

## Data Insights: Global Equity Risk Premia

Monday, April 21, 2014

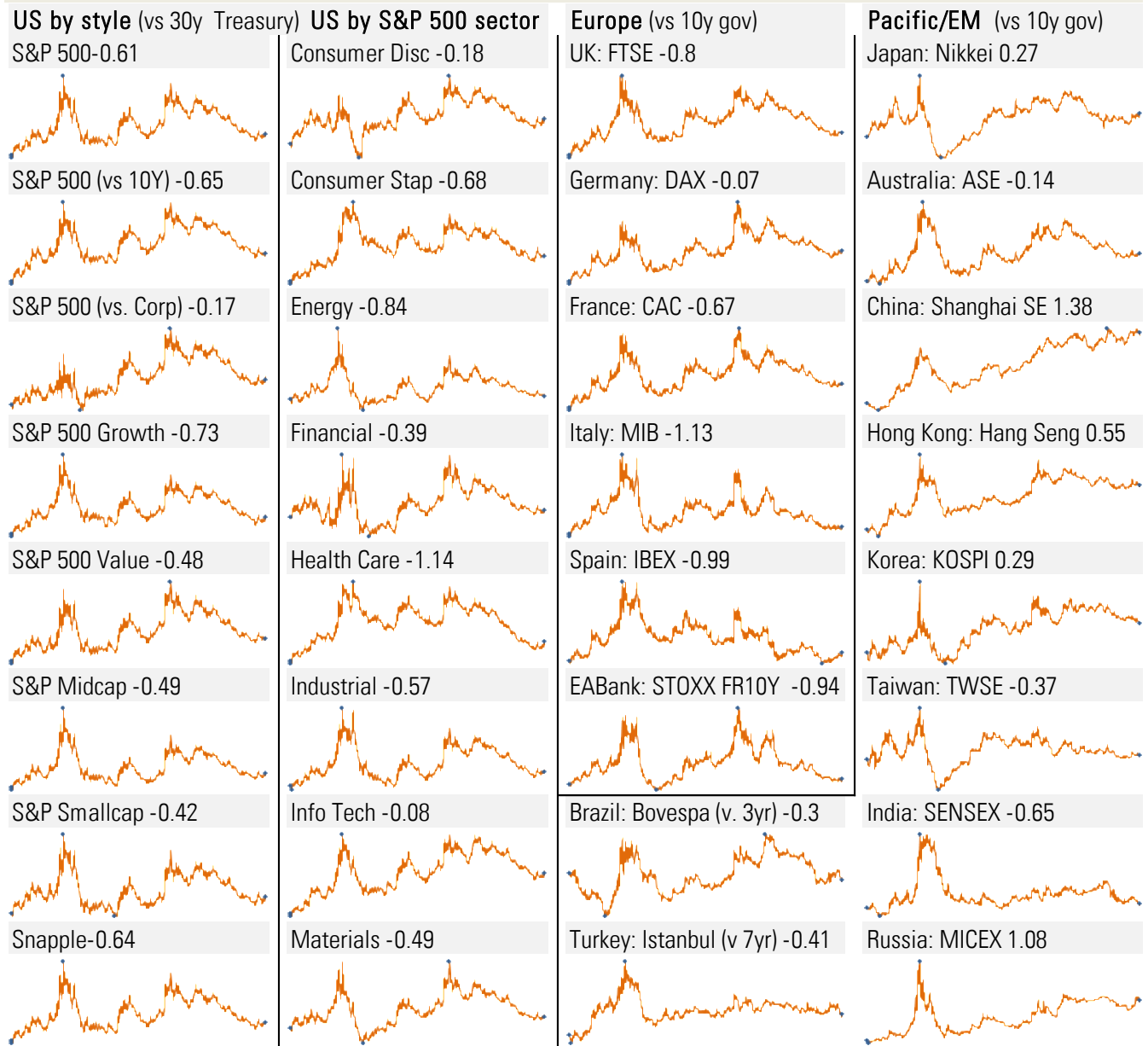
### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	
	<b>By country</b>		<b>By country</b>		<b>By country</b>		<b>By country</b>	
1	China: Shanghai SE	+1.38	Russia: MICEX	4.9	Russia: MICEX	+48%	Russia: MICEX	+25%
2	Russia: MICEX	+1.09	China: Shanghai SE	7.7	Taiwan: TWSA	+20%	Taiwan: TWSA	+17%
3	HK: Hang Seng	+0.56	Korea: KOSPI	10.0	Japan: Nikkei	+16%	India: SENSEX	+14%
4	Korea: KOSPI	+0.29	Brazil: Bovespa	10.1	India: SENSEX	+14%	Brazil: Bovespa	+13%
5	Japan: Nikkei	+0.28	Turkey: Istanbul	10.2	Germany: DAX	+6%	China: Shanghai SE	+10%
6	Taiwan: TWSA	+0.20	HK: Hang Seng	10.2	Brazil: Bovespa	+5%	Turkey: Istanbul	+9%
7	Turkey: Istanbul	+0.02	Germany: DAX	12.6	US: S&P 500	+5%	Japan: Nikkei	+6%
8	Germany: DAX	-0.08	UK: FTSE	13.2	China: Shanghai SE	+4%	Australia: ASE	+6%
9	Australia: ASE	-0.14	France: CAC	13.5	Australia: ASE	+3%	US: S&P 500	+5%
10	Brazil: Bovespa	-0.30	Netherlands: AEX	13.5	Spain: IBEX	-2%	Germany: DAX	+2%
11	US: S&P 500	-0.62	India: SENSEX	14.3	Italy: MIB	-6%	HK: Hang Seng	+0%
12	Netherlands: AEX	-0.64	Taiwan: TWSA	14.5	France: CAC	-7%	France: CAC	-6%
13	India: SENSEX	-0.66	Italy: MIB	14.7	HK: Hang Seng	-8%	UK: FTSE	-6%
14	France: CAC	-0.67	Australia: ASE	14.8	Netherlands: AEX	-13%	Spain: IBEX	-8%
