

## Data Insights: Global Equity Risk Premia

Monday, March 10, 2014

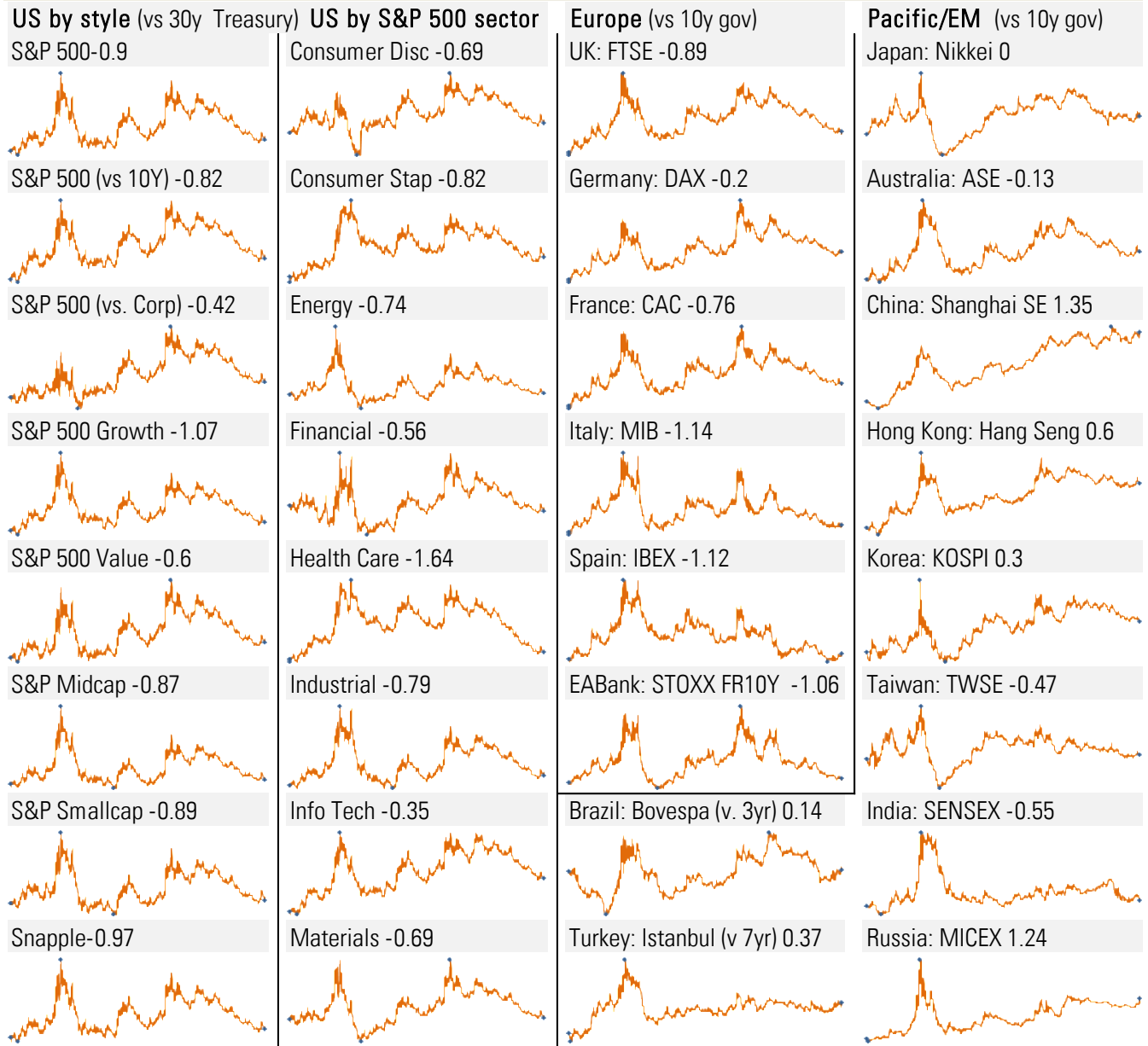
### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	+1.36	Russia: MICEX	4.8	Australia: ASE	+25%	Japan: Nikkei	#N/A
2	Russia: MICEX	+1.25	China: Shanghai SE	7.8	Russia: MICEX	+21%	India: SENSEX	+14%
3	HK: Hang Seng	+0.60	Turkey: Istanbul	8.6	Japan: Nikkei	+18%	Korea: KOSPI	+14%
4	Korea: KOSPI	+0.30	Brazil: Bovespa	9.1	India: SENSEX	+17%	China: Shanghai SE	+13%
5	Taiwan: TWSA	+0.17	Korea: KOSPI	9.8	Taiwan: TWSA	+17%	Turkey: Istanbul	+6%
6	Brazil: Bovespa	+0.14	HK: Hang Seng	10.0	Brazil: Bovespa	+15%	HK: Hang Seng	+6%
7	Japan: Nikkei	+0.01	Germany: DAX	12.7	China: Shanghai SE	+8%	US: S&P 500	+2%
8	Turkey: Istanbul	-0.03	UK: FTSE	13.2	Italy: MIB	+6%	Taiwan: TWSA	+2%
9	Australia: ASE	-0.14	France: CAC	13.3	Spain: IBEX	+4%	Australia: ASE	+1%
10	Germany: DAX	-0.21	Netherlands: AEX	13.5	Germany: DAX	+3%	Germany: DAX	+0%
11	India: SENSEX	-0.55	Italy: MIB	14.0	HK: Hang Seng	+3%	France: CAC	-2%
12	Netherlands: AEX	-0.65	India: SENSEX	14.0	US: S&P 500	+3%	Italy: MIB	-6%
13	France: CAC	-0.77	Australia: ASE	14.4	France: CAC	-8%	UK: FTSE	-14%
14	UK: FTSE	-0.90	Taiwan: TWSA	14.5	Netherlands: AEX	-9%	Spain: IBEX	-17%
15	US: S&P 500	-0.90	Spain: IBEX	15.0	UK: FTSE	-13%	Netherlands: AEX	-21%
