

Data Insights: Global Equity Risk Premia

Tuesday, August 12, 2014

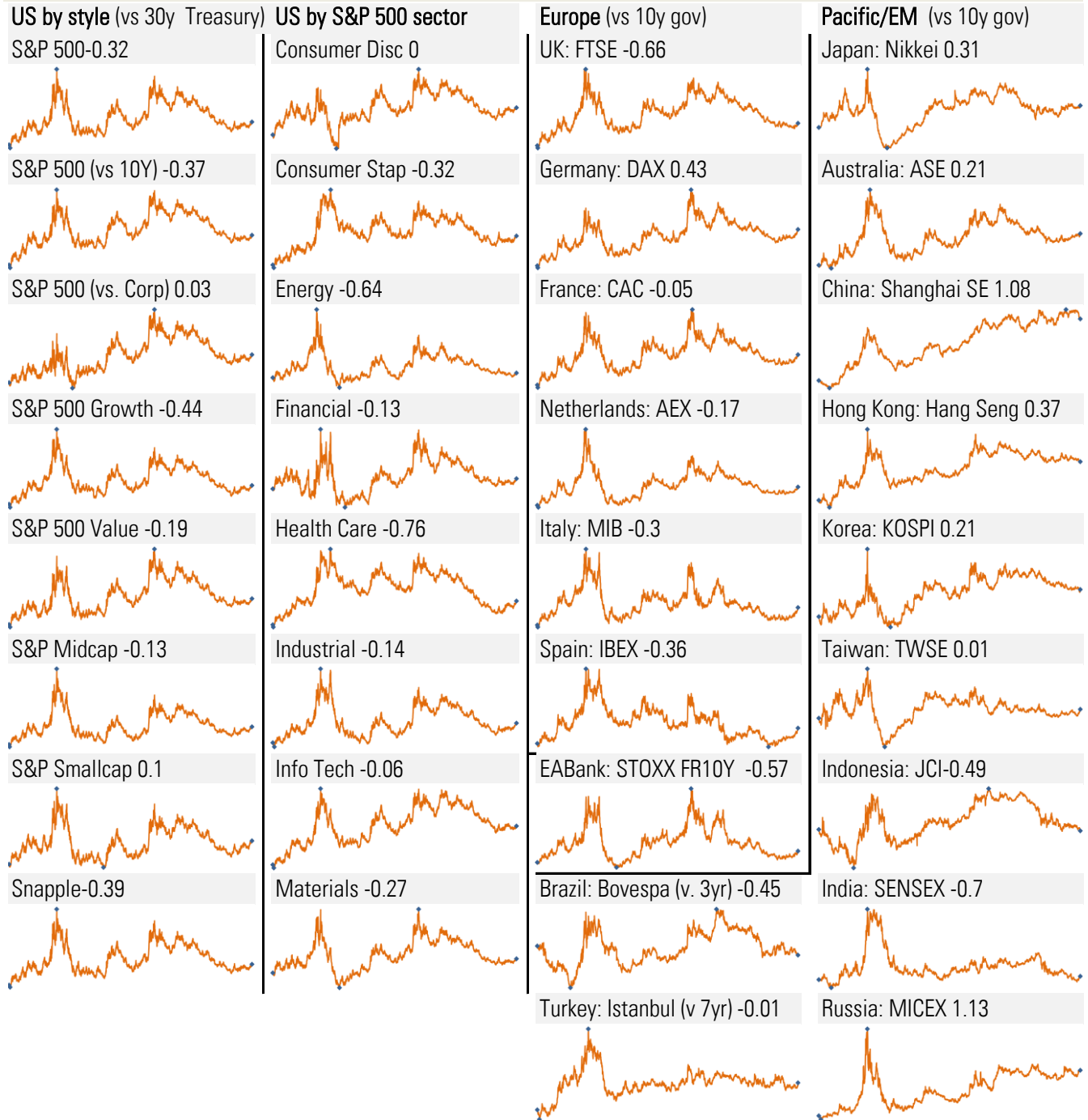
Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

