

## Data Insights: Global Equity Risk Premia

Monday, January 27, 2014

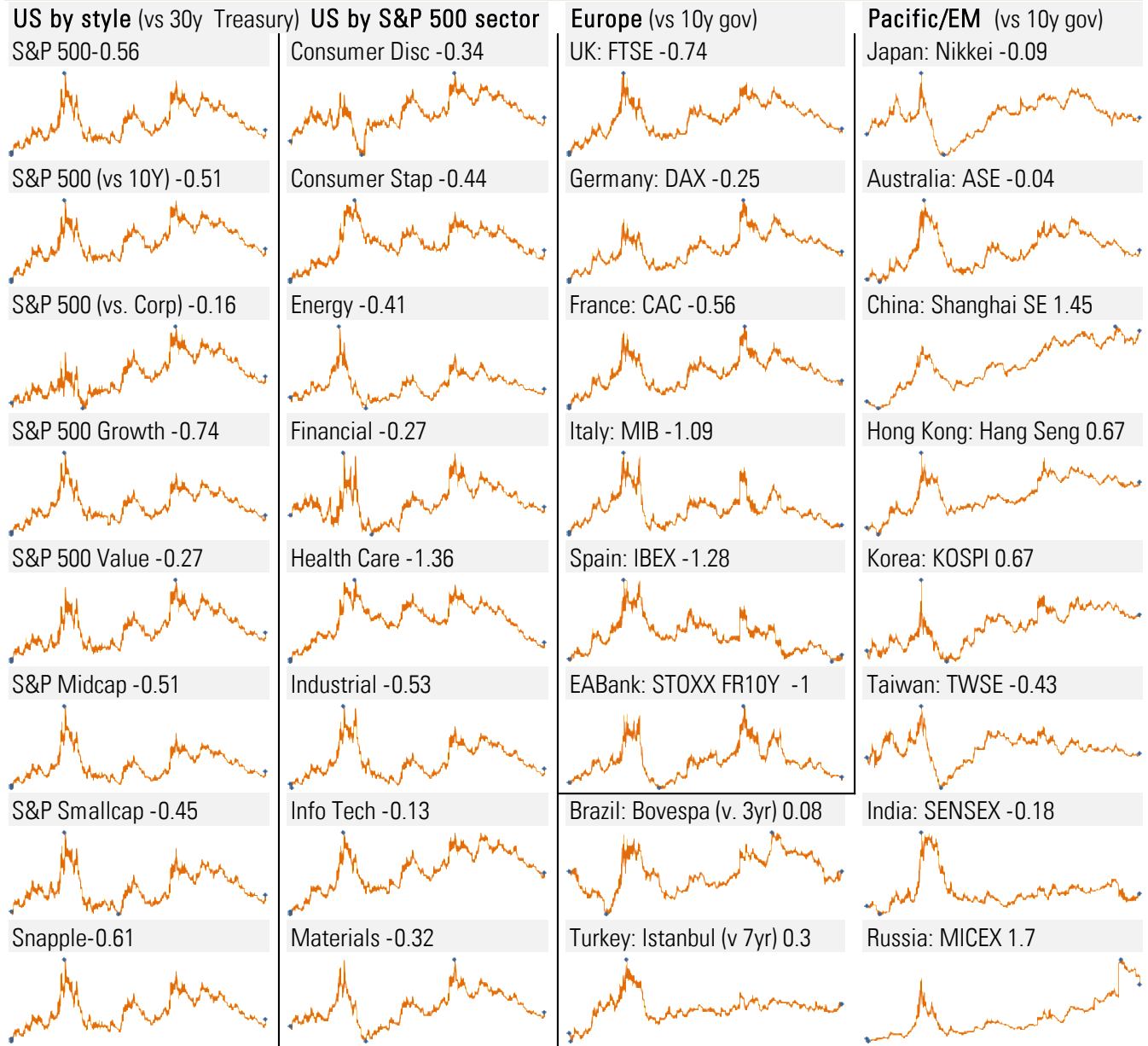
### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	
	By country		By country		By country		By country	
1	China: Shanghai SE	+1.45	Russia: MICEX	3.3	India: SENSEX	+54%	India: SENSEX	+14%
2	HK: Hang Seng	+0.67	China: Shanghai SE	7.7	Brazil: Bovespa	+48%	Australia: ASE	+11%
3	Korea: KOSPI	+0.67	Turkey: Istanbul	8.4	China: Shanghai SE	+16%	HK: Hang Seng	+11%
4	Russia: MICEX	+0.36	Korea: KOSPI	9.3	Taiwan: TWSA	+14%	China: Shanghai SE	+10%
5	Taiwan: TWSA	+0.14	Brazil: Bovespa	9.4	Japan: Nikkei	+14%	Japan: Nikkei	+7%
6	Brazil: Bovespa	+0.08	HK: Hang Seng	9.9	Australia: ASE	+13%	Germany: DAX	+2%
7	Australia: ASE	-0.04	France: CAC	12.5	HK: Hang Seng	+9%	Turkey: Istanbul	+1%
8	Japan: Nikkei	-0.09	UK: FTSE	12.8	US: S&P 500	+4%	France: CAC	+0%
9	India: SENSEX	-0.19	Germany: DAX	12.8	Spain: IBEX	+3%	Taiwan: TWSA	-1%
10	Germany: DAX	-0.26	Italy: MIB	12.9	Italy: MIB	+3%	US: S&P 500	-2%
11	Turkey: Istanbul	-0.29	Netherlands: AEX	13.1	Netherlands: AEX	+2%	Netherlands: AEX	-2%
12	US: S&P 500	-0.56	India: SENSEX	13.1	Turkey: Istanbul	-0%	Korea: KOSPI	-3%
13	France: CAC	-0.57	Australia: ASE	14.3	Germany: DAX	-1%	Italy: MIB	-7%
14	Netherlands: AEX	-0.60	Taiwan: TWSA	14.4	France: CAC	-3%	UK: FTSE	-9%