16	Spain: IBEX	-1.12	US: S&P 500	15.5	Korea: KOSPI	-19%	Brazil: Bovespa	-40%
17	Italy: MIB	-1.15	Japan: Nikkei	17.2	Turkey: Istanbul	-20%	Russia: MICEX	-87%
	US, by style		US, by style		US, by style		US, by style	
1	S&P 500 Value	-0.60	S&P 500 Value	13.8	S&P Midcap	+8%	S&P Smallcap	+16%
2	S&P Midcap	-0.88	S&P 500	15.5	S&P 500 Value	+7%	S&P 500 Growth	+10%
3	S&P Smallcap	-0.89	S&P 500 Growth	17.1	S&P 500	+3%	S&P 500	+2%
4	S&P 500	-0.90	S&P Midcap	18.9	S&P Smallcap	+3%	S&P Midcap	-3%
5	S&P 500 Growth	-1.07	S&P Smallcap	20.2	S&P 500 Growth	-1%	S&P 500 Value	-4%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+0.81	Telecom	12.8	Telecom	+31%	Telecom	+41%
2	Info Tech	-0.36	Energy	13.3	Health Care	+14%	Health Care	+15%
3	Financial	-0.56	Financial	13.6	Utilities	+13%	Consumer Disc	+11%
4	Consumer Disc	-0.69	Info Tech	15.0	Industrial	+7%	Industrial	+4%
5	Materials	-0.70	Utilities	15.3	Financial	+4%	Materials	+2%
6	Energy	-0.75	Industrial	16.6	Materials	+2%	Consumer Stap	+0%
7	Utilities	-0.75	Materials	16.9	Consumer Disc	+2%	Financial	-0%
8	Industrial	-0.79	Consumer Stap	17.2	Info Tech	-1%	Info Tech	-3%
9	Consumer Stap	-0.83	Health Care	17.3	Consumer Stap	-3%	Utilities	-7%
10	Health Care	-1.64	Consumer Disc	18.3	Energy	-10%	Energy	-11%

