

Macro Roundup Article

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

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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.

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Primary Topic: Financial Markets

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