Rank	Equity risk premium By SD from crisis era mean	Forward PE ratio	Fwd earnings upgrade rate Trailing 90 days, AR	Fwd sales upgrade rate Trailing 90 days, AR
	By country	By country	By country	By country
1	Russia: MICEX +1.14	Russia: MICEX 4.9	India: SENSEX +31%	Turkey: Istanbul +45%
2	China: Shanghai SE +1.09	China: Shanghai SE 8.2	Turkey: Istanbul +28%	Indonesia:JCI +27%
3	Germany: DAX +0.43	Turkey: Istanbul 9.7	Taiwan:TWASA +25%	Brazil: Bovespa +26%
4	HK: Hang Seng +0.37	Korea: KOSPI 10.7	Spain: IBEX +20%	Spain: IBEX +15%
5	Japan: Nikkei +0.31	HK: Hang Seng 10.9	Japan: Nikkei +14%	India: SENSEX +14%
6	Indonesia:JCI +0.27	Brazil: Bovespa 11.1	Netherlands: AEX +13%	Japan: Nikkei +9%
7	Taiwan:TWASA +0.25	Germany: DAX 12.0	US: S&P 500 +13%	China: Shanghai SE +8%
8	Australia: ASE +0.22	Netherlands: AEX 13.1	Italy: MIB +12%	HK: Hang Seng +7%
9	Korea: KOSPI +0.22	Italy: MIB 13.1	HK: Hang Seng +10%	Australia: ASE +7%
10	Turkey: Istanbul +0.18	UK: FTSE 13.2	Indonesia:JCI +8%	US: S&P 500 +6%
11	France: CAC -0.05	France: CAC 13.5	China: Shanghai SE +7%	Korea: KOSPI +5%
12	Netherlands: AEX -0.17	Taiwan:TWASA 13.7	Russia: MICEX +5%	Germany: DAX +5%
13	Italy: MIB -0.31	Spain: IBEX 14.5	Germany: DAX +5%	Netherlands: AEX +2%
14	US: S&P 500 -0.33	Australia: ASE 14.8	Australia: ASE -1%	France: CAC +1%
15	Spain: IBEX -0.37	Indonesia:JCI 15.1	UK: FTSE -2%	Taiwan:TWASA +1%
16	Brazil: Bovespa -0.45	India: SENSEX 15.1	Brazil: Bovespa -5%	UK: FTSE -0%
17	UK: FTSE -0.67	US: S&P 500 15.2	Korea: KOSPI -10%	Russia: MICEX -5%
18	India: SENSEX -0.70	Japan: Nikkei 16.2	France: CAC -12%	Italy: MIB -8%
	US, by style	US, by style	US, by style	US, by style
1	S&P Smallcap +0.10	S&P 500 Value 13.8	S&P Smallcap +19%	S&P Smallcap +16%
2	S&P Midcap -0.14	S&P 500 15.2	S&P 500 Growth +16%	S&P Midcap +14%
3	S&P 500 Value -0.20	S&P 500 Growth 16.8	S&P 500 +13%	S&P 500 Growth +8%
4	S&P 500 -0.33	S&P Midcap 17.6	S&P Midcap +11%	S&P 500 +6%
5	S&P 500 Growth -0.44	S&P Smallcap 18.0	S&P 500 Value +10%	S&P 500 Value +5%
	US, by sector	US, by sector	US, by sector	US, by sector
1	Telecom +0.97	Financial 13.2	Health Care +25%	Health Care +17%
2	Consumer Disc +0.01	Telecom 13.3	Financial +15%	Info Tech +13%
3	Info Tech -0.07	Energy 14.1	Materials +15%	Energy +8%
4	Financial -0.14	Info Tech 15.1	Industrial +14%	Consumer Stap +7%
5	Industrial -0.15	Utilities 15.4	Info Tech +13%	Industrial +6%
6	Utilities -0.26	Industrial 15.5	Consumer Disc +11%	Consumer Disc +5%
7	Materials -0.28	Health Care 15.8	Energy +7%	Financial +4%
8	Consumer Stap -0.33	Materials 16.5	Consumer Stap +6%	Utilities -0%
9	Energy -0.65	Consumer Stap 17.4	Utilities +4%	Materials -12%
10	Health Care -0.77	Consumer Disc 17.4	Telecom -1%	Telecom -27%

