Review of Buffett Indicator (2025Q3)

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1. Time-series data

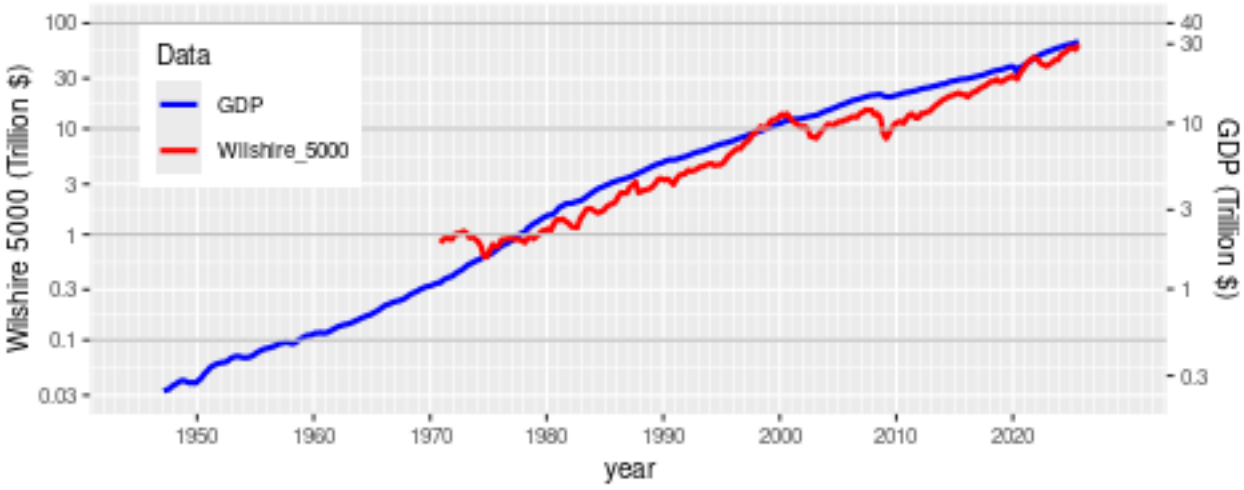

Figure 1: Time-series plots of Wilshire 5000 index and GDP

$$\texttt{empirical Buffett indicator} = \texttt{Wilshire 5000} \div \texttt{GDP}^{1.025(\pm 0.321)}$$

The Buffett indicator represents a quantitative link between the financial and goods markets.

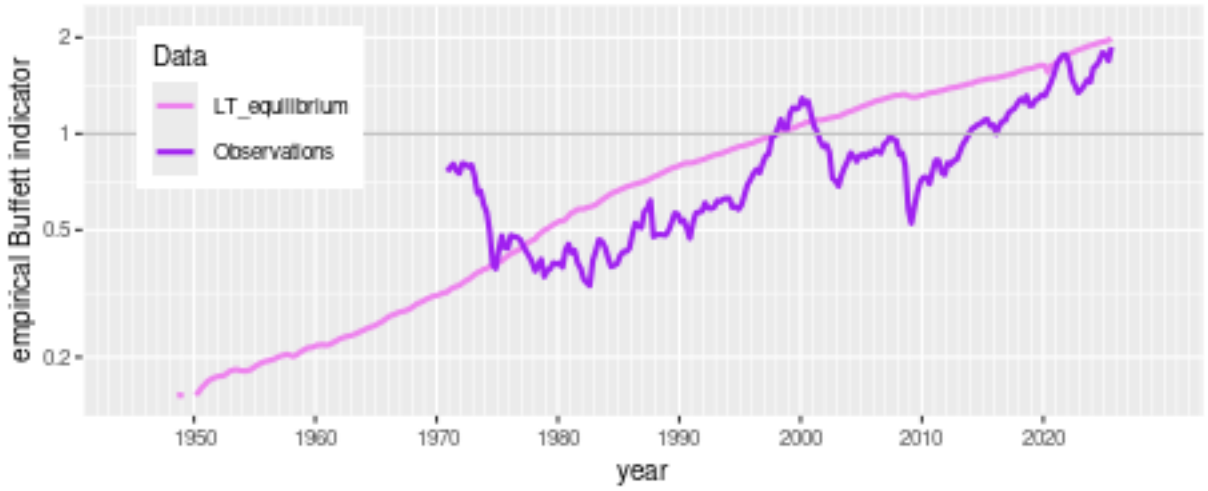

Figure 2: Time-series plots of empirical Buffett indicator

$$\texttt{Long-term equilibrium} = e^{-1.189(\pm 0.286)} \times \texttt{GDP}^{0.545(\pm 0.309)}$$

When the Buffett indicator is on the long-term (LT) equilibrium level, the indicator remains at the same level. In other words, the Wilshire 5000 index increases at the same rate that GDP increases. When the indicator is below the equilibrium level, the index increases faster then GDP, and the indicator increases. Otherwise, trends reverse.