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

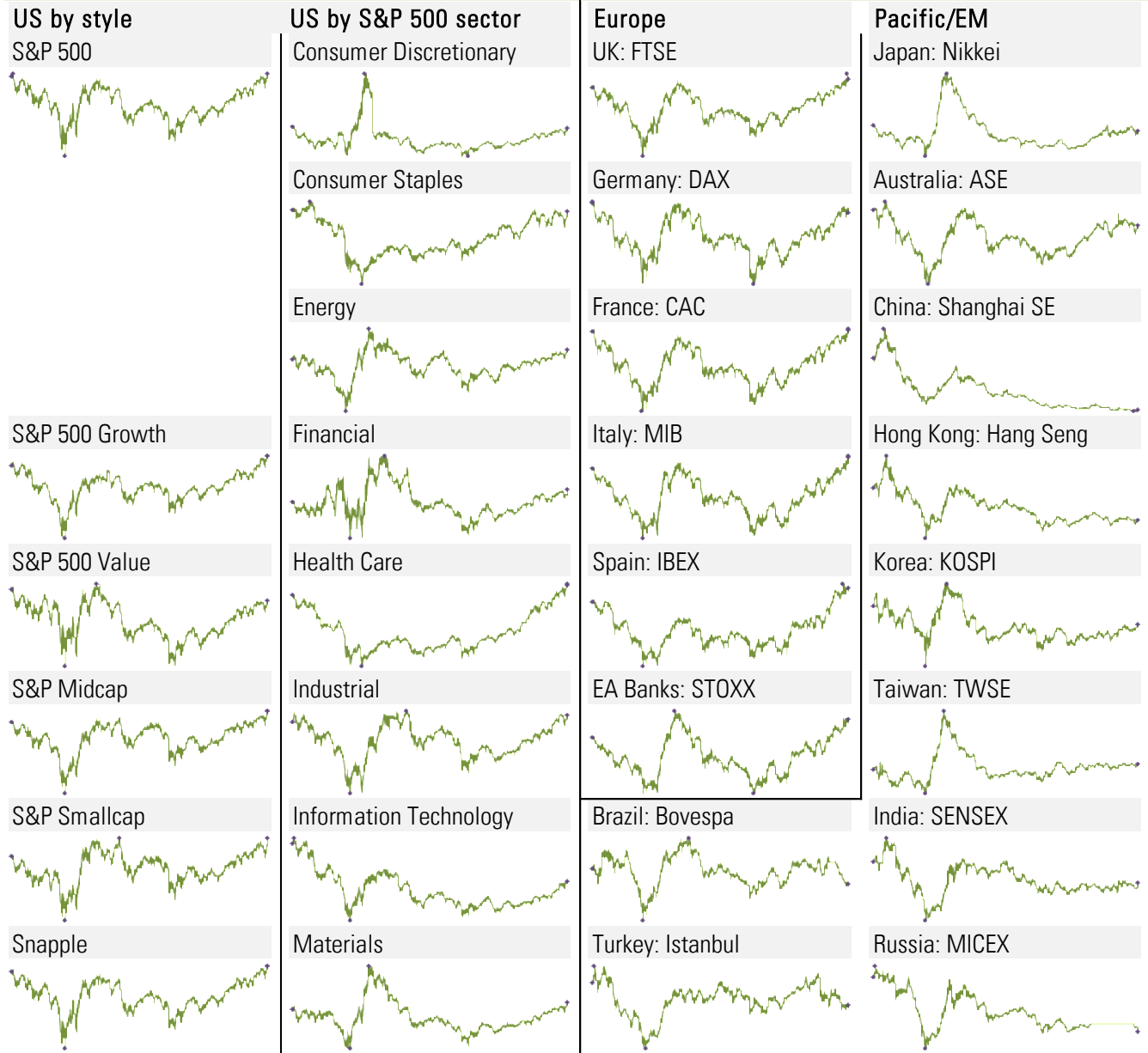
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



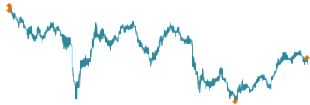
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

