Source: Campbell and Shiller (1997), updated with data through August 26, 1999. Define $P_t$ as the average price of the S&P 500 Composite Index in January of year $t$, $E_t$ as total earnings of the companies in the S&P index in year $t$, $\pi_t$ as the producer price index, and $E_{t,10}$ = average S&P corporate earnings over the previous ten years = $(1/10) \sum_{i=1}^{10} E_{t-i}/\pi_{t-i}$. Then $P/E_{10} = P_t/E_{t,10}$ is the horizontal axis and the average rate of return over the subsequent ten year period $[(P_{t+10}/P_t)^{1/10} - 1]$ is on the vertical axis. The dashing vertical line labelled ‘now’ is drawn at a value of 46.80 which is equal to $(P_{now}/\pi_{now})/E_{1998,10}$, where $P_{now}$ is the closing value of the S&P 500 composite on August 26, 1999 and $\pi_{now}$ is the producer price index for July 1999, while $E_{1998,10}$ is the ten-year average of earnings through the end of 1998 (in principle this should be updated to include earnings for the first two quarters of 1999, but the effect of such updating should be very small).