

Data Insights: Global Equity Risk Premia

Monday, September 22, 2014

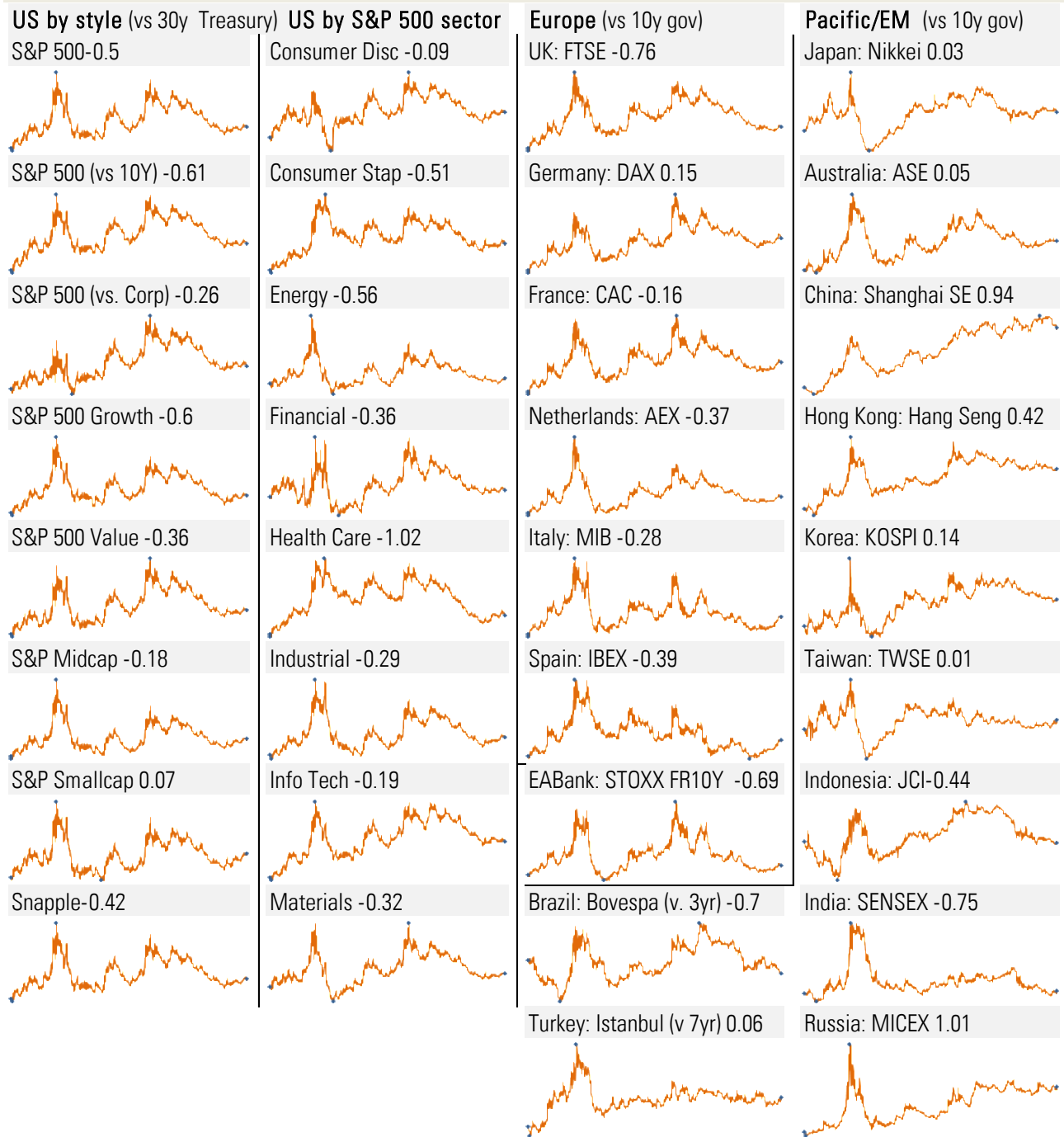
Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	Russia: MICEX	+1.02	Russia: MICEX	5.0	India: SENSEX	+39%	Spain: IBEX	+109%
2	China: Shanghai SE	+0.95	China: Shanghai SE	8.5	Taiwan:TWSA	+25%	Turkey: Istanbul	+88%
3	HK: Hang Seng	+0.43	Turkey: Istanbul	9.6	Turkey: Istanbul	+22%	Brazil: Bovespa	+29%
4	Taiwan:TWSA	+0.25	HK: Hang Seng	10.5	Spain: IBEX	+21%	Indonesia:JCI	+21%
5	Indonesia:JCI	+0.21	Korea: KOSPI	10.9	Russia: MICEX	+17%	HK: Hang Seng	+15%
6	Germany: DAX	+0.15	Brazil: Bovespa	11.4	Japan: Nikkei	+15%	Russia: MICEX	+14%
7	Korea: KOSPI	+0.15	Germany: DAX	12.7	US: S&P 500	+13%	India: SENSEX	+14%
8	Australia: ASE	+0.05	UK: FTSE	13.4	HK: Hang Seng	+12%	UK: FTSE	+9%
9	Japan: Nikkei	+0.04	Taiwan:TWSA	13.7	Netherlands: AEX	+11%	US: S&P 500	+7%
10	Turkey: Istanbul	-0.13	Italy: MIB	13.8	UK: FTSE	+9%	China: Shanghai SE	+7%
11	France: CAC	-0.16	Netherlands: AEX	13.9	China: Shanghai SE	+8%	Taiwan:TWSA	+6%
12	Italy: MIB	-0.28	France: CAC	14.0	France: CAC	+7%	Japan: Nikkei	+5%
13	Netherlands: AEX	-0.37	Australia: ASE	14.7	Indonesia:JCI	+6%	France: CAC	+4%
14	Spain: IBEX	-0.40	Indonesia:JCI	15.1	Germany: DAX	+4%	Korea: KOSPI	+3%
15	US: S&P 500	-0.50	Spain: IBEX	15.3	Italy: MIB	+3%	Germany: DAX	+1%
