this crisis, and what I believe will happen is we're going to see a rotation out of those sectors and into cash," said McDonald.

"Irrespective of tech and health care, if you look at valuations right now, we're at double the price earnings growth metric in terms of what the stock market is valued, versus forward-looking earnings. That's never been the case before," said McDonald.

MarketWatch

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"Right now the market is 50% more overvalued than it was at the peak of the dot com crisis. I think what we see right now is very temporary, and the best investment right now are put options."

Fox Business

Some strategists say the Federal Reserve measure and government stimulus will keep the markets from retesting the March 23rd lows.

"I don't think the Fed is the solution to this. In fact, I think all of the liquidity injections have created a false hope of market valuations remaining intact or even stabilizing — This market is going to come down faster and harder as a result of these liquidity injections," said McDonald, who predicts a pricing adjustment of 15%.

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"If we've got half of small businesses closing, if we got a third of the population unemployed, earnings going to come down, and those ratios have to come down. We can't have artificial stock market valuations" he added.

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In April a whopping 20.5 million payrolls were shed as unemployment soared to 14.7%.

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somewhere between 30% and 40% of those jobs coming back online immediately,” Anthony Chan, former chief economist of JPMorgan Chase tells Yahoo Finance. **Bullard: Hopeful U.S. will be 'close to no Q4'** Yahoo Finance Video

Chan believes new jobs will surface in the areas c health care and technology, while opportunities involving more social distancing jobs will take mor time to rebound.

“Now we're a lot more sensitive to health security type of risks, we're more focused on building our health infrastructure,” said Chan. “And of course health care will be partnering with technology.” **As U.S. meat workers fall sick and suppl dwindle, exports to China soar** Reuters

Ines covers the U.S. stock market from the floor of the New York Exchange. Follow her on Twitter at @ines_ferre

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