15	UK: FTSE	-0.80	Spain: IBEX	15.2	Korea: KOSPI	-14%	Korea: KOSPI	-15%
16	Spain: IBEX	-0.99	US: S&P 500	15.3	UK: FTSE	-15%	Italy: MIB	-21%
17	Italy: MIB	-1.14	Japan: Nikkei	16.1	Turkey: Istanbul	-25%	Netherlands: AEX	-38%
	<b>US, by style</b>		<b>US, by style</b>		<b>US, by style</b>		<b>US, by style</b>	
1	S&P Smallcap	-0.43	S&P 500 Value	14.0	S&P 500 Growth	+11%	S&P Smallcap	+19%
2	S&P 500 Value	-0.49	S&P 500	15.3	S&P Midcap	+5%	S&P Midcap	+12%
3	S&P Midcap	-0.49	S&P 500 Growth	16.9	S&P 500	+5%	S&P 500 Growth	+8%
4	S&P 500	-0.62	S&P Midcap	18.1	S&P Smallcap	+2%	S&P 500	+5%
5	S&P 500 Growth	-0.73	S&P Smallcap	19.1	S&P 500 Value	-0%	S&P 500 Value	+3%
	<b>US, by sector</b>		<b>US, by sector</b>		<b>US, by sector</b>		<b>US, by sector</b>	
1	Telecom	+0.70	Telecom	13.4	Telecom	+38%	Telecom	+40%
2	Info Tech	-0.09	Financial	13.5	Health Care	+19%	Health Care	+18%
3	Consumer Disc	-0.18	Energy	14.1	Utilities	+14%	Consumer Disc	+8%
4	Financial	-0.39	Info Tech	14.6	Industrial	+11%	Industrial	+4%
5	Materials	-0.50	Utilities	16.2	Info Tech	+8%	Info Tech	+3%
6	Industrial	-0.57	Health Care	16.3	Consumer Disc	+4%	Financial	+2%
7	Consumer Stap	-0.68	Industrial	16.4	Materials	+3%	Consumer Stap	-1%
8	Utilities	-0.83	Materials	16.7	Consumer Stap	-3%	Energy	-2%
9	Energy	-0.85	Consumer Disc	17.2	Financial	-5%	Materials	-3%
10	Health Care	-1.14	Consumer Stap	17.5	Energy	-10%	Utilities	-3%