16	Brazil: Bovespa	-0.70	US: S&P 500	15.6	Australia: ASE	+2%	Netherlands: AEX	-1%
17	India: SENSEX	-0.75	India: SENSEX	15.6	Brazil: Bovespa	-5%	Australia: ASE	-2%
18	UK: FTSE	-0.76	Japan: Nikkei	17.2	Korea: KOSPI	-10%	Italy: MIB	-5%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	+0.07	S&P 500 Value	14.2	S&P 500 Growth	+16%	S&P Midcap	+20%
2	S&P Midcap	-0.19	S&P 500	15.6	S&P Smallcap	+14%	S&P 500 Growth	+9%
3	S&P 500 Value	-0.37	S&P 500 Growth	17.2	S&P 500	+13%	S&P 500	+7%
4	S&P 500	-0.50	S&P Midcap	17.7	S&P Midcap	+12%	S&P 500 Value	+6%
5	S&P 500 Growth	-0.61	S&P Smallcap	18.0	S&P 500 Value	+10%	S&P Smallcap	+3%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+0.74	Telecom	13.6	Health Care	+26%	Health Care	+18%
2	Consumer Disc	-0.10	Energy	13.8	Financial	+17%	Consumer Stap	+13%
3	Info Tech	-0.19	Financial	13.8	Materials	+16%	Info Tech	+11%
4	Industrial	-0.29	Info Tech	15.5	Info Tech	+14%	Energy	+9%
5	Materials	-0.33	Utilities	15.8	Industrial	+12%	Consumer Disc	+6%
6	Financial	-0.36	Industrial	16.0	Consumer Disc	+11%	Financial	+5%
7	Utilities	-0.47	Materials	16.7	Consumer Stap	+6%	Industrial	+5%
8	Consumer Stap	-0.52	Health Care	16.8	Telecom	+4%	Utilities	-0%
9	Energy	-0.56	Consumer Disc	17.7	Utilities	+2%	Materials	-13%
10	Health Care	-1.03	Consumer Stap	17.8	Energy	+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

