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DOW 100,000

A Framework for How the Dow Jones Industrial Average Could Double by 2030

Executive Summary

The idea of the Dow Jones Industrial Average reaching 100,000 by 2030 sounds radical at first glance. However, when examined through the lenses of past business and stock market cycles, technological revolutions such as AI, and the coinciding periods of productivity led economic/corporate profit growth, it is a plausible outcome, rather than an extraordinary one. This also includes the S&P 500 and Nasdaq reaching 15,000 and 50,000 respectfully.

Dow 100,000 is not a prediction. It is a framework that examines what conditions would need to hold for such an outcome to occur—and whether those conditions are consistent with historical precedent.

Business and Stock Market Cycle Analysis

Stock market cycles coincide with economic cycles

- Over the past 50 years, the average duration of economic expansions and coinciding bull markets has been 7-9 years
- We estimate that the current business cycle began in mid 2022 – which provides longevity to 2029-2031
- Economic cycles lead by technology revolutions (tech super-cycles) such as AI, create above average productivity, economic and earnings growth.
- When led by tech innovation, the rate of US and global economic growth often doubles.
- In its most recent release, US productivity growth has doubled to a rate of 4.9%
- Historically stocks return an average of 10% annually
- During tech super-cycles, stock returns exceed average annual returns by a wide margin – often by 25-50% (12.5-15% versus 10% annually)

A doubling of the Dow over the next 5 years is plausible based on the duration of the business and stock market cycle and the overlay of the AI tech super-cycle.

Productivity and Earnings Growth Are the Primary Drivers

At its core, the Dow and other major stock indexes track corporate earnings power and benefit from investor driven, multiple expansion.

Key contributors:

- Historically, the long-term earnings growth for the S&P/Dow has been 6-8% annually
- During these periods share repurchases enhance per-share earnings which we expect in this cycle
- Operating leverage and productivity improvements also compound over the years
- We believe that above average tech super-cycle productivity growth will boost average earnings growth from the historical rate of 6-8% to a higher 10-13% annual average rate

If earnings grow at low double-digit rates, through 2030 and we combine it with a reasonable valuation/multiple expansion, index levels can double within this time frame to our DOW 100K target.

Valuations Do Not Need to Expand Meaningfully

Dow 100,000 does not require speculative multiples. The current multiple for the equally weighted stock indexes is 17.5 times earnings and 22 times for the capitalization weighted indexes. Though a small group of AI tech stocks currently trade at much higher multiples, the average index stock trades at much more reasonable valuations. As AI adoption spreads throughout the economy, it is quite likely that equally weighted stock index multiples will expand, contributing to higher stock prices. Given that AI can add productivity growth to most economic sectors, we estimate that the broad market – the equally weighted index – can trade at a multiple of 20-22 times earnings.

- A rising multiple, supports higher stock prices
- Earnings growth, along with multiple expansion, does the heavy lifting
- Together we estimate that earnings growth, together with multiple expansion, will drive 12-15% annualized stock market returns through 2030

This is an arithmetic argument, not a sentiment argument.

Current and Estimated Index Earnings & Valuation Model

| | Current <u>Multiple</u> | Earnings <u>Growth Rates</u> | Composite Expected Earnings | | | | |
|-----------|----------------------------|---------------------------------|-----------------------------|-------------|-------------|-------------|-------------|
| | | | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> |
| Dow Jones | 19X | 12% annual growth | \$29 | \$32 | \$36 | \$41 | \$45 |
| S&P 500 | 22X | 13% annual growth | \$320 | \$358 | \$401 | \$449 | \$503 |
| Nasdaq | 24X | 15% annual growth | \$10 | \$11.50 | \$13 | \$15 | \$17 |

| <u>Index</u> | <u>2030 Targets</u> | <u>Market Multiples</u> |
|--------------|---------------------|-------------------------|
| Dow Jones | 100,000 | 20x forward earnings |
| S&P 500 | 15,000 | 25x forward earnings |
| Nasdaq | 50,000 | 25x forward earnings |

The market 2030 price-earnings multiples above – which are historically high – coincide with the tail end of past tech led bull markets – a precursor to stock market tops

Unlikely to Be a Smooth Path Upward

Investors should prepare for significant volatility along the way – particularly in certain sectors and individual stocks as AI creates obsolescence – and opportunities.

The Current AI Productivity Boom Is Essential to the DOW 100K Thesis

Technological gains—particularly from AI productivity growth—drive upside.

- Even modest productivity gains amplify profit margins
- The framework assumes a continuation of the current productivity boom
- If productivity continues to remain at high levels, the upside expands meaningfully

Risks to The Dow 100K Theory

- Earlier than expected economic recession interrupts the business cycle
- Failure of AI to continue to enhance productivity growth
- Fed policy error interrupts business cycle
- Significant geo-political unrest

Historical Context Matters

Historically the Dow has repeatedly reached levels once considered unrealistic:

- Dow 1,000 → Dow 10,000 (1966-1999)
- Dow 25,000 → Dow 50,000 (2020-2025)

Each milestone was met amid skepticism—and each was driven by nominal growth, technology super-cycles and earnings compounding.

The Rise to DOW 100K Will End Badly

Tech super-cycles can be very profitable for astute investors, but these cycles and bull markets in general typically end very badly. Historically, it is quite common to see 50% declines in market indexes and even worse declines in specific sectors and stocks. Much of this is a result of investor psychology which reaches high levels of over confidence (greed) as stock prices soar to unsustainable levels, relative to their underlying fundamentals. It is for this reason that it is imperative that investors employ risk management tools such as our Active Risk Management process – the subject of our next white paper.

Conclusion

Dow 100,000 by the year 2030 is not a call, a guarantee, or an investment recommendation. It is a framework grounded in arithmetic, history, and market structure.

If the economic and stock market cycle remain intact through 2030, along with continued productivity gains, earnings expansion, and capital flows, DOW 100K itself is not extreme. What feels extraordinary is often simply the compounding effect of time.



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The Dow Jones Industrial Average (“DJIA”), S&P 500 Index (“S&P 500”), and Nasdaq Composite Index (“Nasdaq”) are unmanaged indices shown for informational purposes only. An investor cannot invest directly in an index. Index performance reflects the reinvestment of dividends, where applicable, and does not reflect fees or



expenses. The DJIA is price-weighted; the S&P 500 and Nasdaq are market capitalization-weighted.