Source: Bloomberg, TrendMacro calculations

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

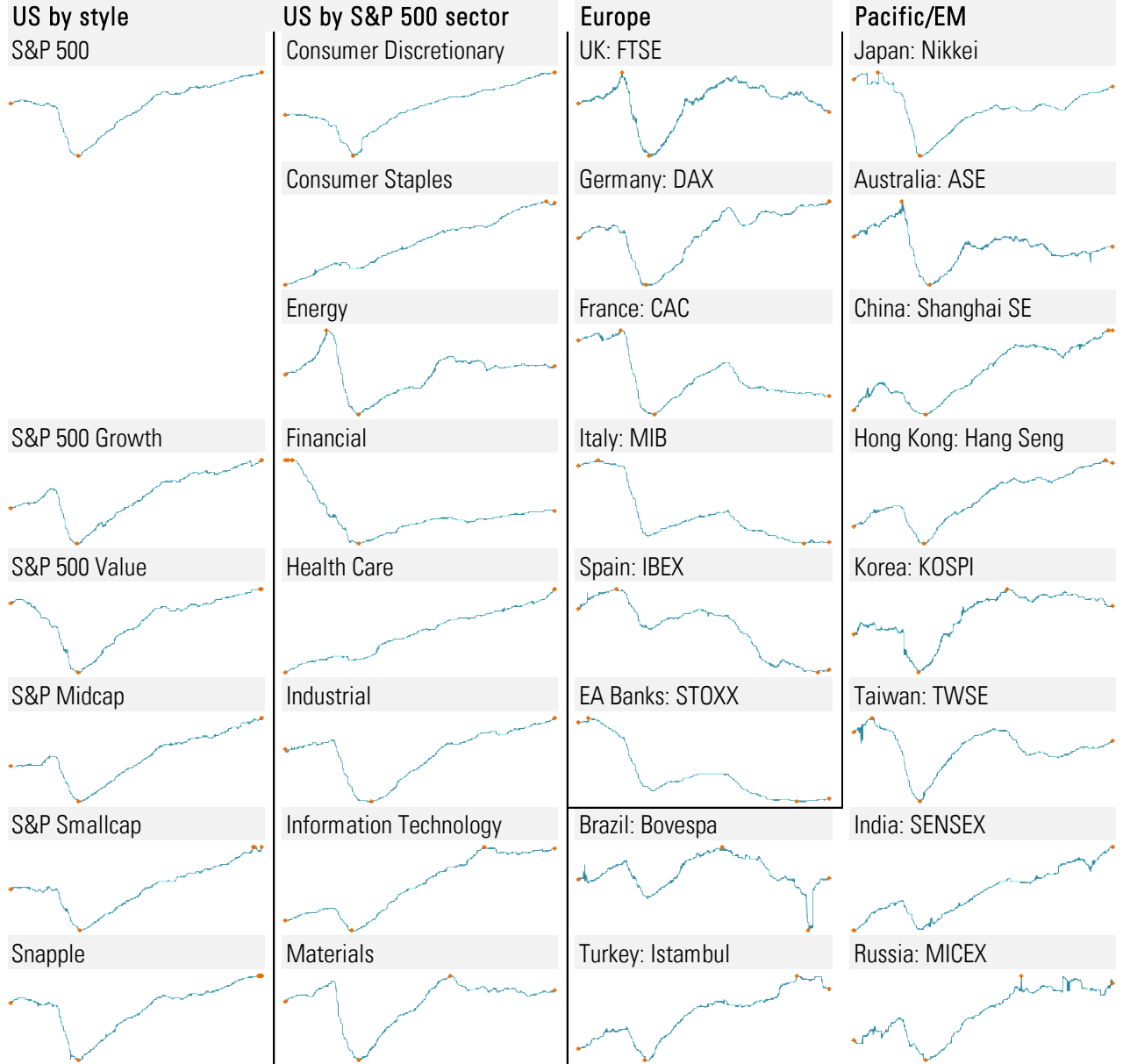
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

