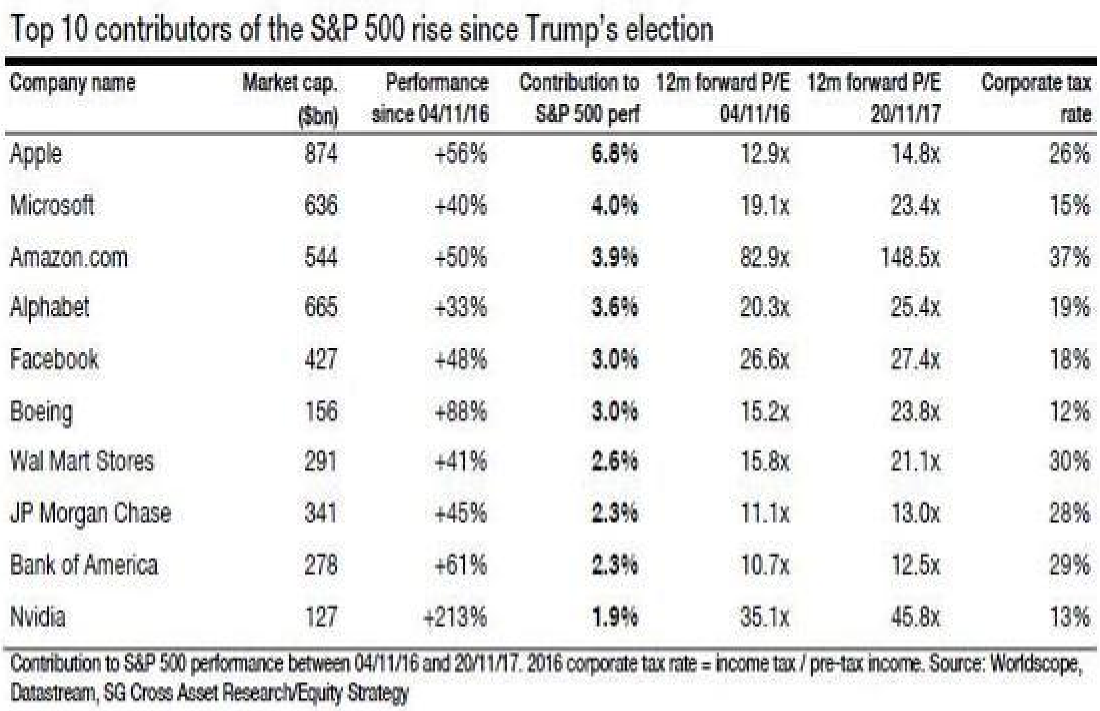
> *"A meme (/?mi?m/•MEEM) is an idea, behavior, or style that spreads from person to person within a culture - often with the aim of conveying a particular phenomenon, theme, or meaning represented by the meme. A meme acts as a unit for carrying• cultural•ideas, symbols, or practices, that can be transmitted from one mind to another through writing, speech, gestures, rituals, or other imitable phenomena with a mimicked theme. Supporters of the concept regard memes as cultural analogues to genes•in that they self-replicate, mutate, and respond to selective pressures."*•Meme, Wikipedia•

Fueled by an historic level of central bank liquidity in a market impervious to price discovery, it's all about the meme. I suppose that if something is said enough and is infrequently contested, the many think it is true! Consistently advancing and uninterrupted rising stock prices have a way of spreading fallacious arguments not grounded in fact. Here are some recent examples of that meme -- namely, of an earnings-driven market -- over the last two weeks, but there are many more repetitions of the meme on a daily basis: *"Earnings are there to support the market. If we didn't have earnings to support the market, that would be worrying. But we have earnings."* --Mary Ann Bartels, Merrill Lynch Wealth Management *"Earnings are doing remarkably well."* --Ed Yardeni, Yardeni Research *"This is very much an earnings-driven market."* --Paul Springmeyer, U.S. Bancorp Private Wealth Management *"This is very much earnings-driven."* --Michael Shaoul, Marketfield Asset Management *"Equities have largely been driven by global liquidity, but they are now being driven by earnings."* --[Kevin Boscher], Brooks Macdonald International *"Most of the market action in 2017 has been earning-driven."* --[Dan Chung], Alger Management *"The action is justified because of earnings."* ---[James Liu], Clearnomics On Friday I tossed out the following Societe Generale chart that lends support to the view that this has *not* been an earnings-driven market, a view adopted by the consensus of strategists, commentators and other talking heads. That view is accepted, and, surprisingly, I know of not one business media commentator who has challenged this common assertion from their guests. In the chart below, a review of 12-month forward price-to-earnings (P/E) ratios indicates that for the top 10 contributors to the S&P 500's