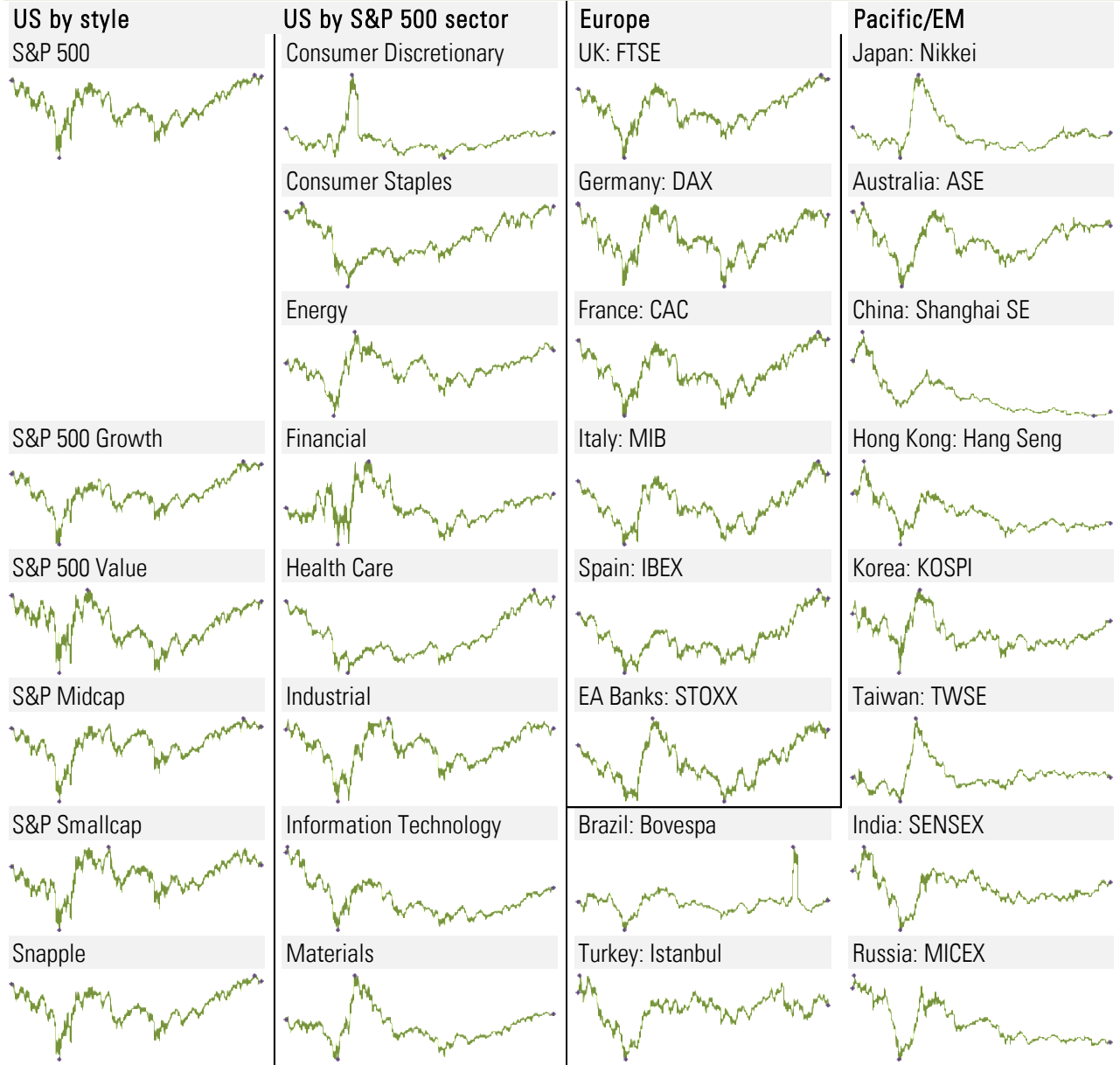
• First, High, Low, Last



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



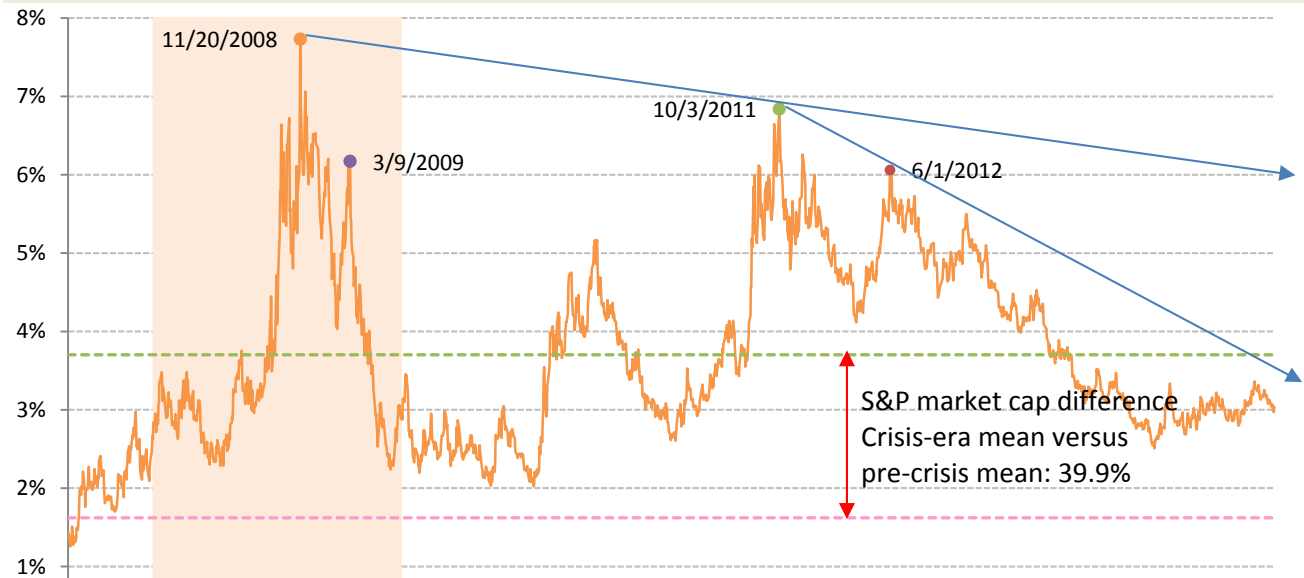
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

