

Data Insights: Global Equity Risk Premia

Wednesday, June 18, 2014

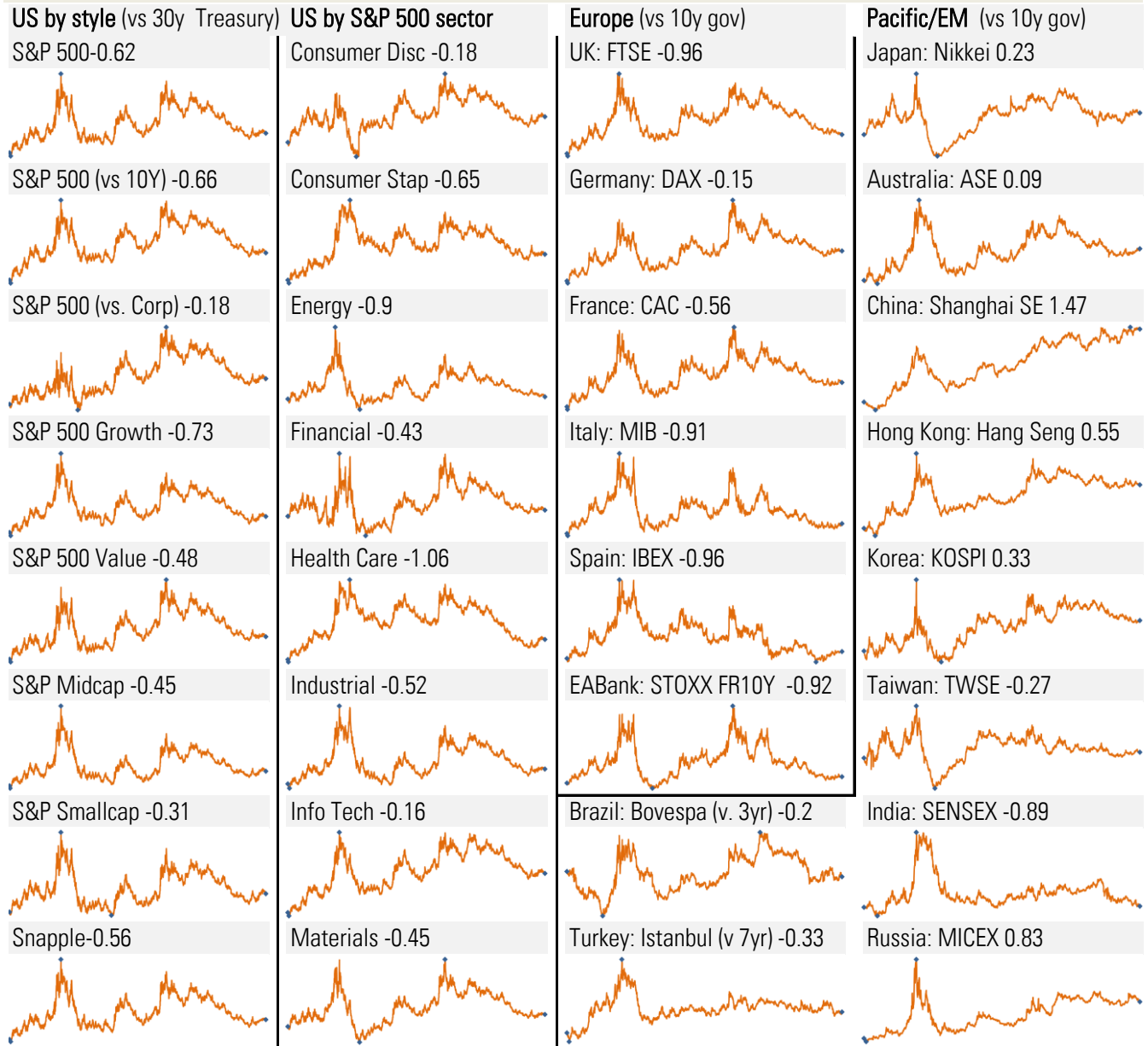
Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	+1.47	Russia: MICEX	5.4	Taiwan:TWASA	+26%	Germany: DAX	+14%
2	Russia: MICEX	+0.84	China: Shanghai SE	7.6	Turkey: Istanbul	+21%	India: SENSEX	+14%
3	HK: Hang Seng	+0.56	Korea: KOSPI	10.2	India: SENSEX	+20%	Turkey: Istanbul	+13%
4	Korea: KOSPI	+0.33	HK: Hang Seng	10.3	Germany: DAX	+16%	Japan: Nikkei	+9%
5	Taiwan:TWASA	+0.26	Turkey: Istanbul	10.3	US: S&P 500	+12%	Korea: KOSPI	+7%
6	Japan: Nikkei	+0.23	Brazil: Bovespa	10.6	Japan: Nikkei	+11%	Australia: ASE	+6%
7	Australia: ASE	+0.10	Germany: DAX	13.0	Netherlands: AEX	+8%	Taiwan:TWASA	+5%
8	Turkey: Istanbul	-0.04	UK: FTSE	13.6	Spain: IBEX	+7%	US: S&P 500	+4%
9	Germany: DAX	-0.16	Netherlands: AEX	13.8	Italy: MIB	+4%	China: Shanghai SE	+0%
10	Brazil: Bovespa	-0.20	Taiwan:TWASA	14.4	Brazil: Bovespa	+3%	HK: Hang Seng	-1%
11	France: CAC	-0.57	France: CAC	14.4	Australia: ASE	+3%	France: CAC	-1%
12	Netherlands: AEX	-0.60	Australia: ASE	14.6	France: CAC	+2%	Italy: MIB	-4%
13	US: S&P 500	-0.63	Italy: MIB	14.7	HK: Hang Seng	+2%	Spain: IBEX	-6%
14	India: SENSEX	-0.89	US: S&P 500	15.6	China: Shanghai SE	-3%	UK: FTSE	-7%
