

## Data Insights: Global Equity Risk Premia

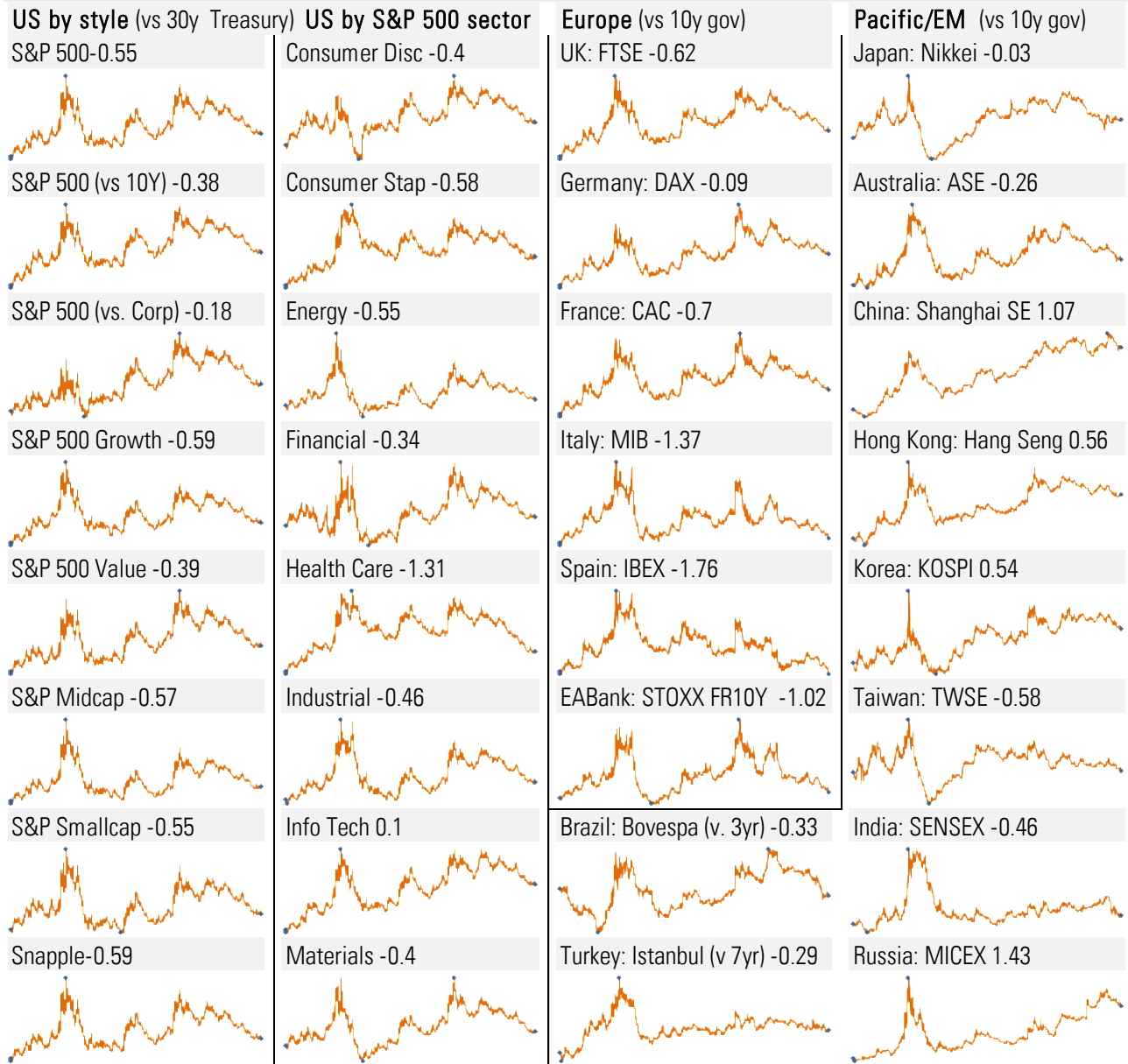
Tuesday, October 22, 2013

### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

| Rank | Equity risk premium        |       | Forward PE ratio     |      | Fwd earnings upgrade rate |      | Fwd sales upgrade rate |      |
|------|----------------------------|-------|----------------------|------|---------------------------|------|------------------------|------|
|      | By SD from crisis era mean |       |                      |      | Trailing 90 days, AR      |      | Trailing 90 days, AR   |      |
|      | <b>By country</b>          |       | <b>By country</b>    |      | <b>By country</b>         |      | <b>By country</b>      |      |
| 1    | China: Shanghai SE         | +1.08 | Russia: MICEX        | 4.4  | India: SENSEX             | +18% | India: SENSEX          | +82% |
| 2    | HK: Hang Seng              | +0.57 | China: Shanghai SE   | 8.8  | China: Shanghai SE        | +11% | China: Shanghai SE     | +14% |
| 3    | Korea: KOSPI               | +0.54 | Korea: KOSPI         | 9.7  | Italy: MIB                | +8%  | Brazil: Bovespa        | +13% |
| 4    | Russia: MICEX              | +0.36 | Turkey: Istanbul     | 10.3 | HK: Hang Seng             | +8%  | Russia: MICEX          | +9%  |
| 5    | Taiwan: TWUSA              | -0.02 | HK: Hang Seng        | 10.5 | Japan: Nikkei             | +6%  | HK: Hang Seng          | +7%  |
| 6    | Japan: Nikkei              | -0.04 | Germany: DAX         | 12.1 | US: S&P 500               | +6%  | Japan: Nikkei          | +5%  |
| 7    | Turkey: Istanbul           | -0.08 | UK: FTSE             | 12.5 | Netherlands: AEX          | +3%  | France: CAC            | +5%  |
| 8    | Germany: DAX               | -0.09 | France: CAC          | 12.7 | France: CAC               | +3%  | US: S&P 500            | +4%  |
| 9    | Australia: ASE             | -0.26 | Netherlands: AEX     | 12.9 | Russia: MICEX             | +2%  | Germany: DAX           | +1%  |
| 10   | India: SENSEX              | -0.46 | Italy: MIB           | 13.0 | Australia: ASE            | +2%  | Korea: KOSPI           | +1%  |
| 11   | US: S&P 500                | -0.55 | India: SENSEX        | 14.1 | Germany: DAX              | +0%  | Indonesia: JCI         | -0%  |
| 12   | UK: FTSE                   | -0.62 | Spain: IBEX          | 14.6 | Korea: KOSPI              | -1%  | Australia: ASE         | -2%  |
| 13   | France: CAC                | -0.70 | Indonesia: JCI       | 14.7 | Turkey: Istanbul          | -2%  | Italy: MIB             | -3%  |
| 14   | Netherlands: AEX           | -0.70 | US: S&P 500          | 14.7 | Spain: IBEX               | -2%  | Spain: IBEX            | -4%  |