Source: Bloomberg, TrendMacro calculations

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

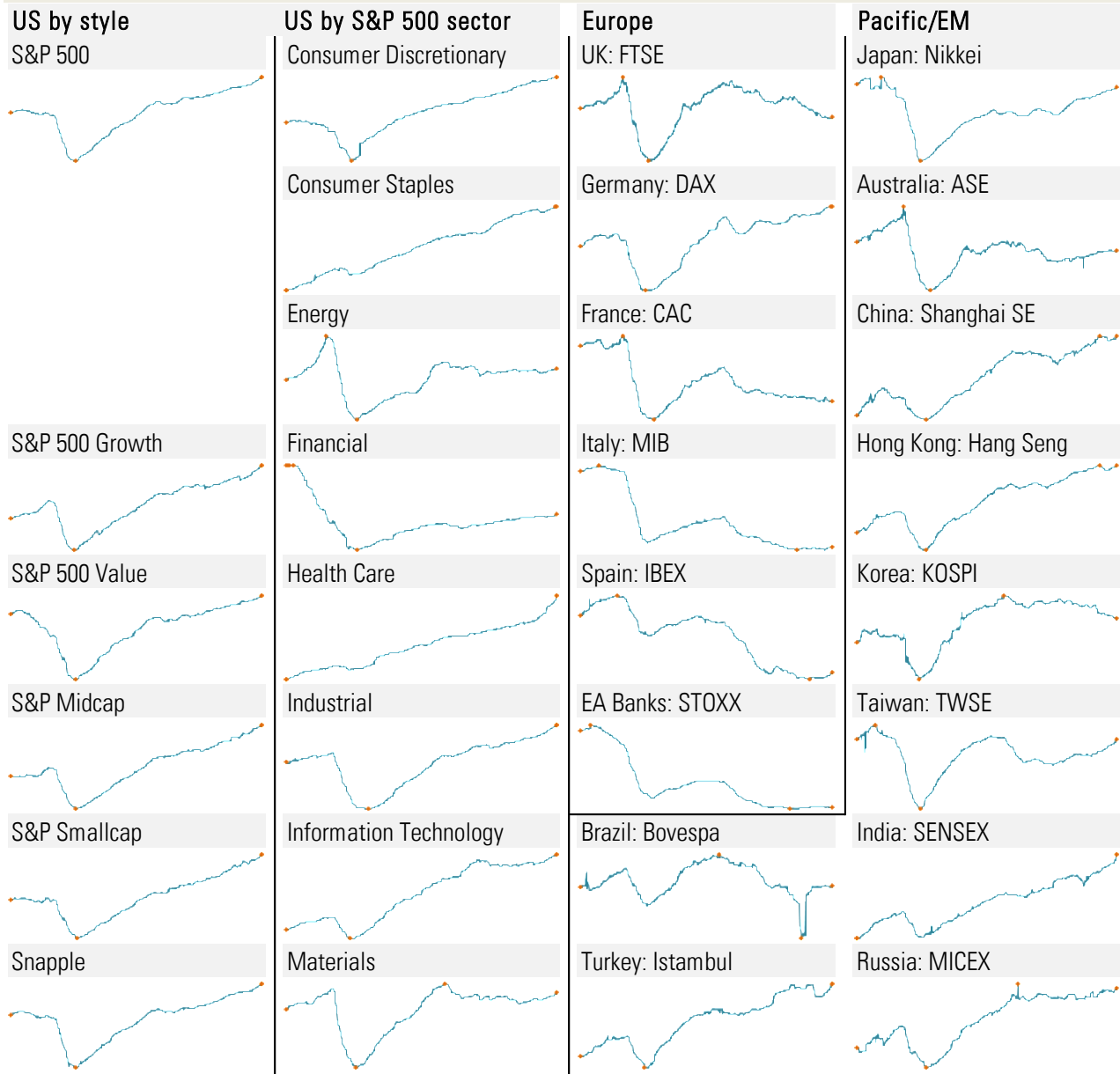
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