15	Italy: MIB	-0.91	India: SENSEX	15.7	Korea: KOSPI	-4%	Russia: MICEX	-14%
16	Spain: IBEX	-0.96	Spain: IBEX	16.1	Russia: MICEX	-9%	Brazil: Bovespa	-16%
17	UK: FTSE	-0.97	Japan: Nikkei	16.3	UK: FTSE	-10%	Netherlands: AEX	-16%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	-0.31	S&P 500 Value	14.1	S&P Smallcap	+22%	S&P Smallcap	+25%
2	S&P Midcap	-0.46	S&P 500	15.6	S&P Midcap	+20%	S&P Midcap	+8%
3	S&P 500 Value	-0.49	S&P 500 Growth	17.2	S&P 500 Growth	+18%	S&P 500 Growth	+7%
4	S&P 500	-0.63	S&P Midcap	18.2	S&P 500	+12%	S&P 500	+4%
5	S&P 500 Growth	-0.74	S&P Smallcap	18.9	S&P 500 Value	+8%	S&P 500 Value	+3%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+0.76	Telecom	13.4	Health Care	+24%	Utilities	+12%
2	Info Tech	-0.16	Financial	13.8	Info Tech	+17%	Info Tech	+10%
3	Consumer Disc	-0.18	Energy	14.5	Materials	+17%	Health Care	+8%
4	Financial	-0.44	Info Tech	15.0	Industrial	+16%	Consumer Stap	+8%
5	Materials	-0.46	Utilities	15.9	Energy	+13%	Industrial	+7%
6	Industrial	-0.53	Health Care	16.3	Utilities	+13%	Consumer Disc	+3%
7	Utilities	-0.64	Industrial	16.4	Consumer Disc	+11%	Materials	+3%
8	Consumer Stap	-0.66	Materials	16.8	Telecom	+9%	Financial	+2%
9	Energy	-0.90	Consumer Disc	17.5	Consumer Stap	+7%	Energy	+1%
10	Health Care	-1.06	Consumer Stap	17.7	Financial	+1%	Telecom	-25%

