



[« Return to Overview page](#)

Market Barometer: First-quarter 2007

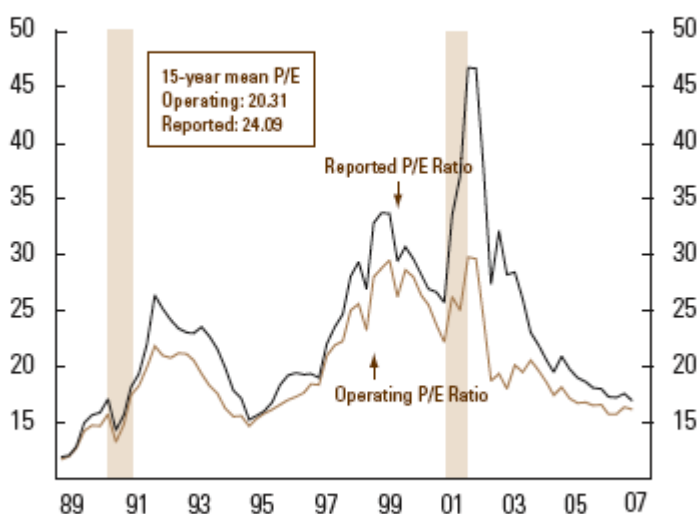
The investment environment

An impressive stock-market rise that began last summer seemed to come to a nerve-rattling halt in late February. But equities pulled themselves together over the next month and turned in a positive, though hardly spectacular, first-quarter performance.

U.S. stocks

- The Dow Jones Wilshire 5000 Index, a proxy for the broad U.S. stock market, returned 1.5% during the first three months of 2007. Growth-oriented shares fared better than value stocks across market-capitalization segments, and returns of small-capitalization shares topped those of large-caps.
- The chart below presents the price/earnings ratio for the S&P 500 Index based on "operating" earnings, which exclude extraordinary and other items, and on "reported" earnings, which include these items. There is no consensus about which one is a better measure of market valuation or sentiment.

S&P 500 price/earnings ratio



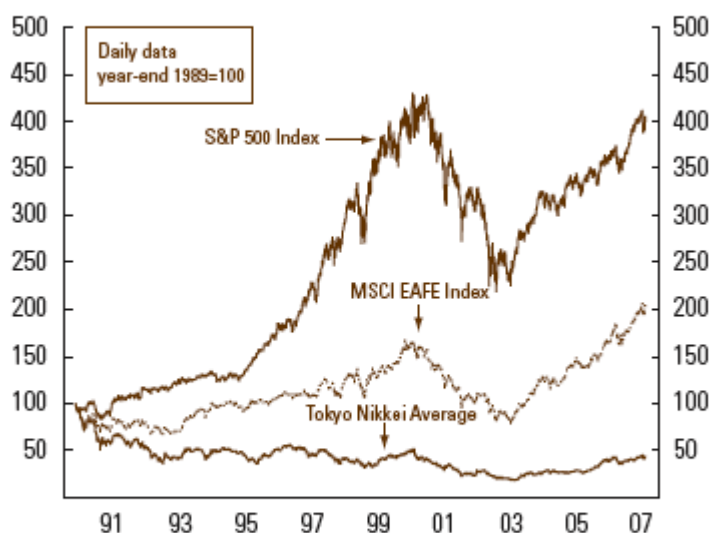
Last observation: March 2007. Shaded areas indicate recessions.

Sources: Standard & Poor's Corporation; Crandall, Pierce & Company.

Global equity markets

- The MSCI EAFE Index, which reflects the performance of international developed markets, returned 4.1% in U.S. dollars during the January–March quarter.

International equities



Last observation: March 30, 2007.

Sources: Standard & Poor's Corporation; Dow Jones and Company; Crandall, Pierce & Company.

U.S. bonds

- Interest rates inched downward—on all but the shortest and longest maturities—as prices rose. The yield of the benchmark 10-year U.S. Treasury note dipped slightly, ending the quarter at 4.64%.
- The Lehman Aggregate Bond Index, a broad measure of taxable, investment-grade U.S. bonds, returned 1.5% for the quarter.

U.S. Treasury-issue yields

Maturity	Dec. 31, 2006	March 31, 2007	Year-to-date change (percentage points)
3 Months	5.01%	5.03%	0.02
2 Years	4.81	4.57	-0.24
5 Years	4.69	4.53	-0.16
10 Years	4.70	4.64	-0.06
30 Years	4.81	4.84	0.03

Source: Vanguard.

Notes

- The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.
- Past performance is not a guarantee of future results.

- Mutual funds are subject to market risk. Stocks of companies in emerging markets are generally more risky than stocks of companies in developed countries.
- Investments in bond funds are subject to interest rate, credit, and inflation risk.
- Foreign investing involves additional risks including currency fluctuations and political uncertainty.
- Prices of small-cap stocks often fluctuate more than those of large-company stocks.

« [Return to Overview page](#)

© 1995–2008 The Vanguard Group, Inc. All rights reserved. Vanguard Marketing Corp., Distrib. [Terms & conditions of use](#) | [Security Center](#) | [Obtain prospectus](#) | [Enhanced Support](#)