

# Ignore the bitcoin bubble and pay attention to what's going on in the stock market

- **Albert Edwards believes that bitcoin is distracting investors from a huge overvaluation in the equity markets.**
- **Societe Generale's pessimistic analyst says arguments that stocks are climbing because of a strong corporate profit recovery are misplaced.**
- **"Amid all the focus on the parabolic rise of Bitcoin it has gone almost unnoticed that, following its rapid ascent, the main S&P Composite index is now most overbought since 1995."**

Albert Edwards has a new warning: Stop focusing on the bitcoin bubble, and look instead at what's happening in the equities market.

Edwards, Societe Generale's uber-bearish global strategist uses his weekly note to make a comparison between the widely accepted bubble in the cryptocurrency bitcoin, and the US stock market, which he believes is currently wildly overvalued.

"How do you know when an asset price rise has turned into a bubble?" — Edwards asks in his Global Strategy Weekly.

"In the non-virtual world, valuation is often a good starting point. A bubble can also be identified by the steepness and persistence of any price ascent as doubters and naysayers are swept away in a tidal wave of bullish froth. That is something the main S&P Composite Index certainly shares with Bitcoin."

Justifications for the rapid ascent of US stock prices, which have reached new record highs almost continually in 2017, largely focus on the idea that corporate profits have recovered sharply, and are set to continue to do so.

Edwards doesn't buy this argument, saying that the "the underlying profits recovery looks increasingly fragile and indeed on some key measures a rapid deceleration is underway."

"Amid all the focus on the parabolic rise of Bitcoin it has gone almost unnoticed that, following its rapid ascent, the main S&P Composite index is now most overbought since 1995. Yet even this overvalued, overbullish and overbought market might not be enough to unleash the dormant bear," he says, pointing to the chart below:

## US S&P Composite 14 week RSI at 22 year highs



Source: Zero Hedge

In recent months in the markets, bitcoin has dominated media discourse. That's largely because of its meteoric ascent, which has seen its price rise by more than 1000% in 2017, climbing from around \$900 per coin in early 2017, to as high as \$17,000 in December.

US equities, meanwhile, have continued to climb throughout the year, going more and more unnoticed as the year progresses. Now is the time to pay attention to the huge overvaluation (in Edwards' eyes at least) in that market.

"As well as overvaluation, we showed recently that the extreme bullishness currently prevailing among professional advisors has not been seen in markets since (just before) the 1987 crash," he writes.