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

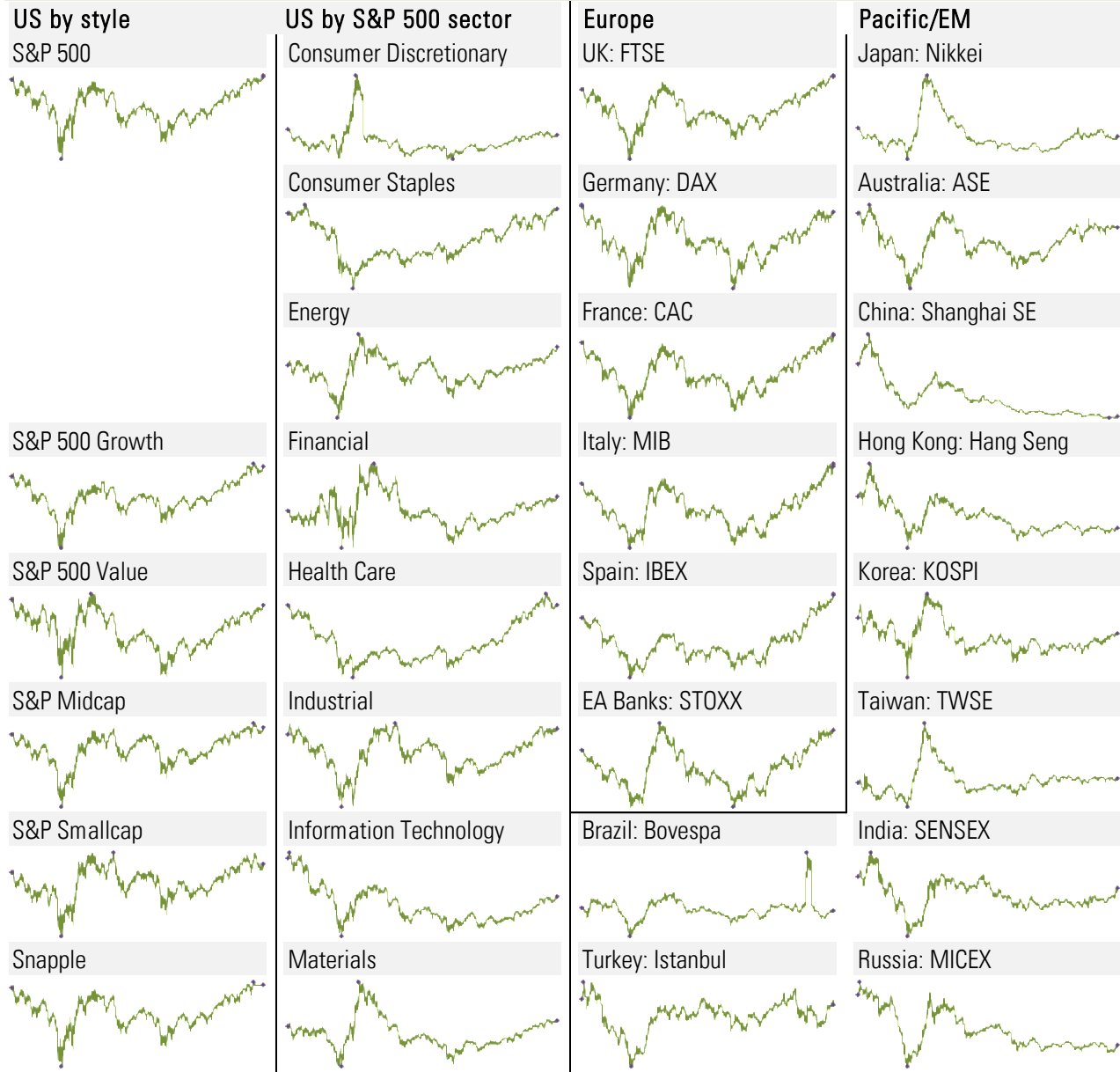
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



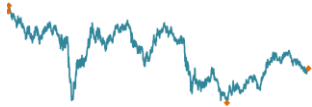
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

