

## Macro Roundup Article

**Headline:** [The Benefit of Owning Stocks Over Bonds Keeps Shrinking](#)

**Article Link:** [https://www.wsj.com/articles/the-benefit-of-owning-stocks-over-bonds-keeps-shrinking-20528203?mod=markets\\_lead\\_pos1](https://www.wsj.com/articles/the-benefit-of-owning-stocks-over-bonds-keeps-shrinking-20528203?mod=markets_lead_pos1)

Author(s)	Sam Goldfarb
Publication	Wall Street Journal
Publication Date	August 01, 2023

**Tweet:** [The equity risk premium is at its lowest level since 2002.](#)

**Summary:** The extra reward for holding stocks instead of bonds has fallen to its lowest level in 20 years, threatening a recent hot streak for major indexes. One method for gauging the value of stocks is to compare their earnings yield—calculated by dividing a company’s expected earnings over the next year by its stock price—to the yield on government bonds, considered the closest thing to a risk-free return. The gap between the earnings yield of the S&P 500 and the yield on the 10-year U.S. government bond dropped to around 1.1pp last week, its narrowest since 2002. The spread to the yield on the 10-year Treasury inflation-protected security, seen by some analysts as the better benchmark because corporate earnings tend to adjust with inflation, has similarly fallen to its lowest level since 2003, at around 3.5pp. Related: Market Resilience or Investors in Denial: The Market at Mid-Year 2023 and Mr. Toad's Wild Ride: The Impact Of Underperforming 2020 and 2021 US IPOs

**Primary Topic:** Financial Markets

**Topics:** Financial Markets, GDP, News article

**Permalink:** <https://www.edwardconard.com/macro-roundup/the-equity-risk-premium-is-at-its-lowest-level-since-2002?view=detail>

### Featured Image

**Link:** <https://www.edwardconard.com/wp-content/uploads/2023/08/SP-Earnings-Premium-adj.png>