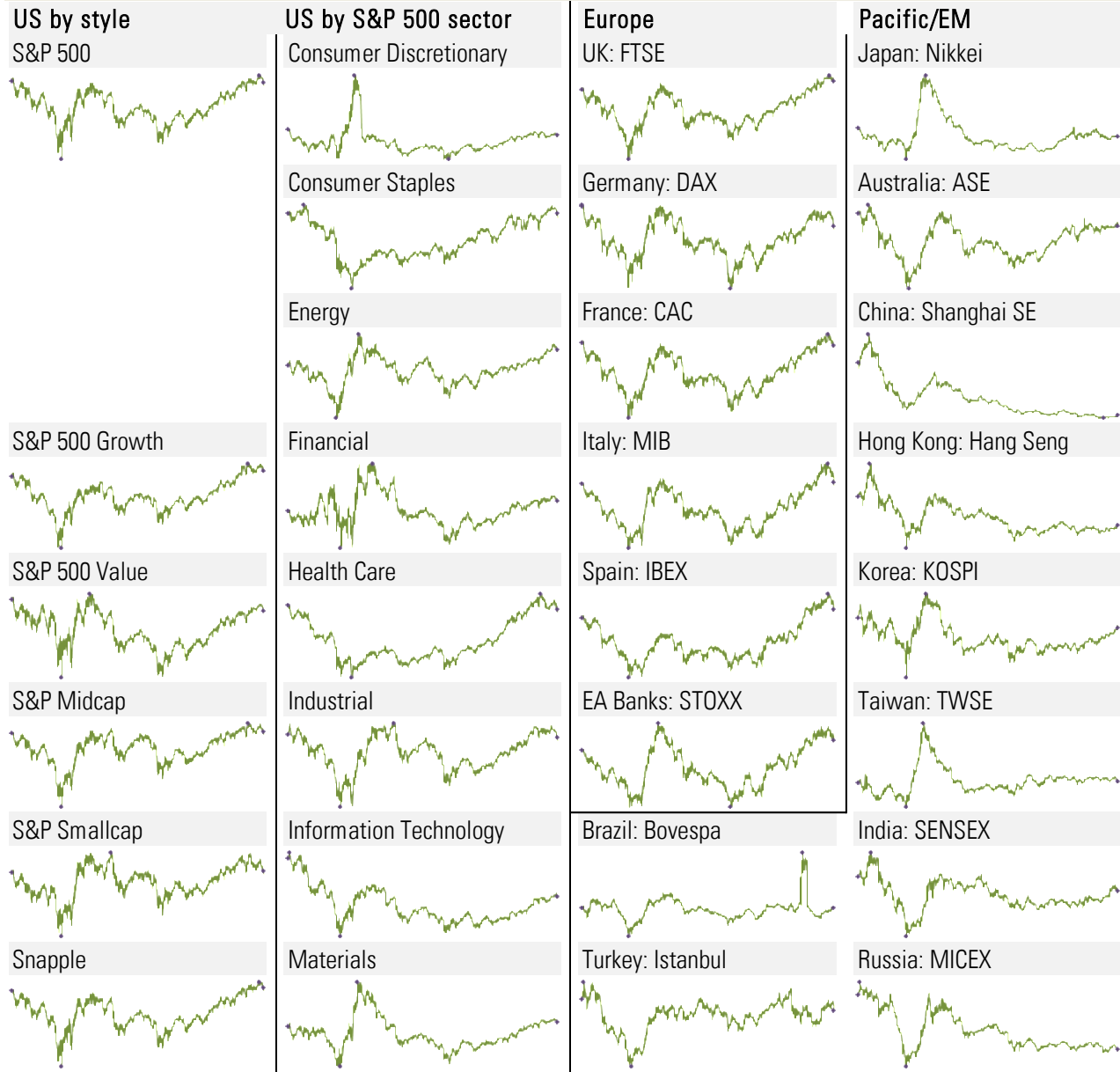
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