| 15   | Italy: MIB                 | -1.38 | Australia: ASE       | 15.0 | Indonesia: JCI            | -2%  | UK: FTSE               | -10% |
| 16   | Spain: IBEX                | -1.76 | Japan: Nikkei        | 17.4 | UK: FTSE                  | -15% | Netherlands: AEX       | -26% |
| 17   | Brazil: Bovespa            | -1.93 | Brazil: Bovespa      | 20.0 | Brazil: Bovespa           | -83% | Turkey: Istanbul       | -45% |
|      | <b>US, by style</b>        |       | <b>US, by style</b>  |      | <b>US, by style</b>       |      | <b>US, by style</b>    |      |
| 1    | S&P 500 Value              | -0.39 | S&P 500 Value        | 13.4 | S&P Smallcap              | +21% | S&P Smallcap           | +12% |
| 2    | S&P Smallcap               | -0.55 | S&P 500              | 14.7 | S&P Midcap                | +13% | S&P 500 Growth         | +6%  |
| 3    | S&P 500                    | -0.55 | S&P 500 Growth       | 15.8 | S&P 500 Growth            | +8%  | S&P 500                | +4%  |
| 4    | S&P Midcap                 | -0.58 | S&P Midcap           | 17.8 | S&P 500                   | +6%  | S&P Midcap             | +3%  |
| 5    | S&P 500 Growth             | -0.60 | S&P Smallcap         | 18.9 | S&P 500 Value             | +5%  | S&P 500 Value          | -0%  |
|      | <b>US, by sector</b>       |       | <b>US, by sector</b> |      | <b>US, by sector</b>      |      | <b>US, by sector</b>   |      |
| 1    | Info Tech                  | +0.10 | Energy               | 12.8 | Telecom                   | +27% | Consumer Disc          | +16% |
| 2    | Telecom                    | -0.28 | Financial            | 13.0 | Consumer Disc             | +12% | Financial              | +9%  |
| 3    | Financial                  | -0.35 | Info Tech            | 13.6 | Industrial                | +10% | Industrial             | +8%  |
| 4    | Materials                  | -0.40 | Utilities            | 15.3 | Info Tech                 | +9%  | Energy                 | +4%  |
| 5    | Consumer Disc              | -0.41 | Telecom              | 15.3 | Financial                 | +8%  | Telecom                | +3%  |
| 6    | Industrial                 | -0.47 | Industrial           | 15.4 | Consumer Stap             | +6%  | Materials              | +2%  |
| 7    | Energy                     | -0.56 | Materials            | 15.8 | Utilities                 | +4%  | Consumer Stap          | +2%  |
| 8    | Consumer Stap              | -0.58 | Health Care          | 15.9 | Health Care               | +3%  | Utilities              | +1%  |
| 9    | Utilities                  | -0.66 | Consumer Stap        | 16.7 | Materials                 | +2%  | Health Care            | +1%  |
| 10   | Health Care                | -1.31 | Consumer Disc        | 17.5 | Energy                    | -3%  | Info Tech              | -1%  |