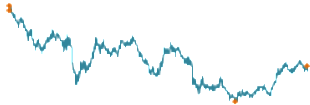
● First, High, Low, Last

## US

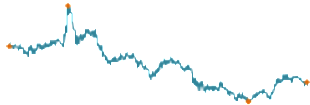
30-year Treasury



10-year Treasury

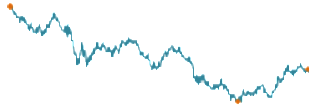


Moody's Corporate Avg

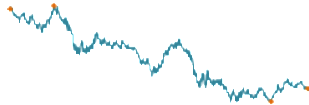


## Europe

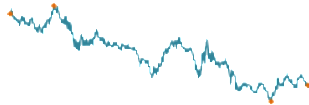
UK: 10-year govt



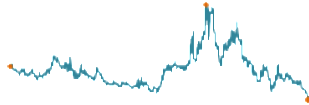
Germany: 10-year govt



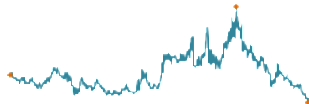
France: 10-year govt



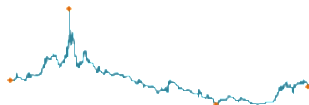
Italy: 10-year govt



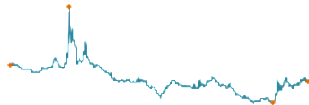
Spain: 10-year govt



Brazil: 3-year govt



Turkey: 7-year govt

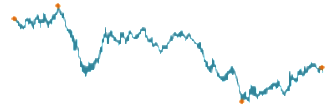


## Pacific/EM

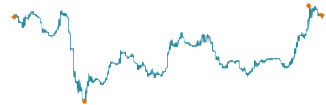
Japan: 10-year govt



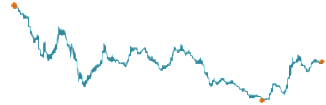
Australia: 10-year govt



China: 10-year govt



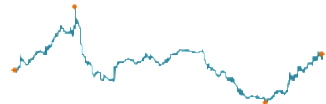
Hong Kong: 10-year govt



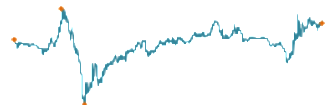
Korea: 10-year govt



Taiwan: 10-year govt



India: 10-year govt



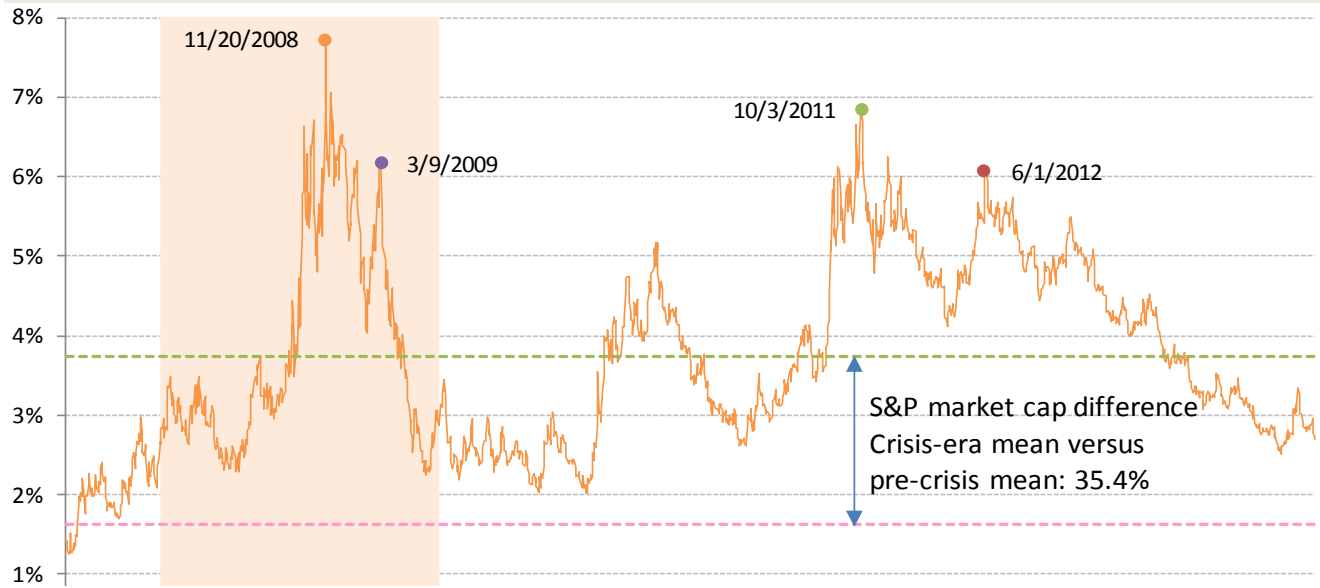
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