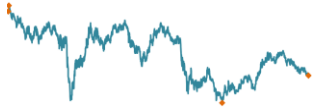
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

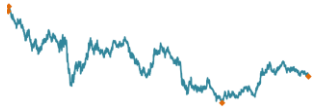
• First, High, Low, Last

US

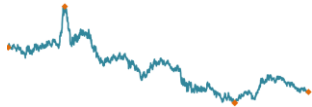
30-year Treasury



10-year Treasury

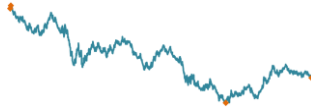


Moody's Corporate Avg

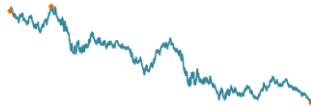


Europe

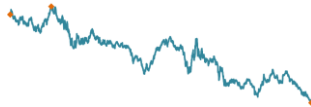
UK: 10-year govt



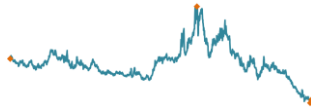
Germany: 10-year govt



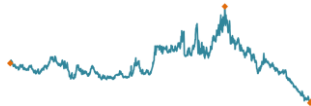
France: 10-year govt



Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

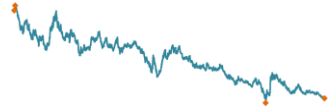


Turkey: 7-year govt

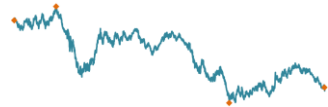


Pacific/EM

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



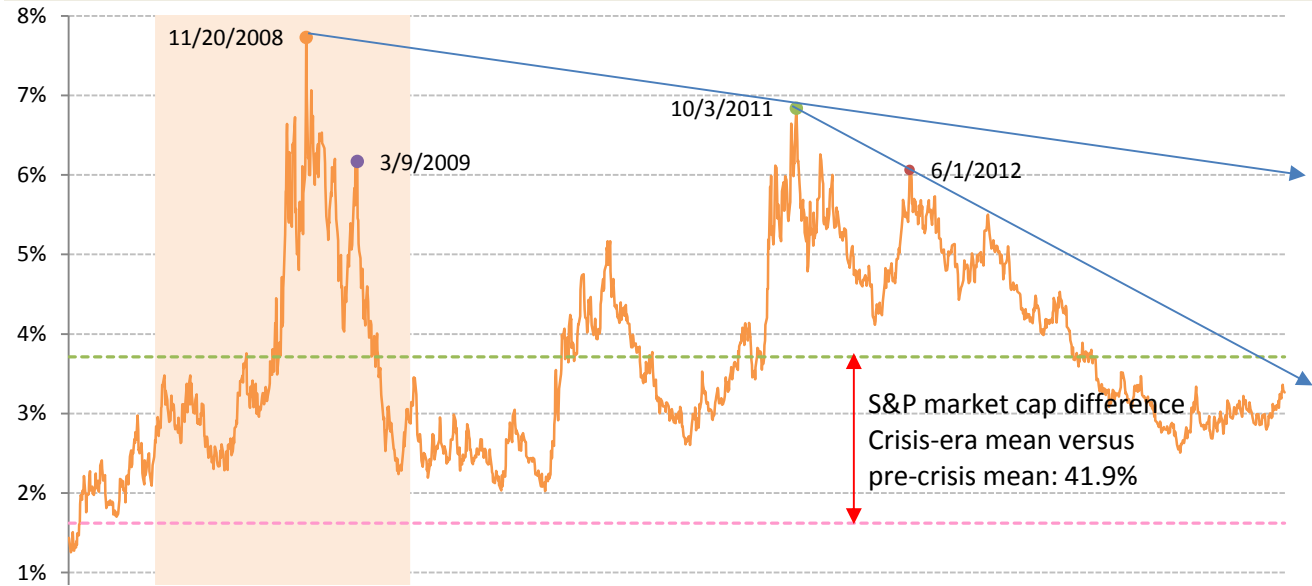
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