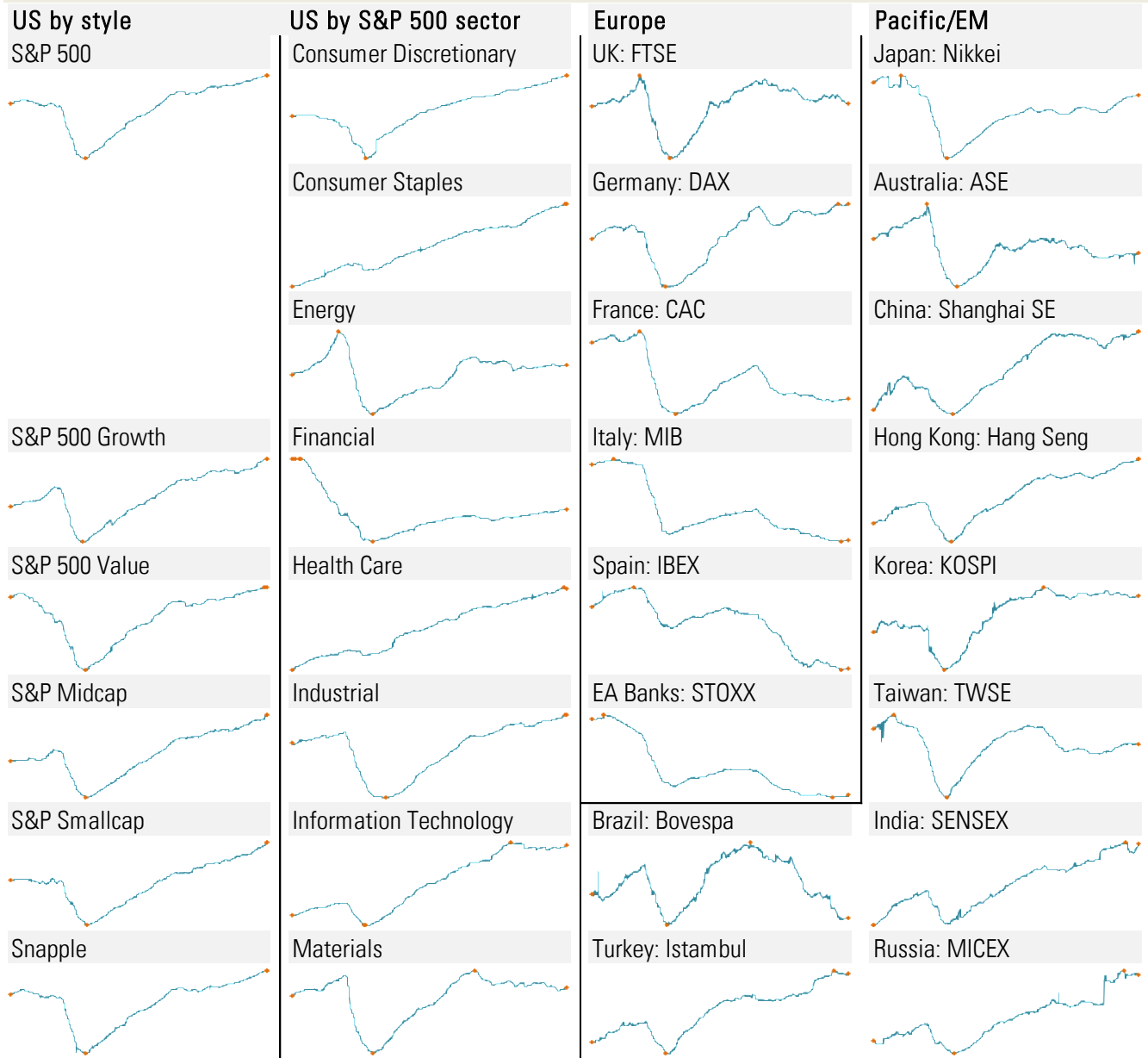
## Equity risk premium: forward earnings yield minus bond yield, July 2007 to current