15	UK: FTSE	-0.75	Spain: IBEX	14.5	Korea: KOSPI	-4%	Spain: IBEX	-12%
16	Italy: MIB	-1.09	US: S&P 500	14.9	UK: FTSE	-10%	Brazil: Bovespa	-47%
17	Spain: IBEX	-1.29	Japan: Nikkei	17.7	Russia: MICEX	-48%	Russia: MICEX	-65%
	US, by style		US, by style		US, by style		US, by style	
1	S&P 500 Value	-0.28	S&P 500 Value	13.2	S&P Smallcap	+12%	S&P Smallcap	+21%
2	S&P Smallcap	-0.46	S&P 500	14.9	S&P 500 Value	+10%	S&P Midcap	+17%
3	S&P Midcap	-0.52	S&P 500 Growth	16.5	S&P Midcap	+7%	S&P 500 Growth	+6%
4	S&P 500	-0.56	S&P Midcap	17.8	S&P 500	+4%	S&P 500	-2%
5	S&P 500 Growth	-0.75	S&P Smallcap	18.8	S&P 500 Growth	-2%	S&P 500 Value	-6%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+0.46	Energy	12.6	Telecom	+12%	Health Care	+9%
2	Info Tech	-0.14	Financial	12.9	Consumer Disc	+8%	Financial	+5%
3	Financial	-0.27	Telecom	13.7	Health Care	+8%	Industrial	+3%
4	Materials	-0.32	Info Tech	14.5	Materials	+7%	Materials	+3%
5	Consumer Disc	-0.34	Utilities	15.1	Industrial	+5%	Consumer Disc	+3%
6	Energy	-0.41	Materials	15.6	Consumer Stap	+4%	Consumer Stap	+2%
7	Consumer Stap	-0.45	Industrial	15.9	Energy	+4%	Telecom	+2%
8	Utilities	-0.53	Consumer Stap	16.5	Financial	+4%	Utilities	+1%
9	Industrial	-0.53	Health Care	16.6	Utilities	-0%	Energy	-12%
10	Health Care	-1.37	Consumer Disc	17.4	Info Tech	-1%	Info Tech	-17%