## Daily S&P 500 equity risk premium

--- Crisis-era mean    - - - Pre-crisis mean    ■ Recession

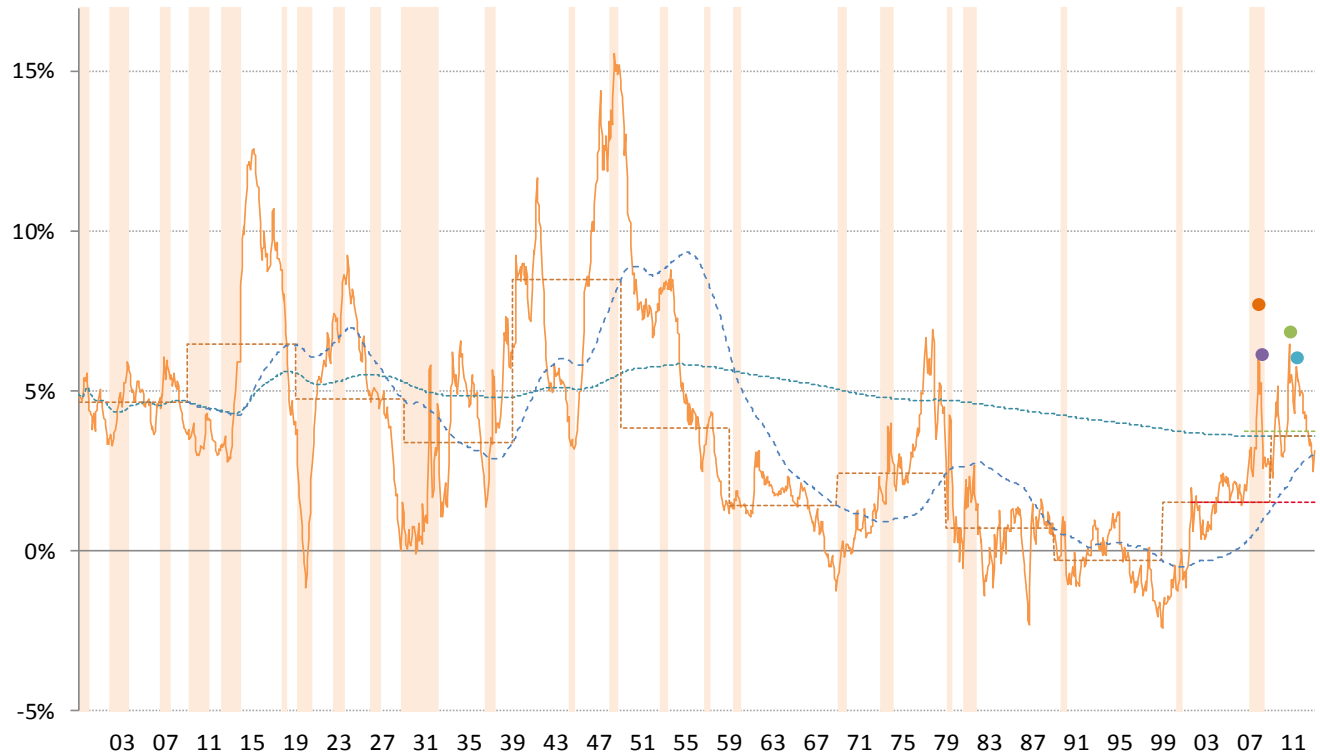


Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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

