

Data Insights: Global Equity Risk Premia

Monday, November 10, 2014

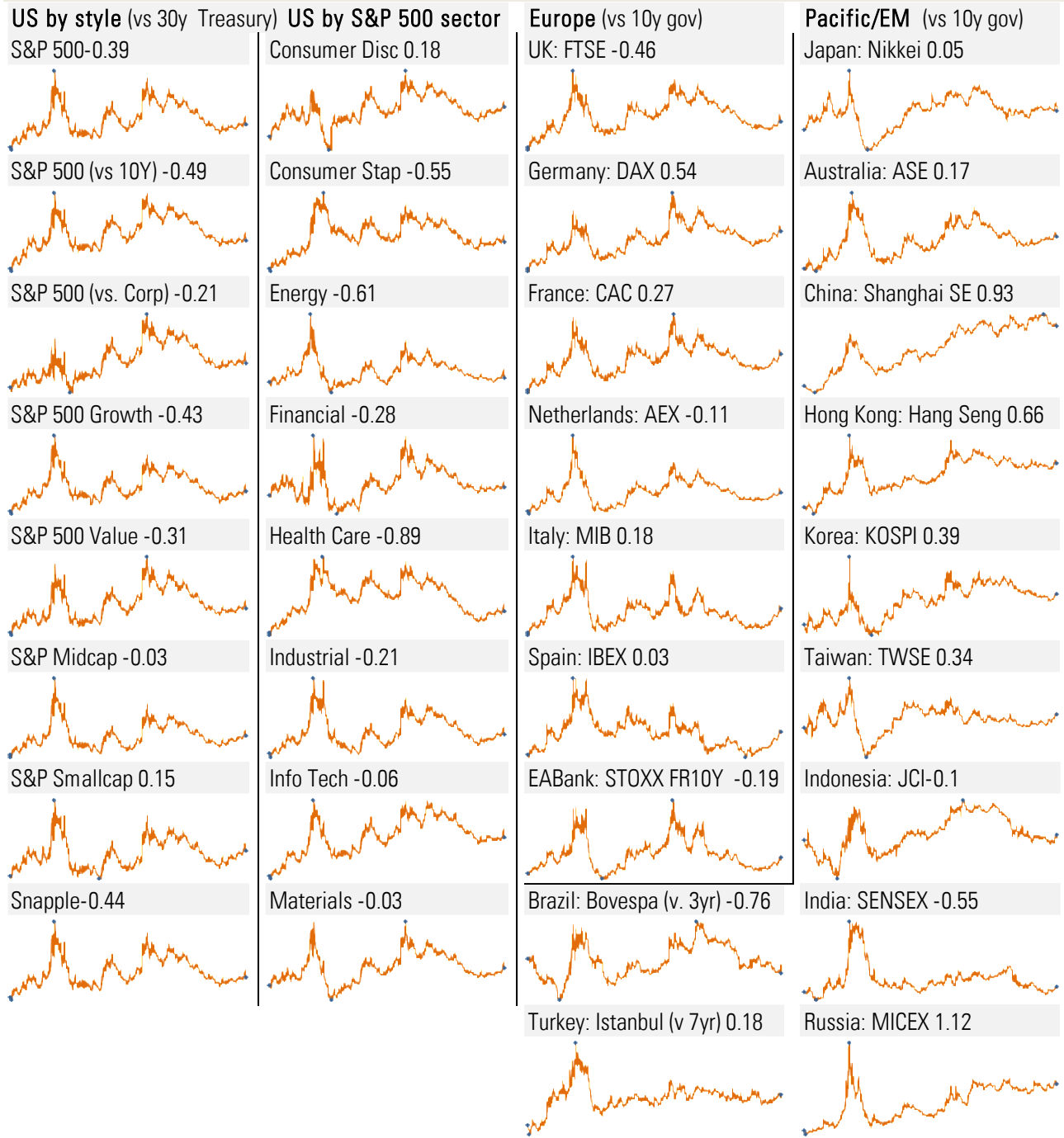
Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	Russia: MICEX	+1.12	Russia: MICEX	4.9	Russia: MICEX	+44%	Russia: MICEX	+40%
2	China: Shanghai SE	+0.94	China: Shanghai SE	8.9	India: SENSEX	+27%	Brazil: Bovespa	+21%
3	HK: Hang Seng	+0.66	Turkey: Istanbul	9.7	Japan: Nikkei	+19%	India: SENSEX	+14%
4	Germany: DAX	+0.54	HK: Hang Seng	10.2	Indonesia:JCI	+13%	HK: Hang Seng	+13%
5	Korea: KOSPI	+0.40	Brazil: Bovespa	10.6	Spain: IBEX	+12%	Australia: ASE	+11%
6	France: CAC	+0.28	Korea: KOSPI	10.7	France: CAC	+9%	France: CAC	+9%
7	Italy: MIB	+0.19	Germany: DAX	12.1	Italy: MIB	+9%	UK: FTSE	+6%
8	Australia: ASE	+0.18	Italy: MIB	12.6	Taiwan:TWASA	+9%	Netherlands: AEX	+5%
9	Taiwan:TWASA	+0.09	Taiwan:TWASA	13.1	Turkey: Istanbul	+8%	Japan: Nikkei	+5%
10	Japan: Nikkei	+0.05	France: CAC	13.1	HK: Hang Seng	+7%	Spain: IBEX	+4%
11	Indonesia:JCI	+0.04	UK: FTSE	13.2	Netherlands: AEX	+4%	China: Shanghai SE	+4%
12	Spain: IBEX	+0.04	Netherlands: AEX	13.4	Germany: DAX	+4%	Indonesia:JCI	+4%
13	Turkey: Istanbul	+0.03	Spain: IBEX	14.0	US: S&P 500	+0%	US: S&P 500	+3%
14	Netherlands: AEX	-0.12	Indonesia:JCI	14.2	Australia: ASE	-0%	Germany: DAX	+2%
15	US: S&P 500	-0.39	Australia: ASE	15.0	China: Shanghai SE	-2%	Taiwan:TWASA	+2%