Top 10 contributors of the S&P 500 rise since Trump's election

Company name	Market cap. ($bn)	Performance since 04/11/16	Contribution to S&P 500 perf	12m forward P/E 04/11/16	12m forward P/E 20/11/17	Corporate tax rate
Apple	874	+56%	**6.8%**	12.9x	14.8x	26%
Microsoft	636	+40%	**4.0%**	19.1x	23.4x	15%
Amazon.com	544	+50%	**3.9%**	82.9x	148.5x	37%
Alphabet	665	+33%	**3.6%**	20.3x	25.4x	19%
Facebook	427	+48%	**3.0%**	26.6x	27.4x	18%
Boeing	156	+88%	**3.0%**	15.2x	23.8x	12%
Wal Mart Stores	291	+41%	**2.6%**	15.8x	21.1x	30%
JP Morgan Chase	341	+45%	**2.3%**	11.1x	13.0x	28%
Bank of America	278	+61%	**2.3%**	10.7x	12.5x	29%
Nvidia	127	+213%	**1.9%**	35.1x	45.8x	13%

Contribution to S&P 500 performance between 04/11/16 and 20/11/17. 2016 corporate tax rate = income tax / pre-tax income. Source: Worldscope, Datastream, SG Cross Asset Research/Equity Strategy

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As I [wrote] less than

three weeks ago, this is the new meme, but it increasingly resembles "Group Stink." Contrary to the pablum delivered by many in the business media, the rise in stocks over the last 12 predominantly has been a valuation-driven story, just as it was in 2016 when S&P 500 profits were up 5% and the S&P Index rose by about 11%. And going back even further, since 2012 S&P earnings have risen by 30% comp … I
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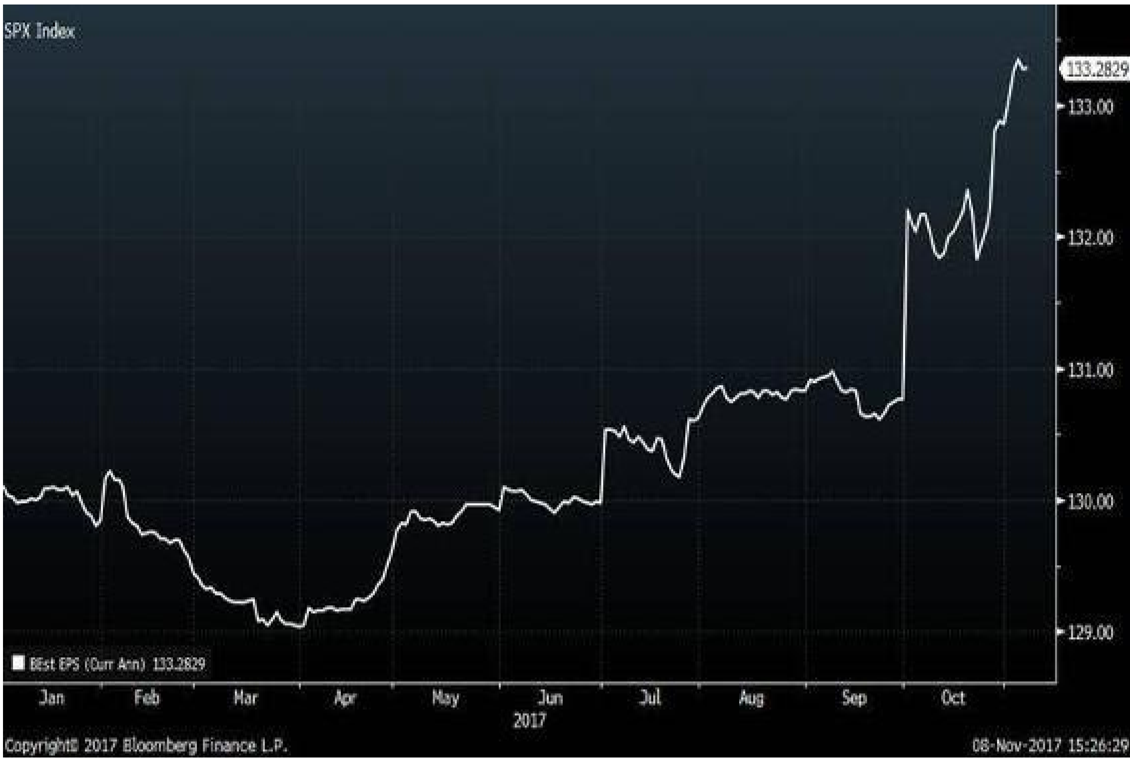

Source: Peter Boockvar, *The Lindsey Group*

Bottom Line

> *"When you get into statistical analysis, you don't really expect to achieve fame. Or to become an Internet meme. Or be parodied by 'The Onion' - or be the subject of a cartoon in 'The New Yorker.' I guess I'm kind of an outlier there."* Nate Silver

Mind the meme -- to me(me), it is another example of the irrational being rationalized in our markets. The profits-driven message being conveyed by the many fails to conflate with the reality that valuations have been the most important driver of higher stock prices.