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



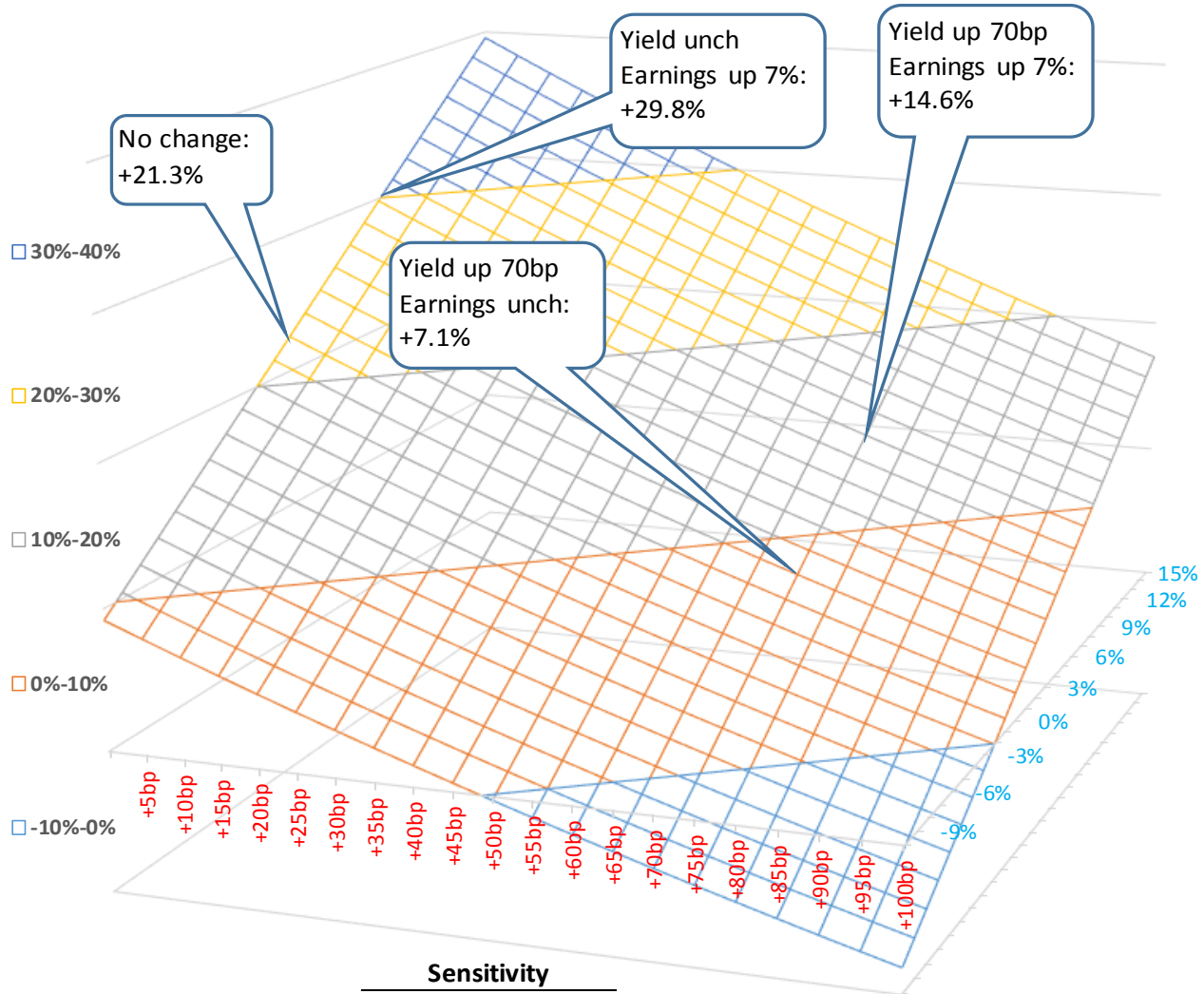
Versus 30-year Treasury

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	1878.04	+21.33%	2278.68
Forward earnings	120.93	-17.96%	99.21
Earnings yield	6.44%		
30-year yield	3.72%	+1.13%	4.85%
<b>Equity risk premium</b>	<b>2.72%</b>		

Source: Various, TrendMacro calculations