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thinking outside the box
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Figure 1.

S&P 500 REPORTED EARNINGS YIELD* MINUS CPI INFLATION RATE**

Latest (2.60)

Average 3.19

Q4

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

Source: Standard & Poor’s and Bureau of Labor Statistics.

Figure 2.

US EQUITIES REPORTED EARNINGS YIELD* MINUS CPI INFLATION RATE**

Average = 4.9

Latest (2.63)

Q3

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

Source: Federal Reserve Board.

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.

** Year-over-year percent change in three-month average of each quarter.

* Ratio of after-tax corporate profits as reported to the IRS divided by market value of US equities traded in the US excluding foreign issues.

** Year-over-year percent change in quarterly using three-month averages.

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

Source: Federal Reserve Board.
**S&P 500 Earnings Yield**

Figure 3.

**REAL EARNINGS YIELDS**

Real Earnings Yields

All Equities

Less Foreign** (2.63)

S&P 500* (2.60)

* After-tax corporate profits as reported to the IRS as a percent of market value of US equities traded in the US excluding foreign issues minus CPI inflation rate (y/y in quarterly using 3-ma).

** S&P 500 reported earnings as a percent of quarterly average S&P 500 index minus CPI inflation rate (y/y in quarterly using 3-ma). Q4-2008 dropped because of negative value.

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

Source: Federal Reserve Board, Standard & Poor’s, and Bureau of Labor Statistics.

Figure 4.

**S&P 500 REPORTED EARNINGS YIELD***

(as a percent of quarterly average S&P 500 index, annual rate, nsa)

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.

Source: Standard & Poor’s.
Figure 5.

S&P 500 Index Divided by Consumer Price Index (ratio scale)

Source: Standard & Poor’s and Bureau of Labor Statistics.

Figure 6.

S&P 500 Reported Earnings Yield* vs CPI Inflation Rate**

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.

** Year-over-year percent change in three-month average of each quarter.

Source: Standard & Poor’s and Bureau of Labor Statistics.
Figure 7.

S&P 500 REPORTED EARNINGS YIELD* MINUS CPI INFLATION RATE**

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.
** Year-over-year percent change in three-month average of each quarter.
Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Source: Standard & Poor’s and Bureau of Labor Statistics.

Figure 8.

S&P 500 REPORTED EARNINGS YIELD*
vs US TREASURY 10-YEAR BOND YIELD

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.
Source: Standard & Poor’s and Federal Reserve Board.
S&P 500 Earnings Yield

Figure 9.

S&P 500 REPORTED EARNINGS YIELD*  
MINUS US TREASURY 10-YEAR BOND YIELD

* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of negative value.  
Source: Standard & Poor’s and Federal Reserve Board.

Figure 10.

S&P 500 REPORTED EARNINGS / CONSUMER PRICE INDEX*  
(dollars per share, annualized, ratio scale)

* S&P 500 reported earnings divided by consumer price index (three-month average of each quarter). Q4-2008 dropped because of negative value.  
Source: Standard & Poor’s and Bureau of Labor Statistics.
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