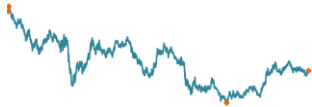
• First, High, Low, Last

US

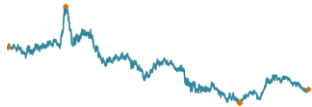
30-year Treasury



10-year Treasury

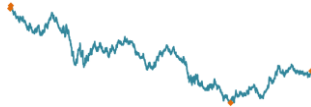


Moody's Corporate Avg

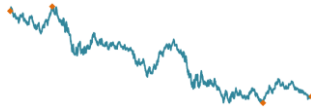


Europe

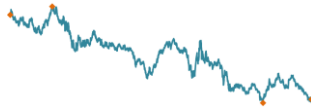
UK: 10-year govt



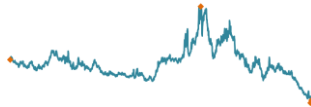
Germany: 10-year govt



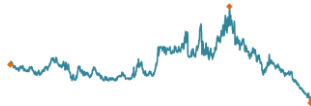
France: 10-year govt



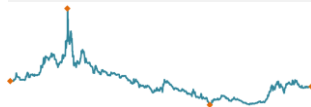
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

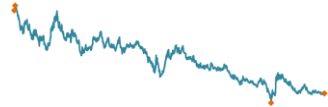


Turkey: 7-year govt

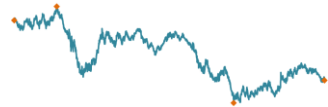


Pacific/EM

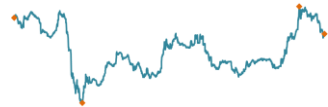
Japan: 10-year govt



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



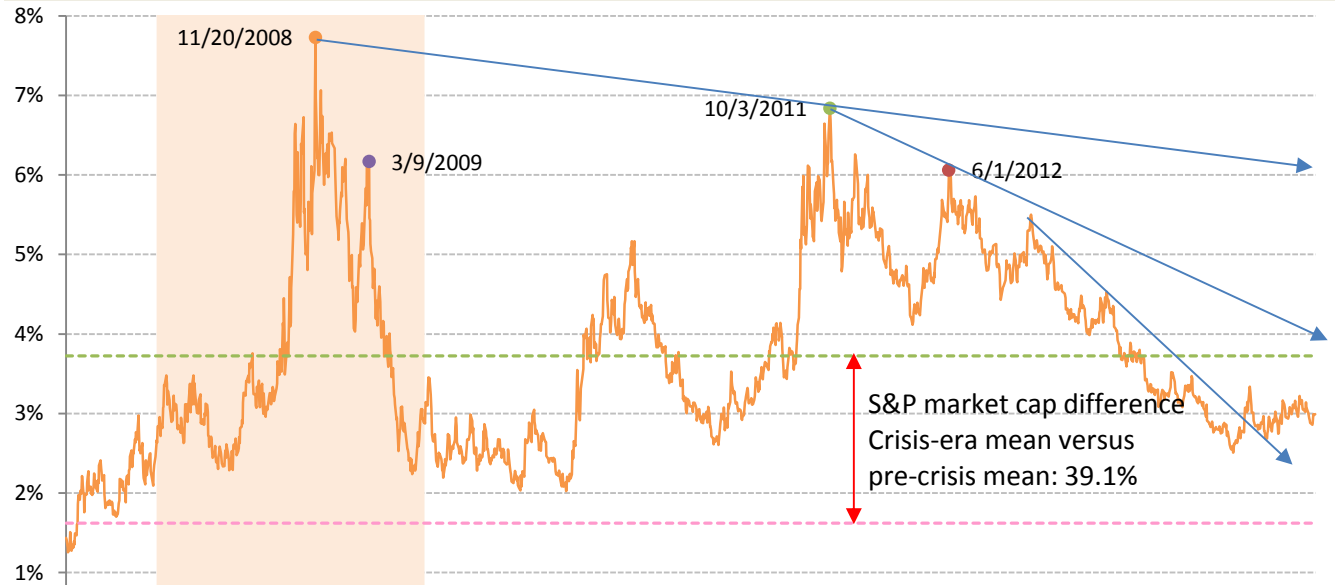
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