Standard deviations from crisis-era mean • First, High, Low, Last



# EPS: forward consensus, bottom-up, July 2007 to current

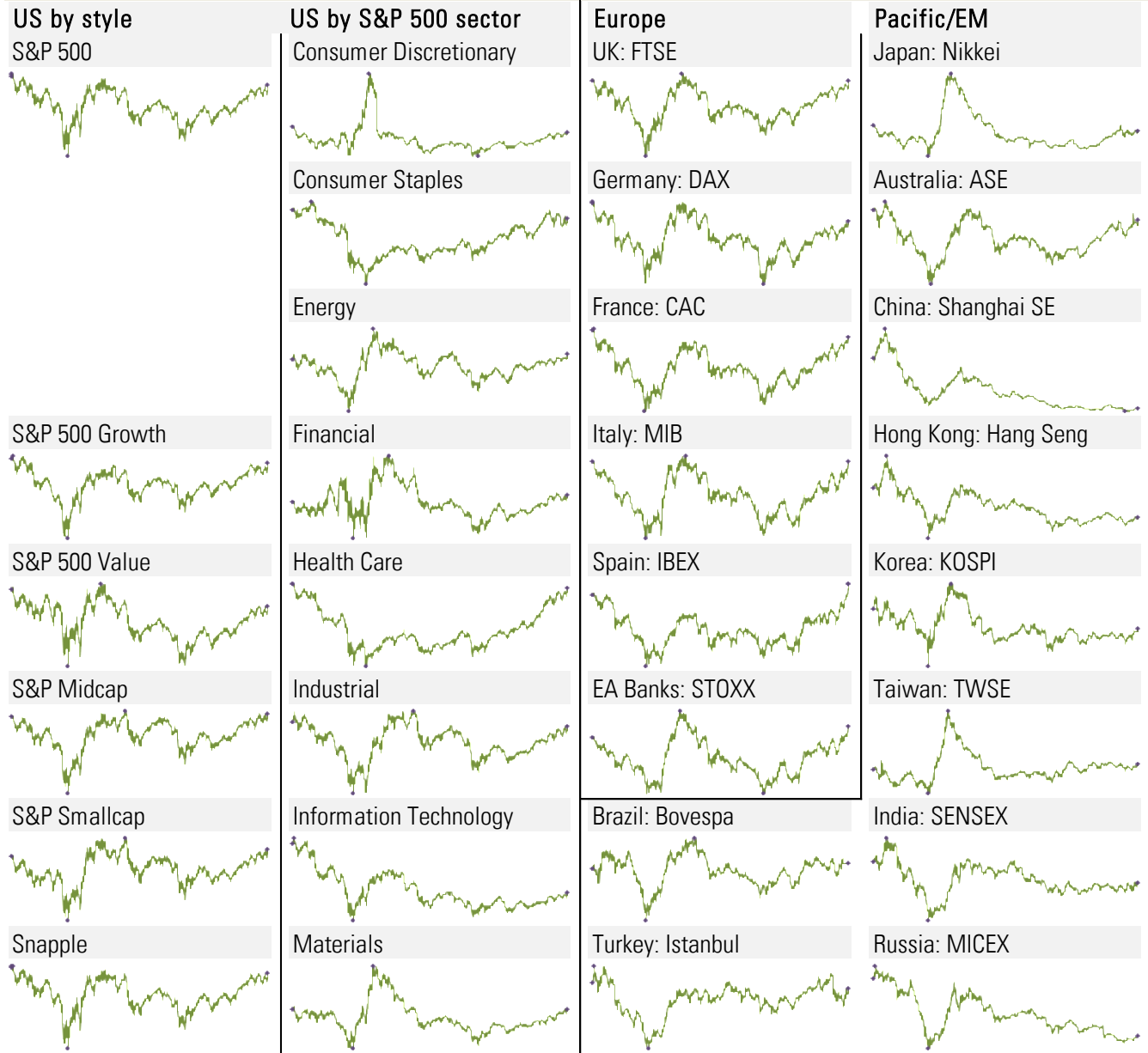
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