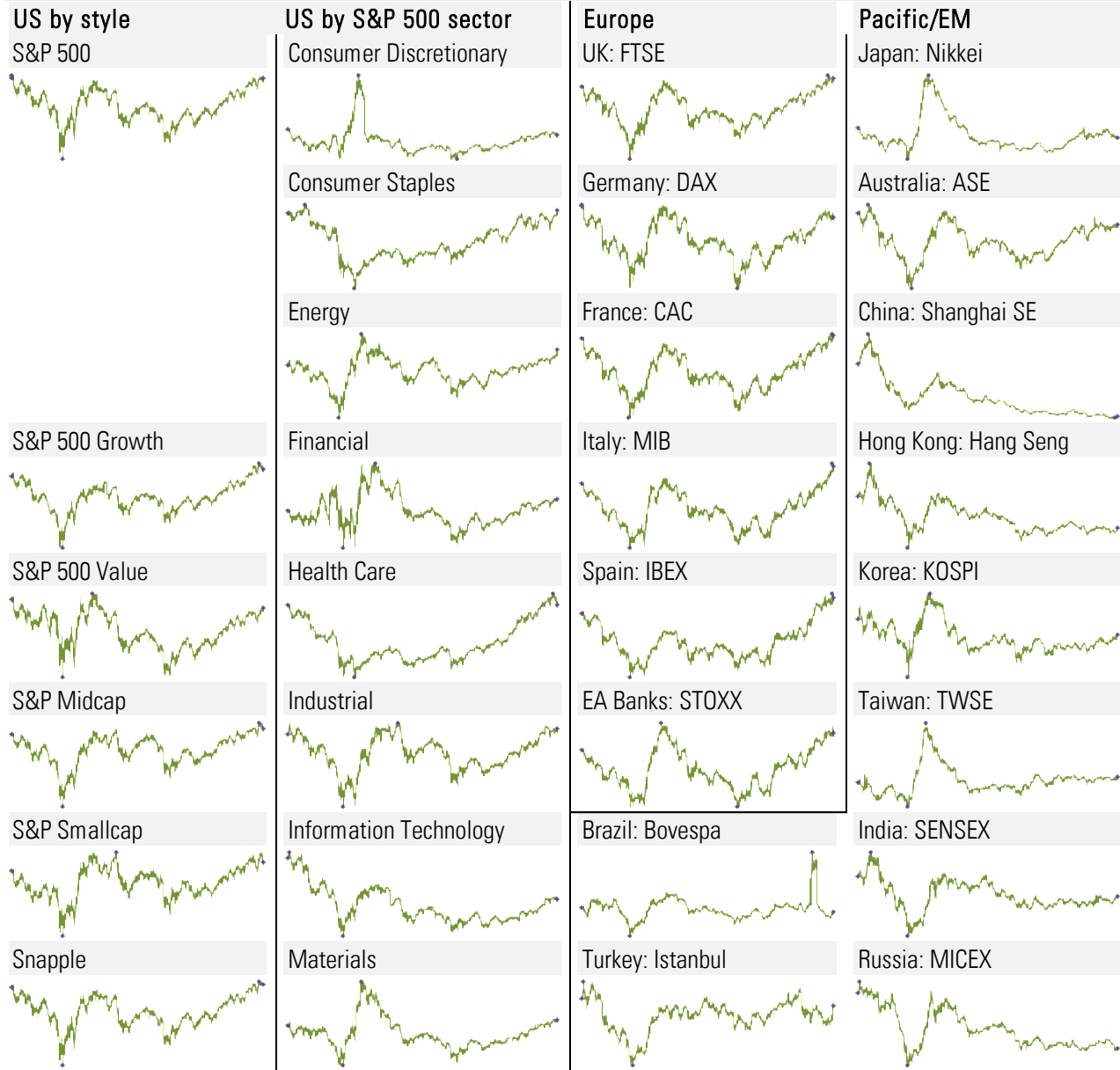
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



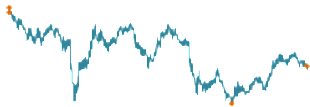
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

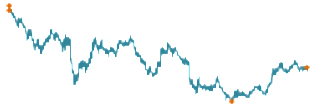
● First, High, Low, Last

## US

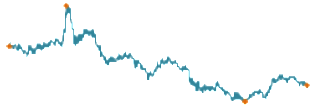
30-year Treasury



10-year Treasury

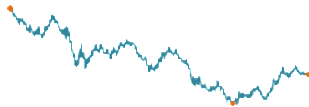


Moody's Corporate Avg

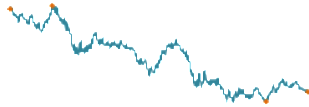


## Europe

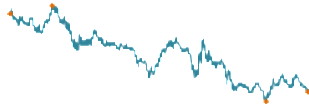
UK: 10-year govt



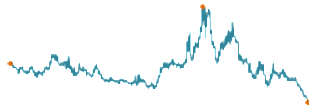
Germany: 10-year govt



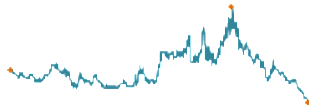
France: 10-year govt



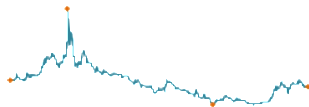
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt



Turkey: 7-year govt

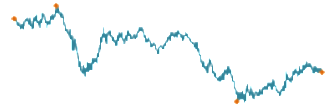


## Pacific/EM

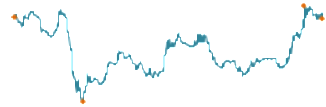
Japan: 10-year govt



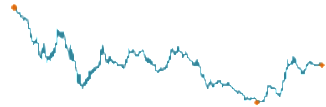
Australia: 10-year govt



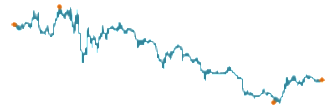
China: 10-year govt



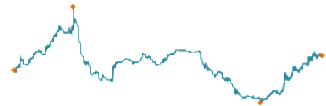
Hong Kong: 10-year govt



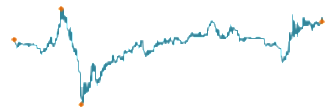
Korea: 10-year govt



Taiwan: 10-year govt



India: 10-year govt



Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

## Daily S&P 500 equity risk premium in the crisis era

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

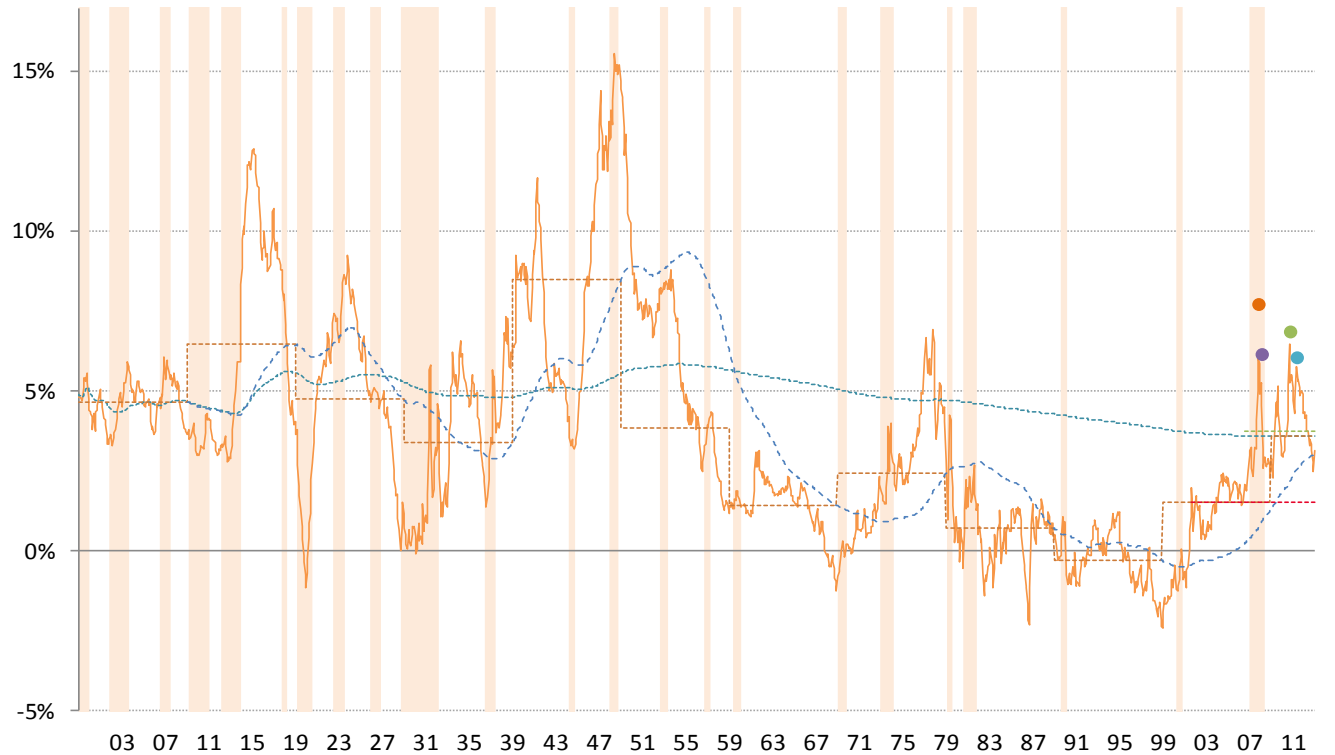


Versus 30-year Treasury

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

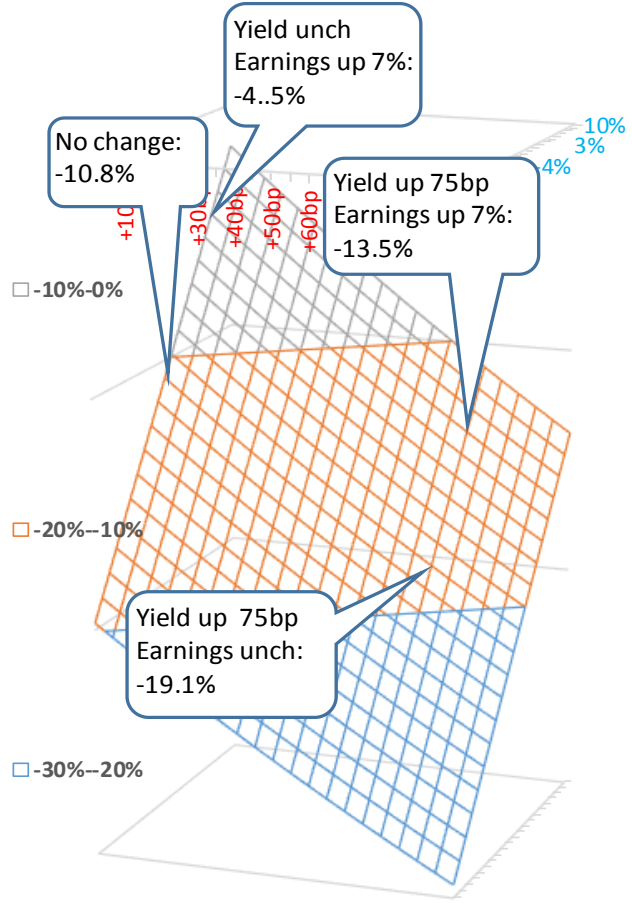
