



Jeremy Grantham: US Market is Most Expensive Ever

Description

Veteran investor Jeremy Grantham has claimed that the recent surge in artificial intelligence has made the U.S. stock market the most expensive in its history. He stated this during an interview on CNBC's "Squawk Box." Grantham suggests that, when comparing the stock market value to the gross domestic product (GDP), the current market is unprecedentedly costly.

He referred to the Buffett indicator, conceived by investor Warren Buffett, which compares the stock market's total value to the economy's size. According to calculations, the market's capitalisation relative to GDP stands at an astonishing 235%, meaning the stock market's value is more than double that of the U.S. economy.

Grantham mentioned that while it's hard to predict market timing, a peak could be nearing. He has a reputation for predicting downturns and has issued similar warnings in the past, including one earlier this year. He stated that the long-term outlook for U.S. stocks now appears bleak.

Additionally, he discussed SpaceX, which experienced a strong initial public offering (IPO). Although its share price soared initially, Grantham warned that it could face a significant decline, similar to what happened to Amazon after the dot-com bubble burst. He believes that SpaceX's estimated \$2 trillion valuation reflects excessive market enthusiasm.

Grantham concluded that this IPO might represent a critical moment in market history, indicating a potential turning point in investor sentiment.

Vocabulary List:

1. **surge** //sɜːdʒ// (noun): a large, sudden increase or rise
2. **capitalisation** //,kæpɪtə'leɪʃən// (noun): total market value of a company or market
3. **GDP** //,dʒi:.di:'pi:// (noun): total value of all goods and services
4. **valuation** //,væljə'reɪʃən// (noun): estimated worth or price of something
5. **IPO** //,aɪ.pi:'oʊ// (noun): when a company first sells shares publicly
6. **bleak** //blik// (adjective): not hopeful; unlikely to improve soon

Comprehension Questions



Multiple Choice

1. What has Jeremy Grantham claimed about the recent surge in artificial intelligence?
Option: It has made the U.S. economy stronger
Option: It has made the U.S. stock market the most expensive in its history
Option: It has no effect on the stock market
Option: It has diminished market value
2. What indicator did Grantham refer to when discussing stock market value?
Option: The PE Ratio
Option: The Price to Earnings Ratio
Option: The Buffett Indicator
Option: The Dow Jones Index
3. According to Grantham, what does the market's capitalization relative to GDP stand at?
Option: 150%
Option: 200%
Option: 235%
Option: 300%
4. Which company did Grantham discuss in relation to an initial public offering?
Option: Amazon
Option: SpaceX
Option: Tesla
Option: Microsoft
5. What does Grantham predict about the long-term outlook for U.S. stocks?
Option: It appears promising
Option: It appears steady
Option: It appears bleak
Option: It is uncertain
6. What did Grantham compare SpaceX's potential decline to?
Option: Netflix after its IPO
Option: Google after its IPO
Option: Amazon after the dot-com bubble burst
Option: Apple after its IPO



True-False

7. Jeremy Grantham believes that the U.S. stock market is undervalued.
8. The stock market's value is currently less than the U.S. economy's size according to Grantham.
9. Grantham has a history of predicting market downturns.
10. SpaceX's initial public offering was unsuccessful according to Grantham.
11. Grantham mentioned that market timing is easy to predict.
12. Grantham suggests that investor sentiment could be changing.

Gap-Fill

13. Grantham stated that the stock market's capitalisation relative to GDP stands at an astonishing _____ percent.
14. Jeremy Grantham discussed SpaceX's valuation, estimating it at _____ trillion.
15. Grantham warned that SpaceX could face a significant _____ in its share price.
16. He referred to the _____ indicator which compares stock market value to the economy's size.
17. Grantham claimed that the current market is unprecedentedly _____ expensive.
18. According to Grantham, the long-term outlook for U.S. stocks now appears _____ .

Answer

Multiple Choice: 1. It has made the U.S. stock market the most expensive in its history 2. The Buffett Indicator 3. 235% 4. SpaceX 5. It appears bleak 6. Amazon after the dot-com bubble burst

True-False: 7. False 8. False 9. True 10. False 11. False 12. True

Gap-Fill: 13. 235 14. 2 15. decline 16. Buffett 17. cost 18. bleak

CATEGORY



1. Business - LEVEL4

POST TAG

1. American history
2. B2
3. ESL learning
4. esl news
5. expensive market
6. Jeremy Grantham
7. Level 4

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Author

aimeeyoung99

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