# P/E ratio: forward consensus, bottom-up, July 2007 to current

• First, High, Low, Last



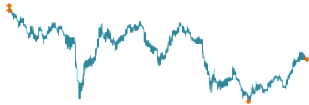
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

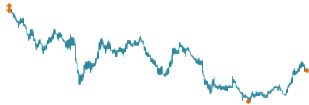
• First, High, Low, Last

## US

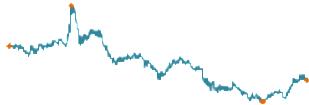
30-year Treasury



10-year Treasury

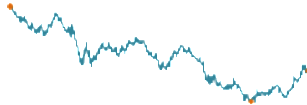


Moody's Corporate Avg

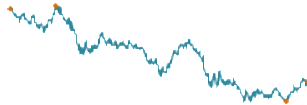


## Europe

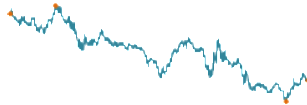
UK: 10-year govt



Germany: 10-year govt



France: 10-year govt



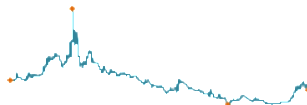
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

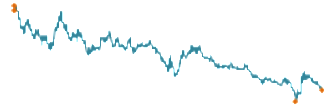


Turkey: 7-year govt

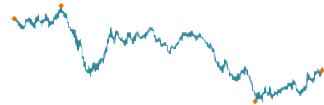


## Pacific/EM

Japan: 10-year govt



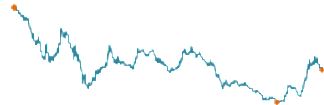
Australia: 10-year govt



China: 10-year govt



Hong Kong: 10-year govt



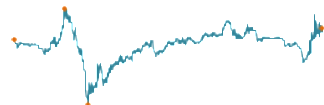
Korea: 10-year govt



Taiwan: 10-year govt



India: 10-year govt



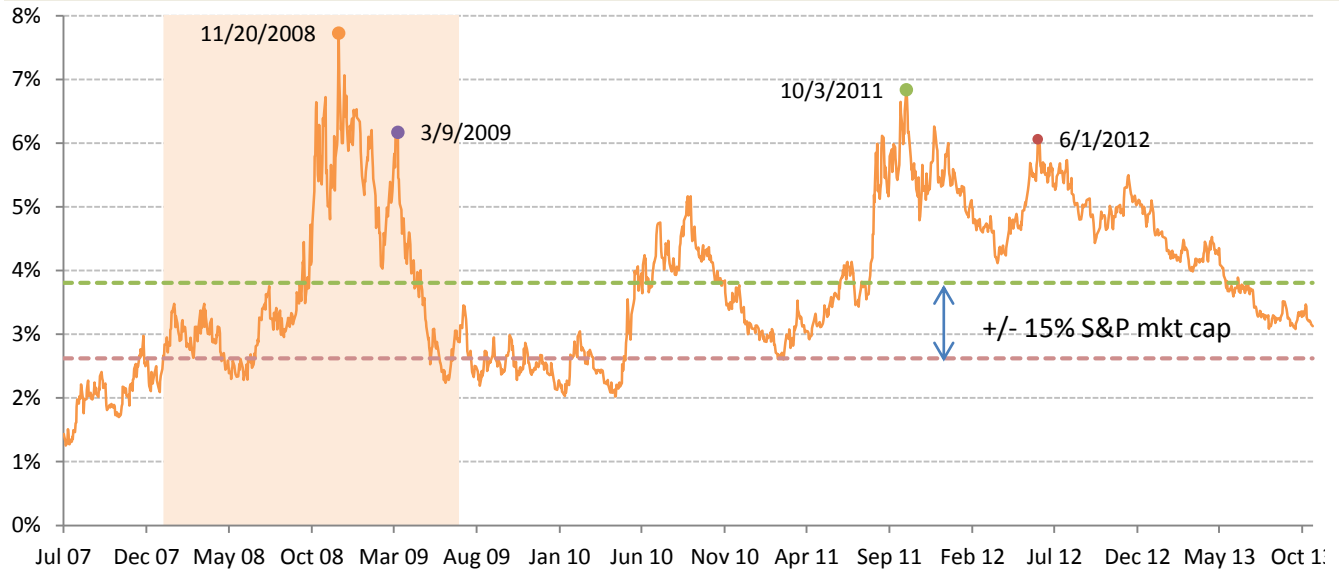
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

