

Price-Earnings Ratios for Big 6 Over Time

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We compute PE ratio using daily stock price data from CRSP and dividing by the 12-month moving average earnings per share (excluding “extraordinary items”). This gives us the historical PE ratio. As you’ll see, there are some large swings and some super high PE ratios when earnings are low in particular quarters (i.e. the 12-month moving average for Morgan Stanley earnings in 2012 was around .02).

