



The Real Economy vs. Financial Assets:

Eight decades of divergence and
globalization

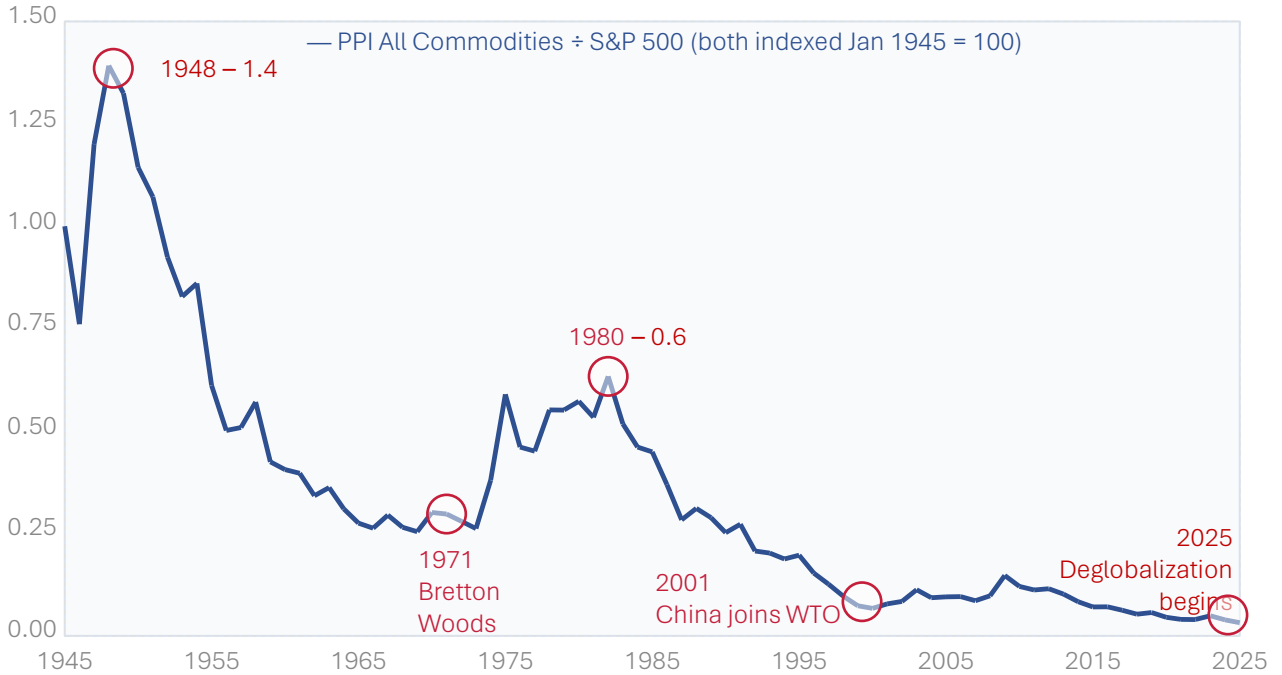
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Eight decades of divergence and globalization.

Real economy costs — from raw materials and energy to agricultural products and manufactured goods — trade at its lowest valuation relative to financial assets in the 80-year post-war record. The 20-year suppression of the ratio after 2001 coincides precisely with China's WTO accession and the deflationary impulse of global supply chain integration — a structural force that is now visibly reversing with friend-shoring and on-shoring.

BLS PPI ALL COMMODITIES — REAL ECONOMY PRICING vs. S&P 500 — 1945 TO PRESENT



WHAT THE RATIO IS TELLING US

97%

real economy discount

From its 1948 post-war high of 1.39 to 0.03 today — the lowest reading in the 80-year record, across the full breadth of real economy output.

~10yr

prior cycle duration

The 1970s repricing spanned energy, food, materials, and manufactured inputs simultaneously — the broad-based dynamic PPIACO is designed to capture.

1980

last comparable cycle

Fiscal dominance, deglobalization, and chronic underinvestment in physical production today mirror conditions that preceded the 1970s supercycle.

Canadian farmland sits at the intersection of two converging forces: the historic undervaluation of real economy assets relative to financial markets, and the structural unwinding of the deflationary regime that caused it. For two decades, cheap Chinese manufactured inputs suppressed real economy pricing while equity markets compounded on the margin benefits. That regime is reversing — through deglobalization, reshoring mandates, and supply chain fragmentation. Farmland is the real economy asset best positioned to capture that reversal: productive, income-generating, inflation-linked, and structurally uncorrelated to the financial cycle that created the imbalance in the first place.

Sources: BLS Producer Price Index by Commodity: All Commodities (PPIACO, Index 1982=100) from FRED, Federal Reserve Bank of St. Louis — all values from primary FRED CSV download. S&P 500 January price levels from Multpl.com / S&P Global (Robert Shiller). Both series independently rebased to 100 as of January 1945. Ratio = PPIACO_index ÷ S&P_index. Note: PPIACO is intentionally broader than a pure traded commodity index, encompassing raw materials, energy, agricultural products, metals, chemicals, and manufactured goods; the ratio measures real economy pricing power relative to financial asset valuations. S&P 500 reflects price return only; total return including dividends would further widen the gap in earlier decades.



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