## Daily S&P 500 equity risk premium

--- Crisis-era mean    - - - Post Q3-02 mean    ■ Recession

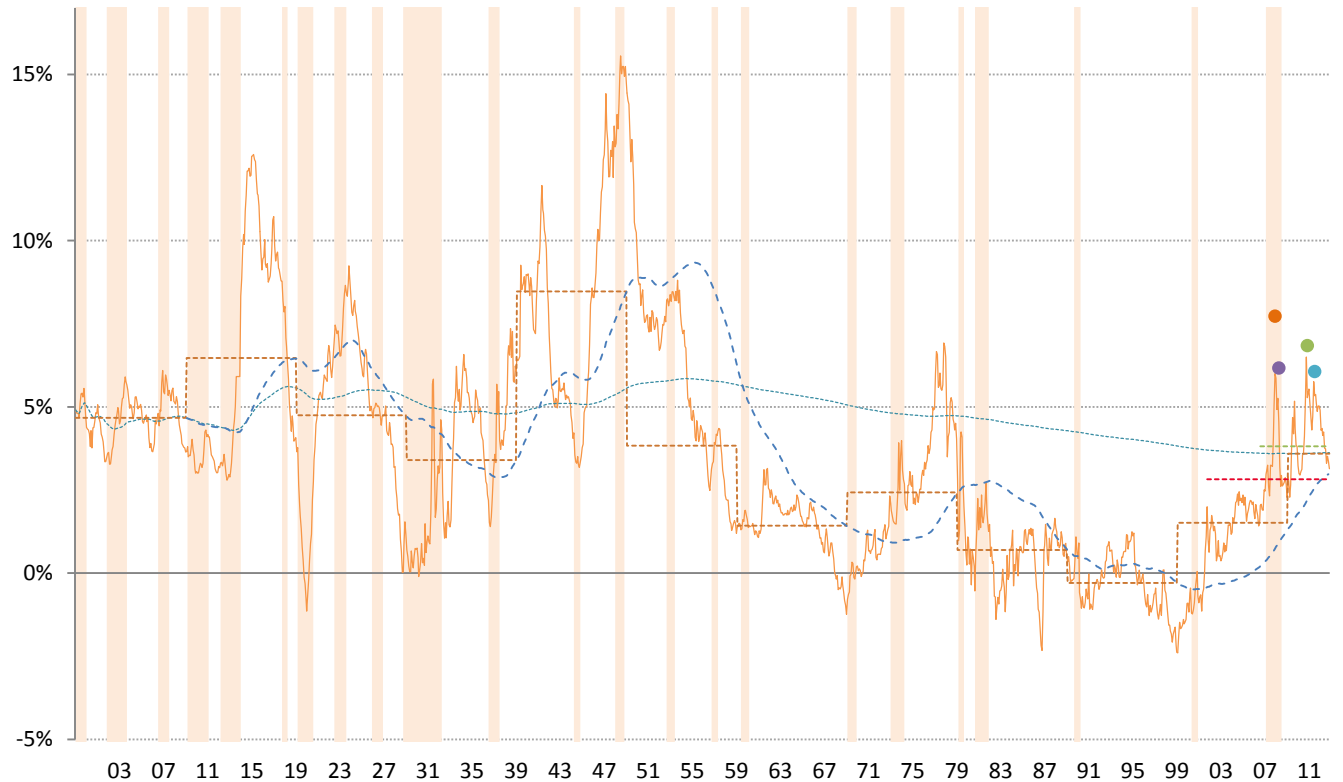


Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

## A century-plus of the monthly S&P 500 equity risk premium

Means: --- Crisis era    - - - Post-Q302    - - - Decade    - - - 10-yr    - - - Cume from 1900