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

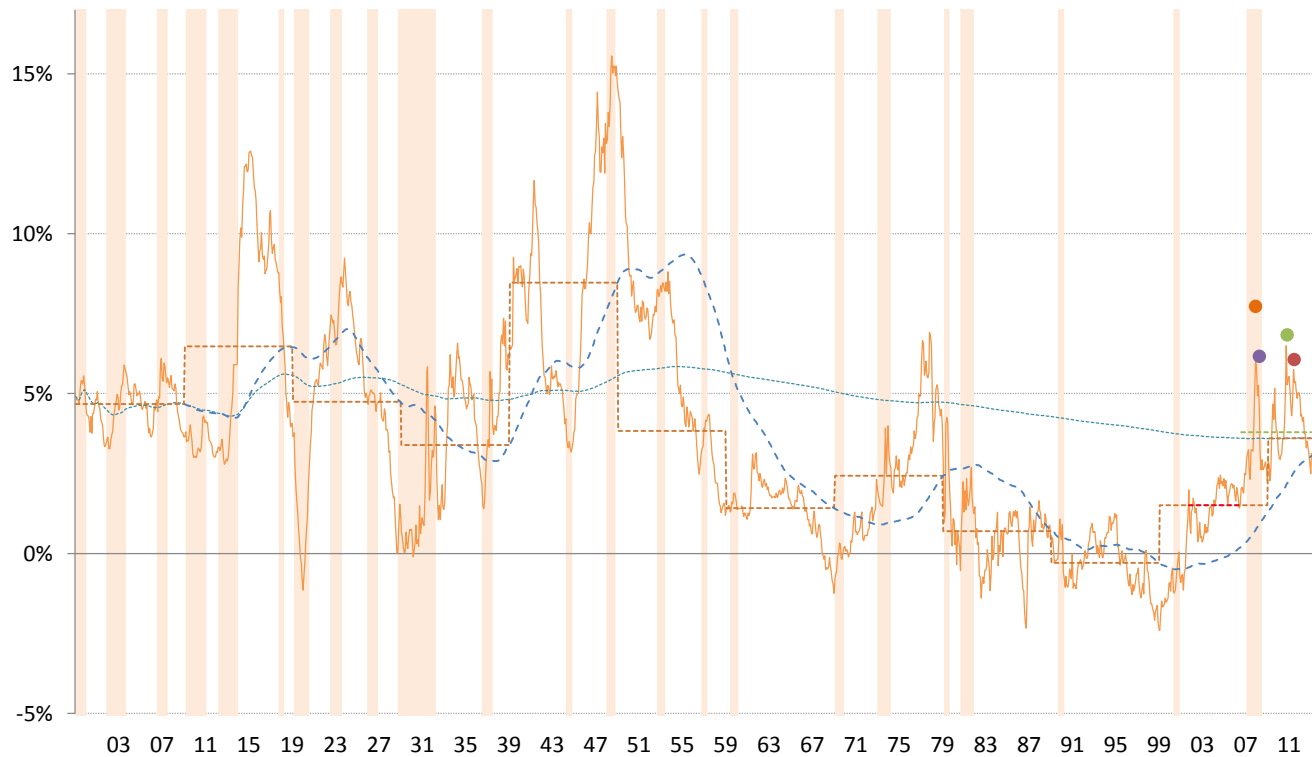


Versus 30-year Treasury

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

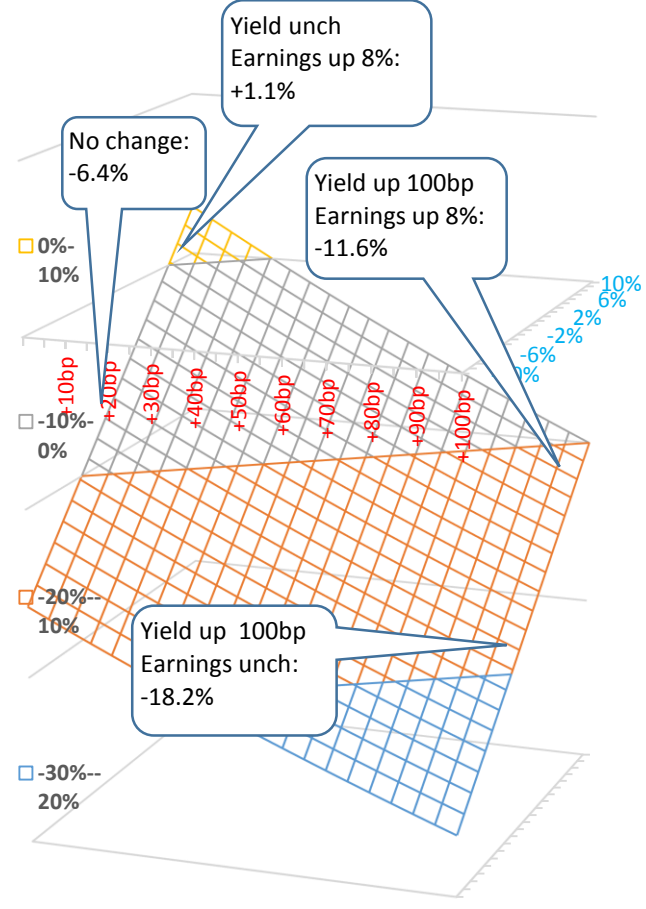
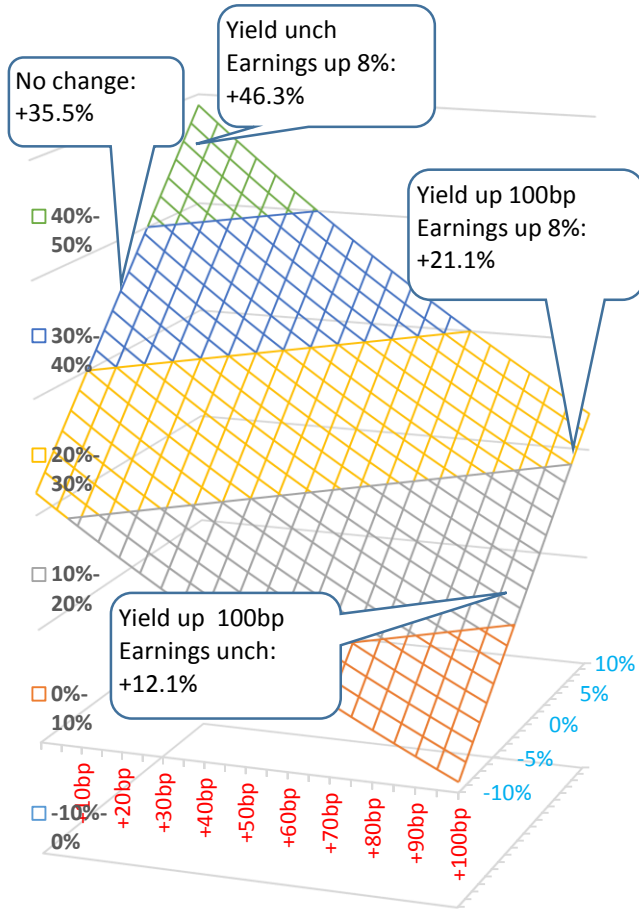


Versus 30-year Treasury

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	1936.92	+35.46%	2623.70
Forward earnings	127.26	-26.90%	93.02
Earnings yield	6.57%		
30-year yield	3.24%	+1.70%	4.94%
Equity risk premium	3.33%		

		Sensitivity	
S&P 500	1936.92	-6.41%	1812.74
Forward earnings	127.26	5.80%	134.64
Earnings yield	6.57%		
30-year yield	3.24%	-0.45%	2.79%
Equity risk premium	3.33%		

Source: Various, TrendMacro calculations