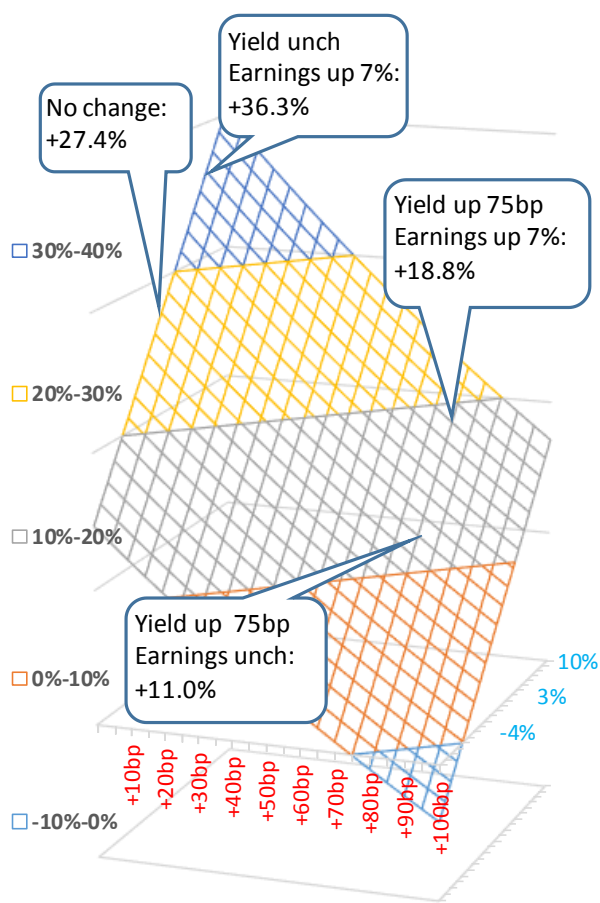


Versus 30-year Treasury

Source: Various, TrendMacro calculations

## S&P 500 factor-sensitivity surfaces

— Increase in 30-year Treasury yield    — Change in consensus forward earnings  
 Change from current market cap if:  
 Reversion to post-Q3'02 mean                      Reversion to crisis era mean



		Sensitivity				Sensitivity	
S&P 500	1864.85	+27.43%	2376.37	S&P 500	1864.85	-10.78%	1663.90
Forward earnings	121.71	-22.12%	94.78	Forward earnings	121.71	11.22%	135.37
Earnings yield	6.53%			Earnings yield	6.53%		
30-year yield	3.52%	+1.39%	4.91%	30-year yield	3.52%	-0.78%	2.74%
<b>Equity risk premium</b>	<b>3.01%</b>			<b>Equity risk premium</b>	<b>3.01%</b>		

Source: Various, TrendMacro calculations