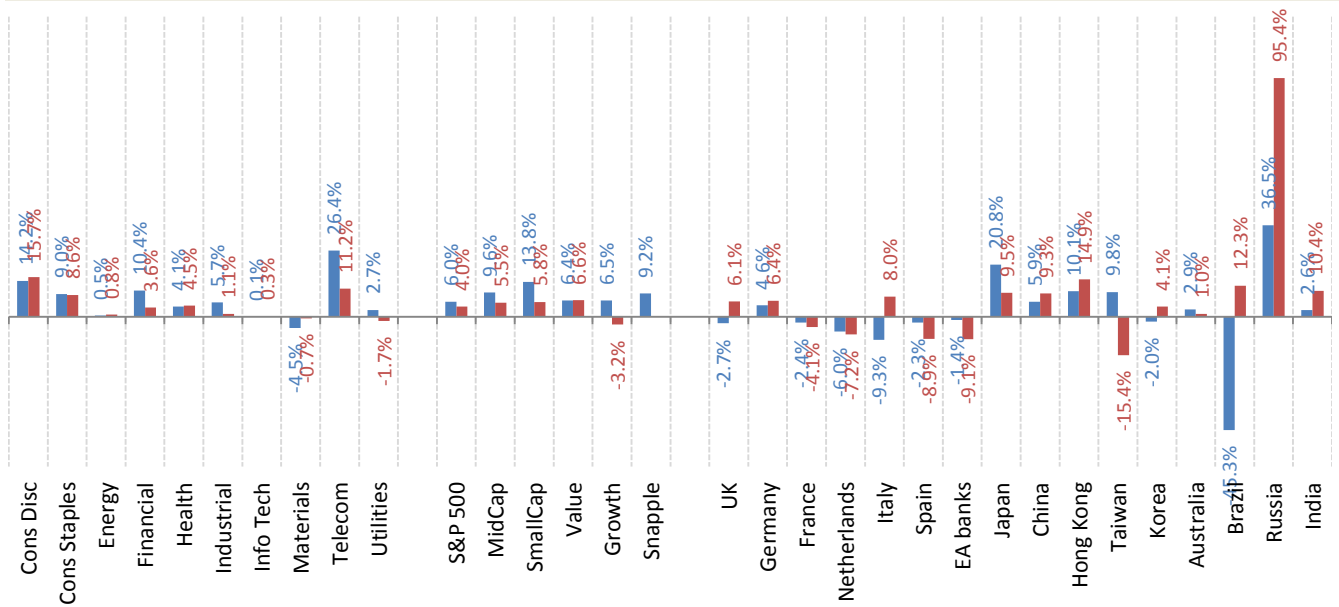


Versus 30-year Treasury

Source: Various, TrendMacro calculations

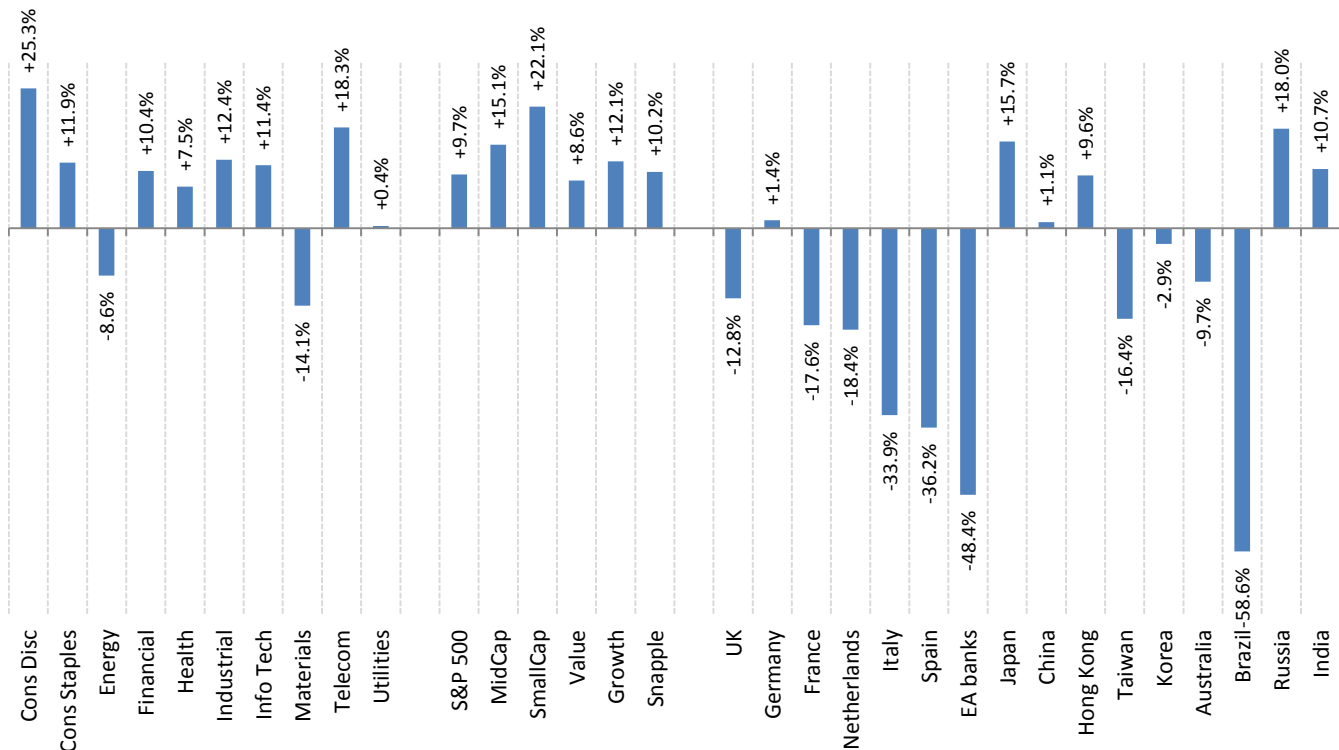
## Consensus per share, YOY

■ earnings ■ sales



Source: Bloomberg, TrendMacro calculations

## Consensus EPS versus 2011 high-water mark



Source: Bloomberg, TrendMacro calculations