# Unique Perspectives Using Graphics that Reveal the Data

These are the actual explanatory notes for chart V29k, excerpted from the June 1997 Topline Encyclopedia of Historical Charts. The simple design of this chart allows the viewer to see the correlation immediately, while the notes are available for those who wish to learn more.

If you like this chart, you'll love V29j and V29l. V29j shows the U.S. Yuppie/Nerd Ratio (with official U.S. Census projections to 2050) overlaid on the Moody's Aaa Bond Yield, starting in 1900 (concept: Comstock Partners). V29l shows the U.S. Saver/Spender Ratio overlaid on the constant dollar DJIA from 1900 to 2050. *Hint for the impatient*: The U.S. ratio peaks well before 2007, the date that many have suggested as the end of the baby boom's stock buying.

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## V29k SAVER/SPENDER RATIO (JAPAN) WITH NIKKEI 225 (CONSTANT ¥EN)

This chart shows the Saver/Spender ratio (using Japanese population figures) overlaid on the constant ¥en Tokyo Nikkei 225. This represents the Japanese stock market, adjusted for Japanese inflation.

We have modified the Yuppie/Nerd ratio (see V29j) in search of a demographic barometer for the equity market (as opposed to the debt market). Rather than using 45-54 year olds (Nerds) we've chosen to use 40-49 year olds (we call them Savers).

Both groups are actively saving toward their retirement, but by the time a wage earner reaches 50, it becomes more likely that he will put his incremental savings in bonds rather than stocks. At fifty, retirement stops being something in the distant future. As the reality of financing retirement becomes more concrete, the risks of a loss cause investors to shift their portfolios away from stocks and toward bonds. Typically, that's done by allocating more of that year's contribution to bonds than in the past. So the 40-49 year olds represent savers who are allocating more of their incremental savings to equities, while the 45-54 year olds represent savers who are allocating more of their incremental savings to bonds.

Does this indicator work? Given the limited history available here, it appears to have worked pretty well. The Japanese Saver/Spender ratio peaked in 1972 and bottomed in 1975, corresponding to the peaks and valleys of the constant ¥en Nikkei 225. The ratio peaked in 1991, while the constant ¥en Nikkei peaked at the end of 1989. Note that the five-year growth rate of the ratio was between +23.06% and +23.14% during the four year period 1985 to 1988. In 1989, the five-year growth rate of the ratio fell to +21.12%. This is the first significant deceleration immediately preceding the downtrend in the ratio. It can be seen as an angle in the relatively smooth curve.

The constant ¥en Nikkei 225 is calculated by dividing each week's nominal Nikkei 225 by that month's Japanese CPI, and then multiplying the resulting series by the constant given by the most recent month's CPI.

The Nikkei 225, the Japanese CPI and the demographic data are all available from **DRI/McGraw-Hill**[1].

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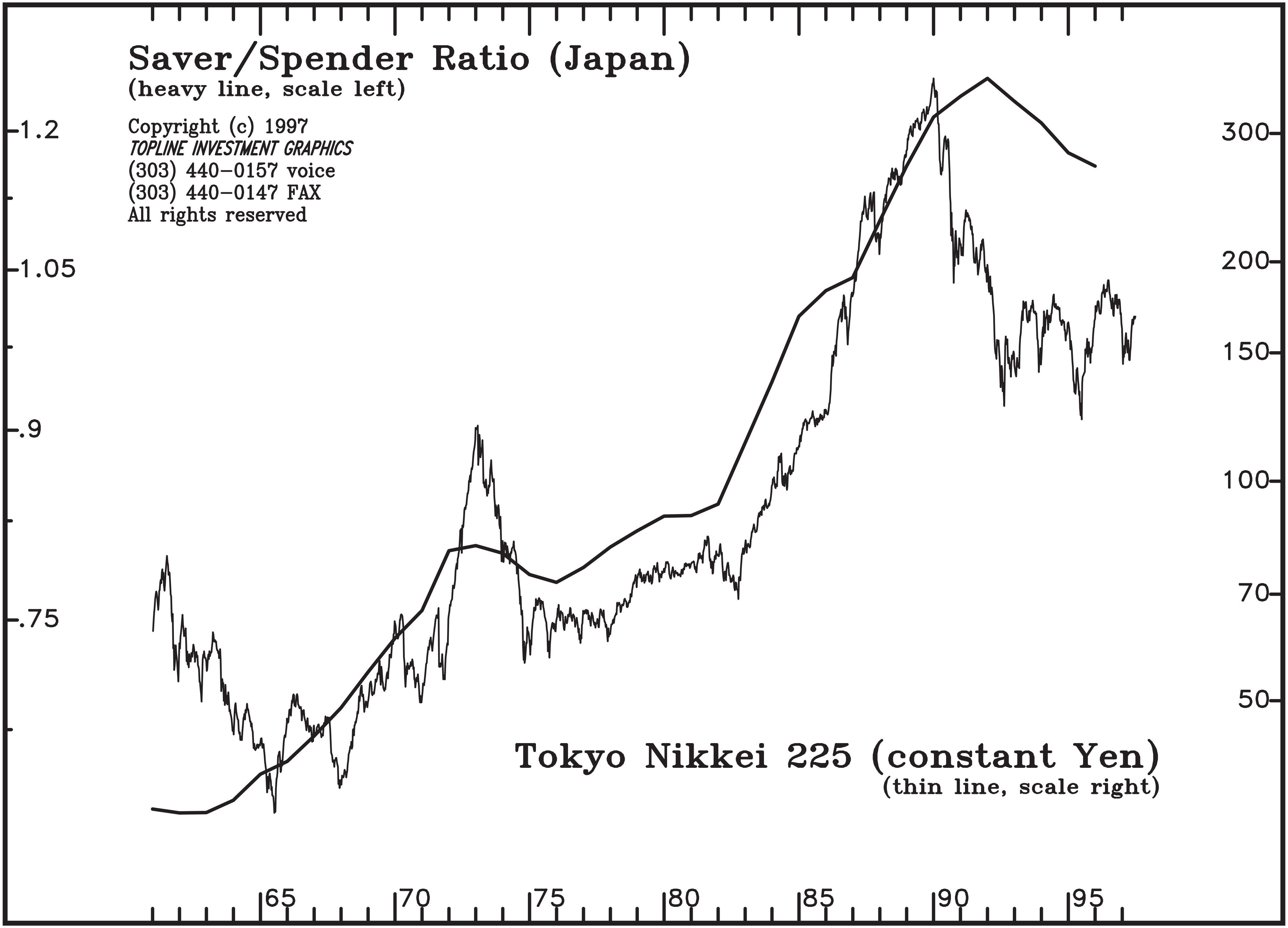
[1] **DRI/McGraw-Hill**, 24 Hartwell Avenue, Lexington, MA 02174, (617) 863-5100.


Saver/Spender Ratio (Japan)
(heavy line, scale left)
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(303) 440-0157 voice
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1.2
1.05
.9
.75
300
200
150
100
70
50
Tokyo Nikkei 225 (constant Yen)
(thin line, scale right)
65
70
75
80
85
90
95