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

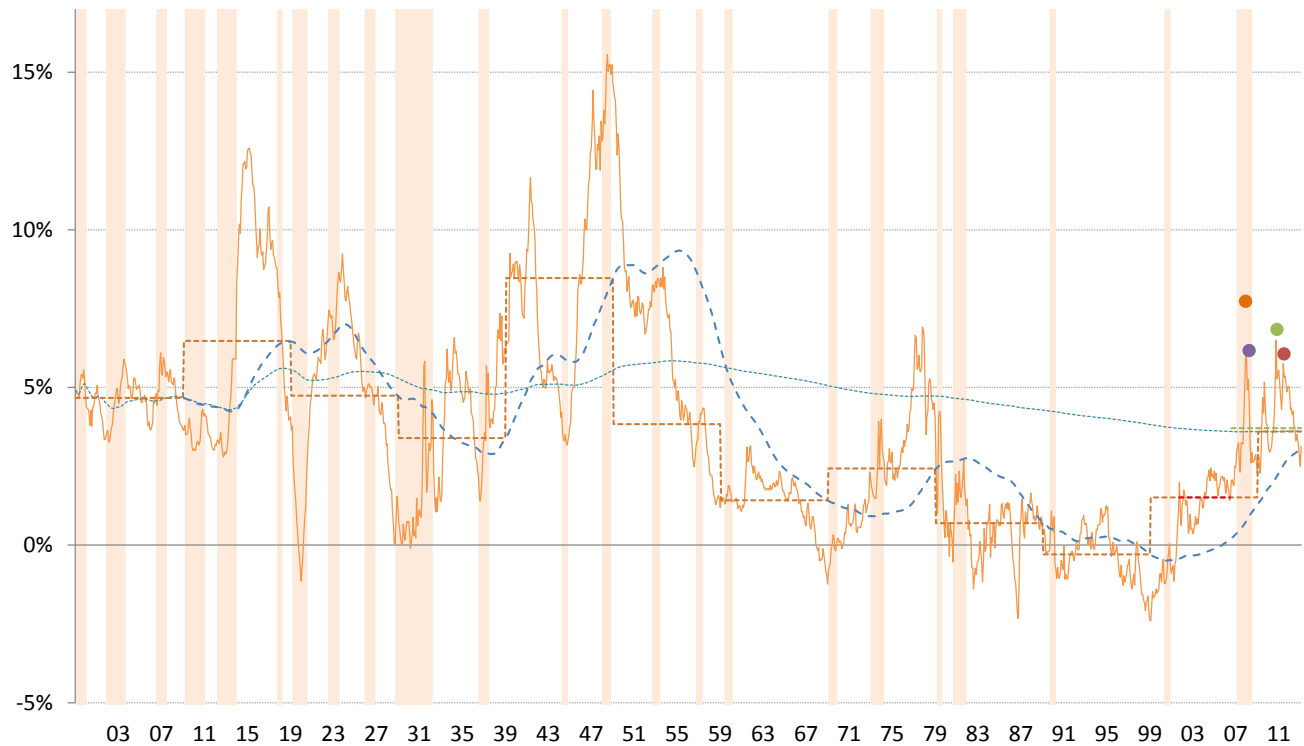


Versus 30-year Treasury

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				Sensitivity	
S&P 500	2010.4	+30.40%	2621.59	S&P 500	2010.4	-9.51%	1819.20
Forward earnings	128.64	-24.16%	97.56	Forward earnings	128.64	9.29%	140.59
Earnings yield	6.40%			Earnings yield	6.40%		
30-year yield	3.29%	+1.48%	4.77%	30-year yield	3.29%	-0.67%	2.62%
Equity risk premium	3.11%			Equity risk premium	3.11%		

Source: Various, TrendMacro calculations