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

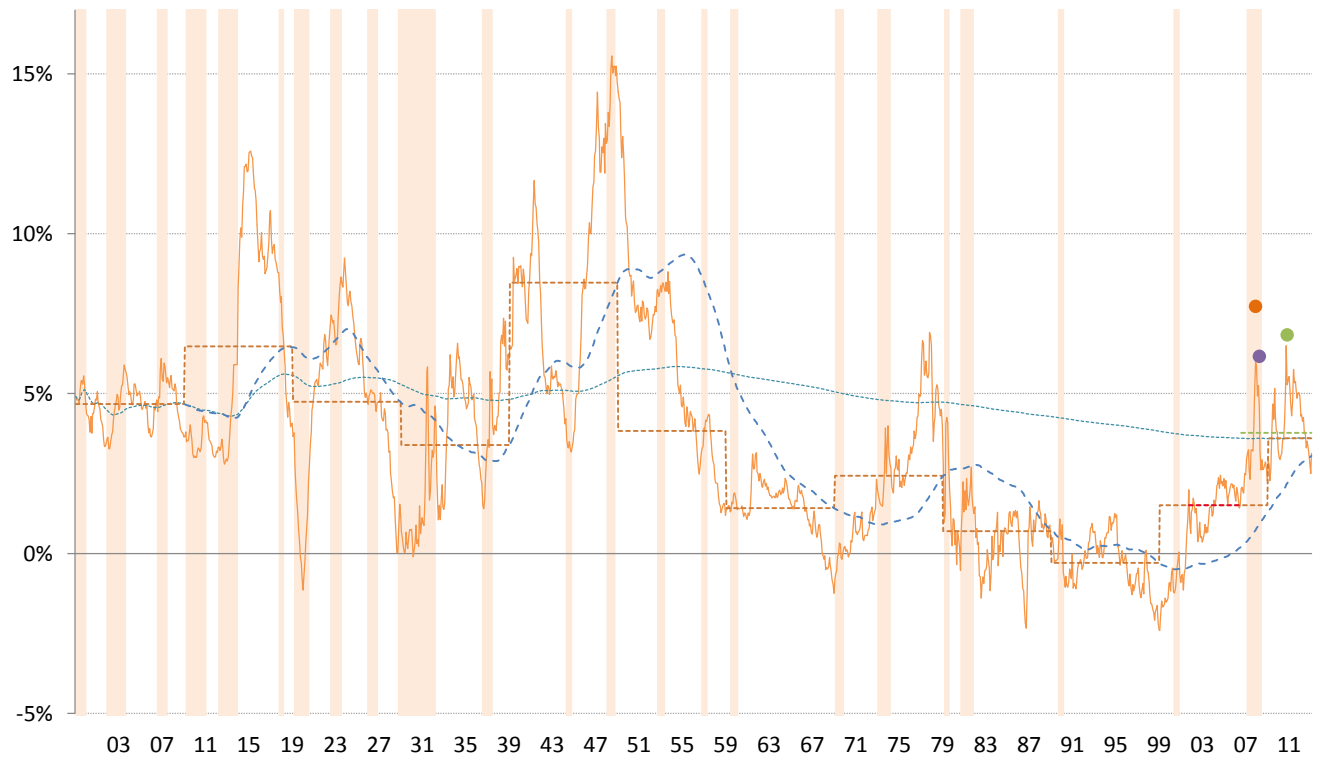


Versus 30-year Treasury

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

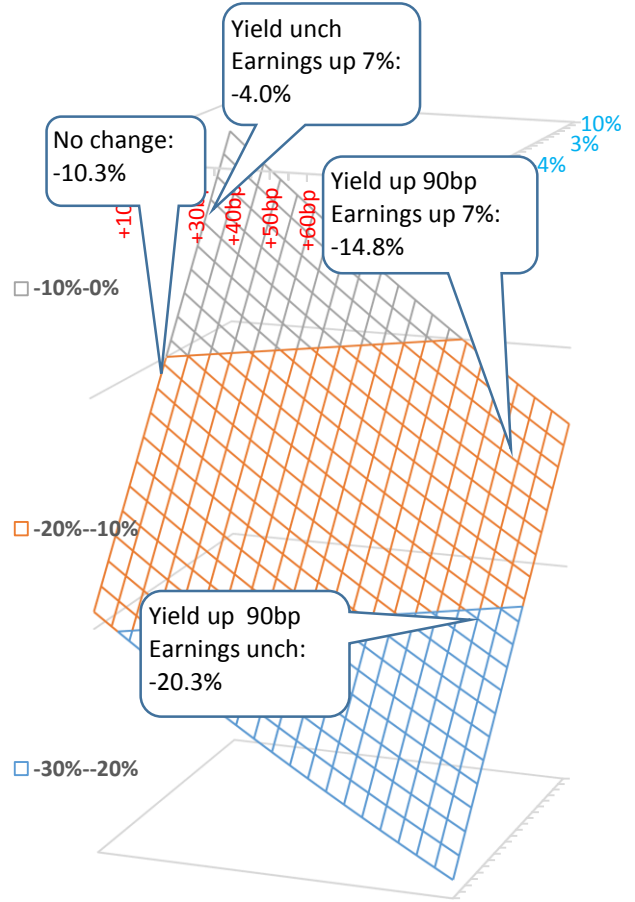
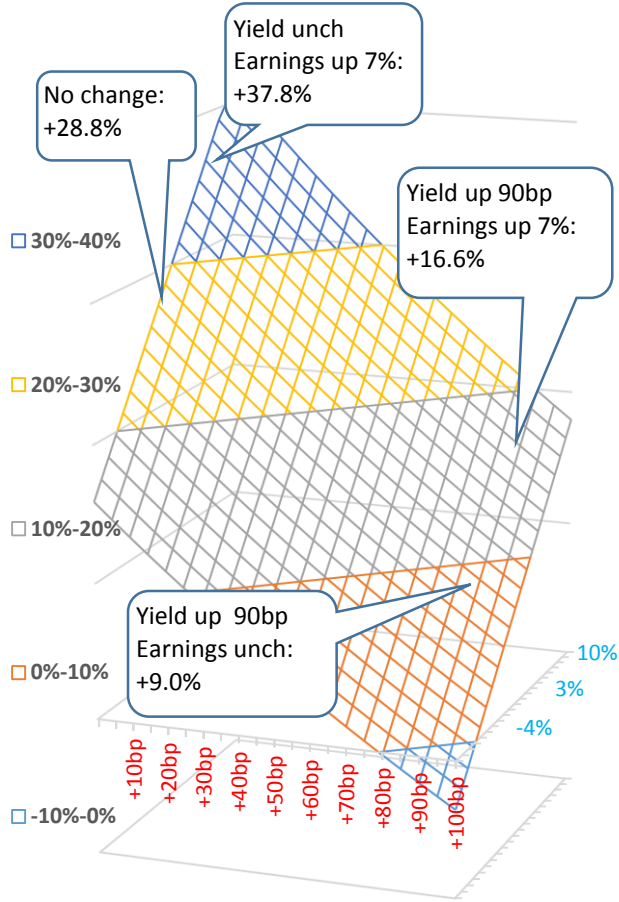


Versus 30-year Treasury

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	
S&P 500	1937.78	+28.78%	2495.48
Forward earnings	124.61	-22.83%	96.16
Earnings yield	6.43%		
30-year yield	3.40%	+1.43%	4.83%
Equity risk premium	3.03%		

		Sensitivity	
S&P 500	1937.78	-10.27%	1738.71
Forward earnings	124.61	10.76%	138.02
Earnings yield	6.43%		
30-year yield	3.40%	-0.73%	2.67%
Equity risk premium	3.03%		

Source: Various, TrendMacro calculations