Source: Bloomberg, TrendMacro calculations

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

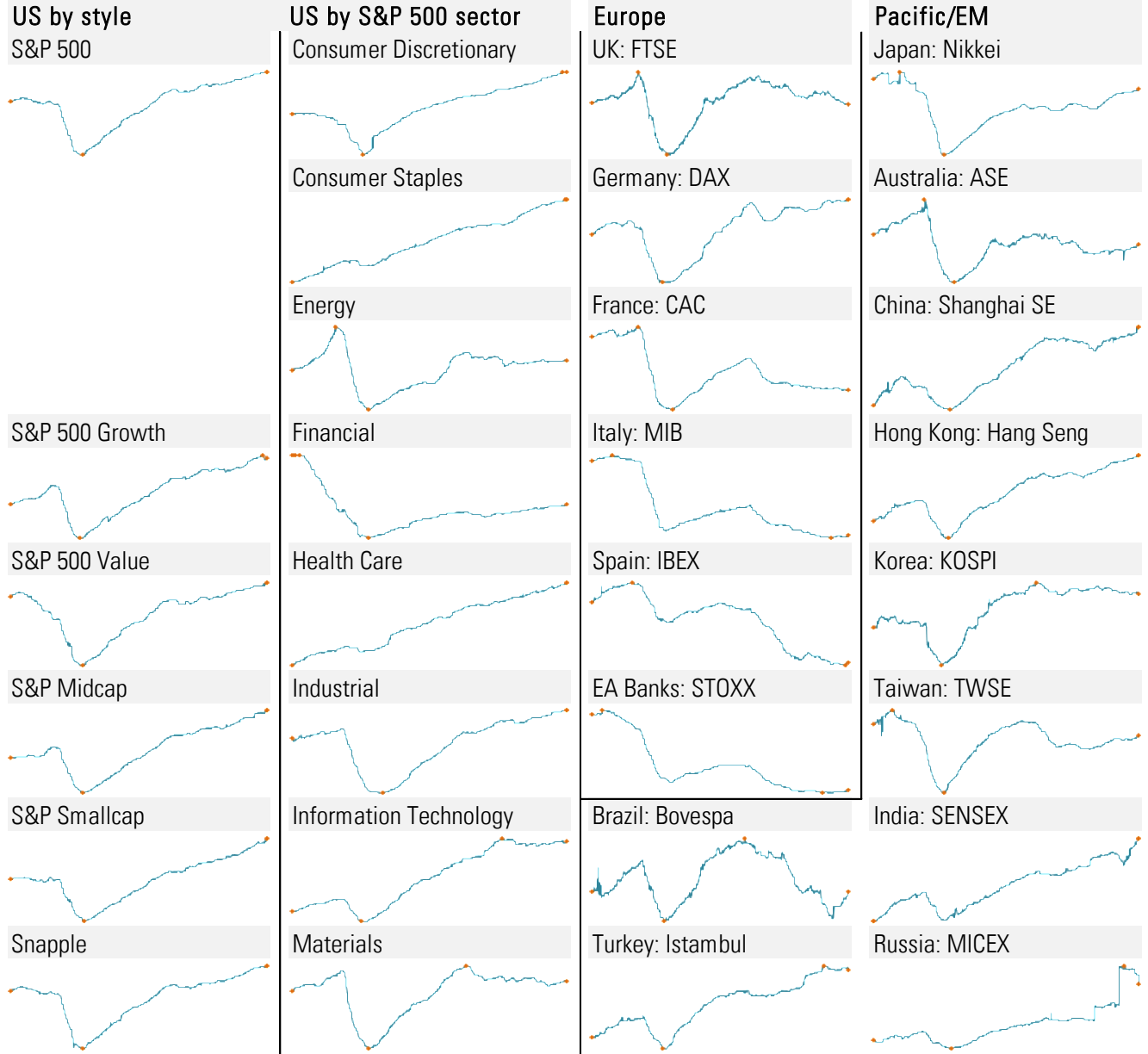
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