2. Conditionally predicted distribution of empirical Buffett indicator

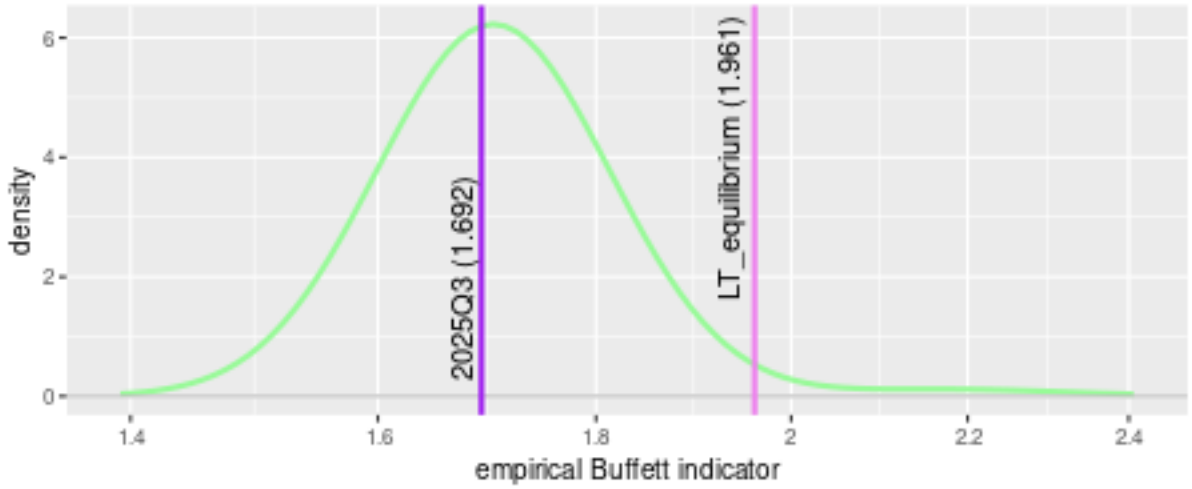

Figure 3: Predicted distribution of empirical Buffett indicator (2025Q4)

$$\texttt{empirical Buffett indicator}_{2025Q4} \,|\, (\texttt{GDP, empirical Buffett indicator})_{2025Q3}$$

The probability that the empirical Buffett indicator becomes higher at 2025Q4 than at 2025Q3 is 50.9%, i.e., the area to the right of the 2025Q3 (purple) line.

3. Simulated distribution of Wilshire 5000 index

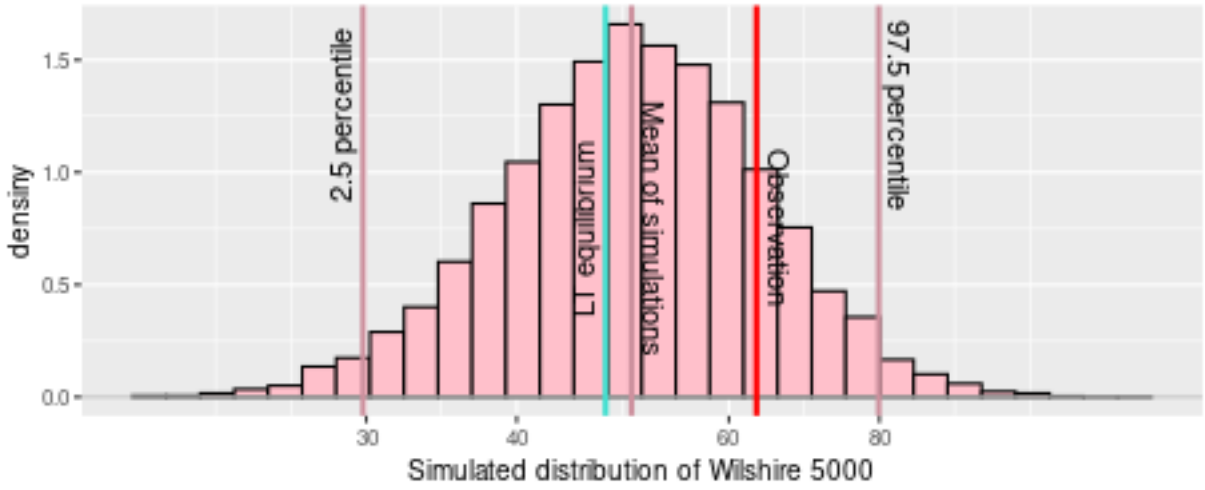

Figure 4: Histogram of simulated Wilshire 5000 index (Trillion $, 2025Q3)

$$\texttt{Wilshire 5000}_{2025Q3} \,|\, \texttt{GDP}_{1947Q1 \sim 2025Q3}, \\ |\, \texttt{emp. Buffett indicator}_{1947Q1} = \texttt{emp. Buffett indicator}_{1947Q2}$$

For 2025Q3, the observation and the mean of 10,000 simulations are respectively 63.27 and 49.81. The LT equilibrium level is 47.4.