A Range of Asset Prices Making New Highs

Over this past month in particular, we've seen a range of global assets reaching either all-time or multi-decade highs. In a free market system, asset prices tell a story. When they are moving to new highs, we may not know all the underlying details and information, but we should certainly be taking note.

Economist, Friedrich Hayek viewed prices in a free market system as a **mechanism for coordinating dispersed information**. His view was that prices serve as a decentralized communication system, aggregating and conveying information about supply, demand, and scarcity, without the need for central planning.

For example, a stock index is itself an **information aggregator**. It comprises numerous individual stock prices, each reflecting a company's valuation based on countless factors and investor opinions, including past and projected earnings, management quality, economic outlook, monetary conditions and alternative investment options etc.

Looking at some assets and markets that have traded at new or multi-year highs over the past month, we find:

1) The S&P500 reached new highs trading over the 6300 level.
2) The JSE All Share Index hit new highs over the 100 000 level.
3) Semiconductor stocks soared to all-time highs, as Nvidia became the first ever company to trade over $4 trillion in market cap size.
4) Goldman Sachs Nonprofitable tech index reached new highs.
5) Gold traded at new highs.
6) Cryptocurrencies as a whole traded over $4 trillion in market cap with bitcoin reaching a new high of $123 000.
7) Commodities

- The price of cattle has moved up consistently to new highs.
- Metals prices, platinum and silver in particular, hit 14-year highs.
- Copper reached all-time highs.

Conclusion

Record-high prices convey a wealth of distilled information. The challenge for investors is to determine whether too much good news is priced in, in which case prices may be peaking or valuations expensive. Alternatively, if the collective wisdom is underestimating future positive news, this will underpin the upward price trend.

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