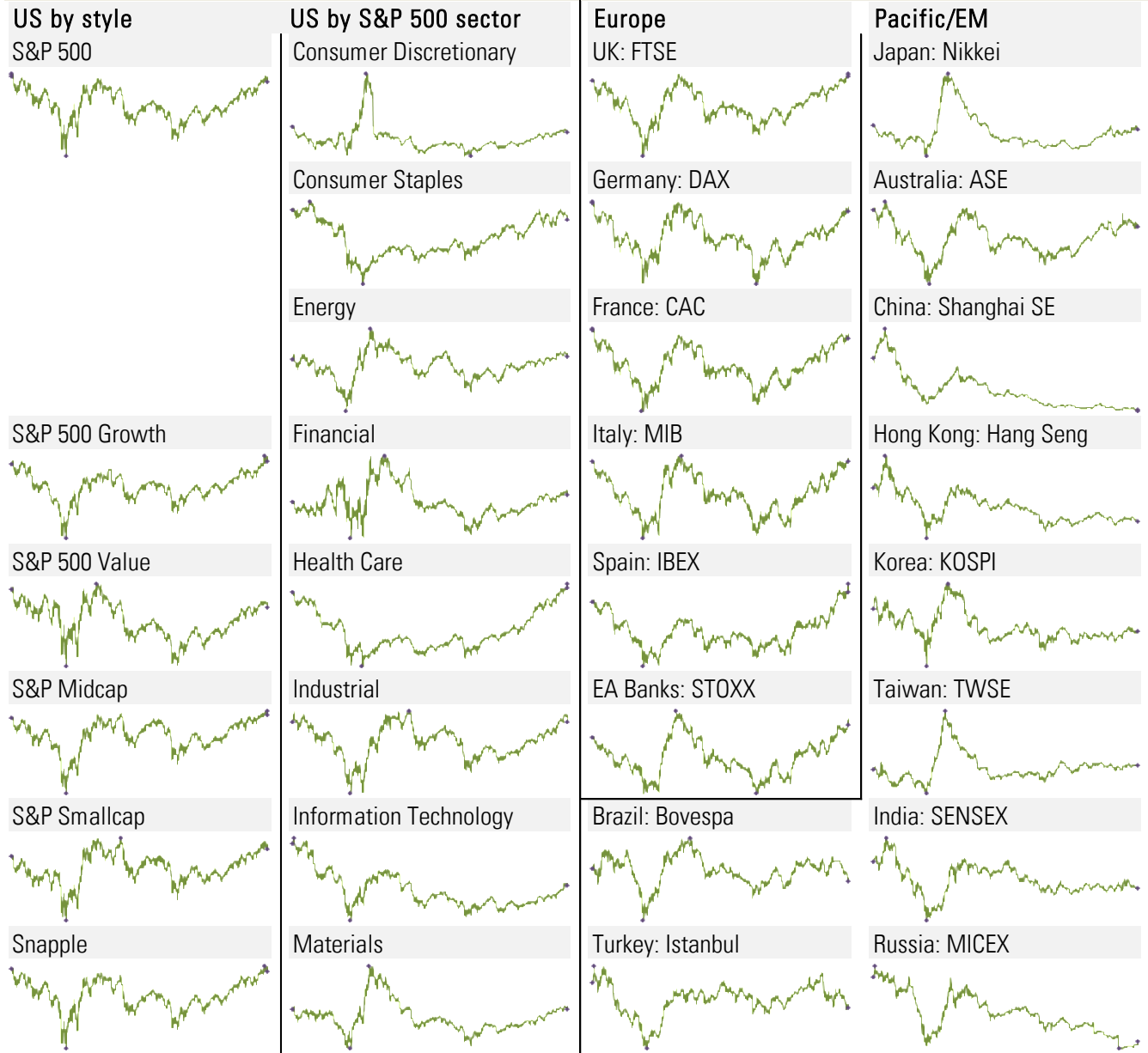
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



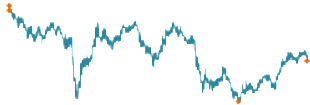
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

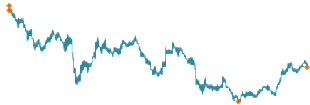
● First, High, Low, Last

## US

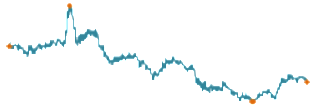
30-year Treasury



10-year Treasury

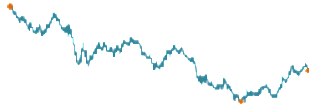


Moody's Corporate Avg

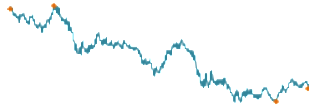


## Europe

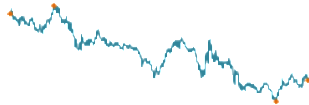
UK: 10-year govt



Germany: 10-year govt



France: 10-year govt



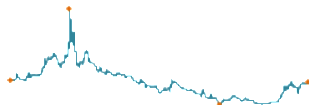
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

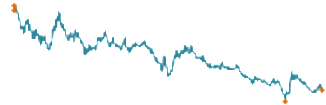


Turkey: 7-year govt

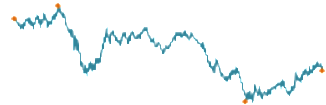


## Pacific/EM

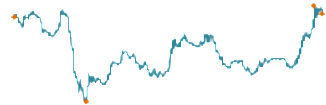
Japan: 10-year govt



Australia: 10-year govt



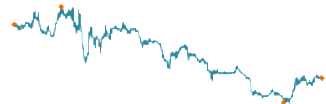
China: 10-year govt



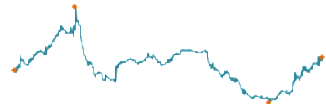
Hong Kong: 10-year govt



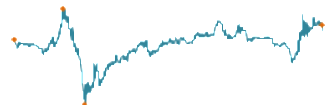
Korea: 10-year govt



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

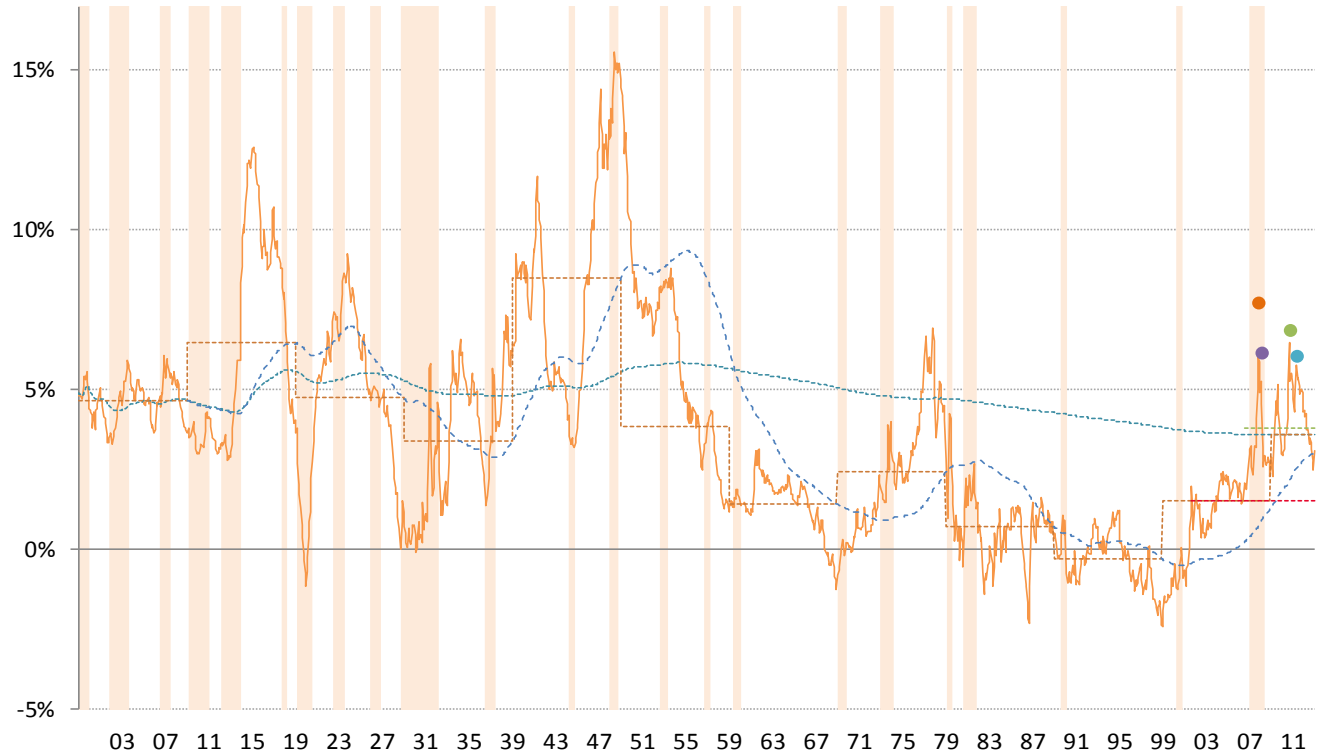


Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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

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



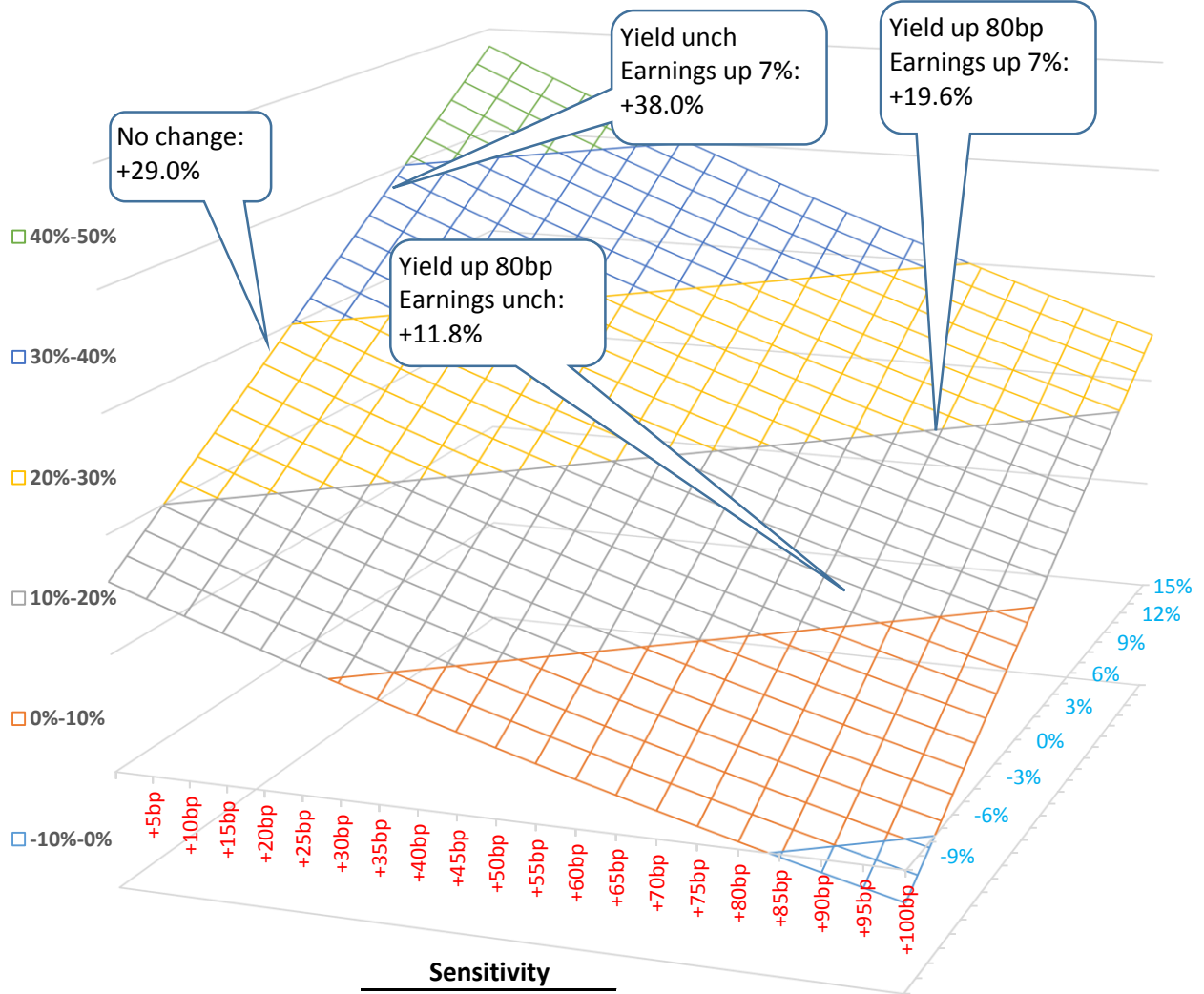
Versus 30-year Treasury

Source: Various, TrendMacro calculations

# S&P 500 factor-sensitivity surface

Change from current market cap if reversion to post-Q3'02 mean equity risk premium

— Increase in 30-year Treasury yield — Change in consensus forward earnings



		Sensitivity	
S&P 500	1790.29	+28.97%	2309.01
Forward earnings	120.41	-22.65%	93.14
Earnings yield	6.73%		
30-year yield	3.64%	+1.51%	5.15%
<b>Equity risk premium</b>	<b>3.09%</b>		

Source: Various, TrendMacro calculations