16	UK: FTSE	-0.46	India: SENSEX	15.6	UK: FTSE	-3%	Korea: KOSPI	-2%
17	India: SENSEX	-0.56	US: S&P 500	15.9	Brazil: Bovespa	-5%	Italy: MIB	-3%
18	Brazil: Bovespa	-0.76	Japan: Nikkei	17.4	Korea: KOSPI	-16%	Turkey: Istanbul	-78%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	+0.15	S&P 500 Value	14.5	S&P 500 Growth	+8%	S&P Midcap	+21%
2	S&P Midcap	-0.03	S&P 500	15.9	S&P Midcap	+5%	S&P 500 Growth	+6%
3	S&P 500 Value	-0.31	S&P 500 Growth	17.4	S&P Smallcap	+3%	S&P 500	+3%
4	S&P 500	-0.39	S&P Midcap	17.9	S&P 500	+0%	S&P 500 Value	+2%
5	S&P 500 Growth	-0.44	S&P Smallcap	18.5	S&P 500 Value	-6%	S&P Smallcap	+2%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+0.79	Telecom	14.0	Health Care	+13%	Consumer Disc	+8%
2	Consumer Disc	+0.18	Financial	14.1	Industrial	+7%	Financial	+7%
3	Materials	-0.03	Energy	14.4	Info Tech	+7%	Health Care	+7%
4	Info Tech	-0.07	Info Tech	15.7	Consumer Disc	+7%	Consumer Stap	+5%
5	Industrial	-0.21	Materials	16.1	Materials	+6%	Industrial	+3%
6	Financial	-0.28	Industrial	16.3	Financial	+5%	Telecom	+2%
7	Consumer Stap	-0.56	Health Care	17.0	Utilities	+4%	Info Tech	+1%
8	Energy	-0.61	Utilities	17.1	Consumer Stap	-0%	Materials	+1%
9	Utilities	-0.65	Consumer Disc	17.5	Telecom	-11%	Utilities	+0%
10	Health Care	-0.89	Consumer Stap	18.8	Energy	-37%	Energy	-6%

Source: Bloomberg, TrendMacro calculations

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

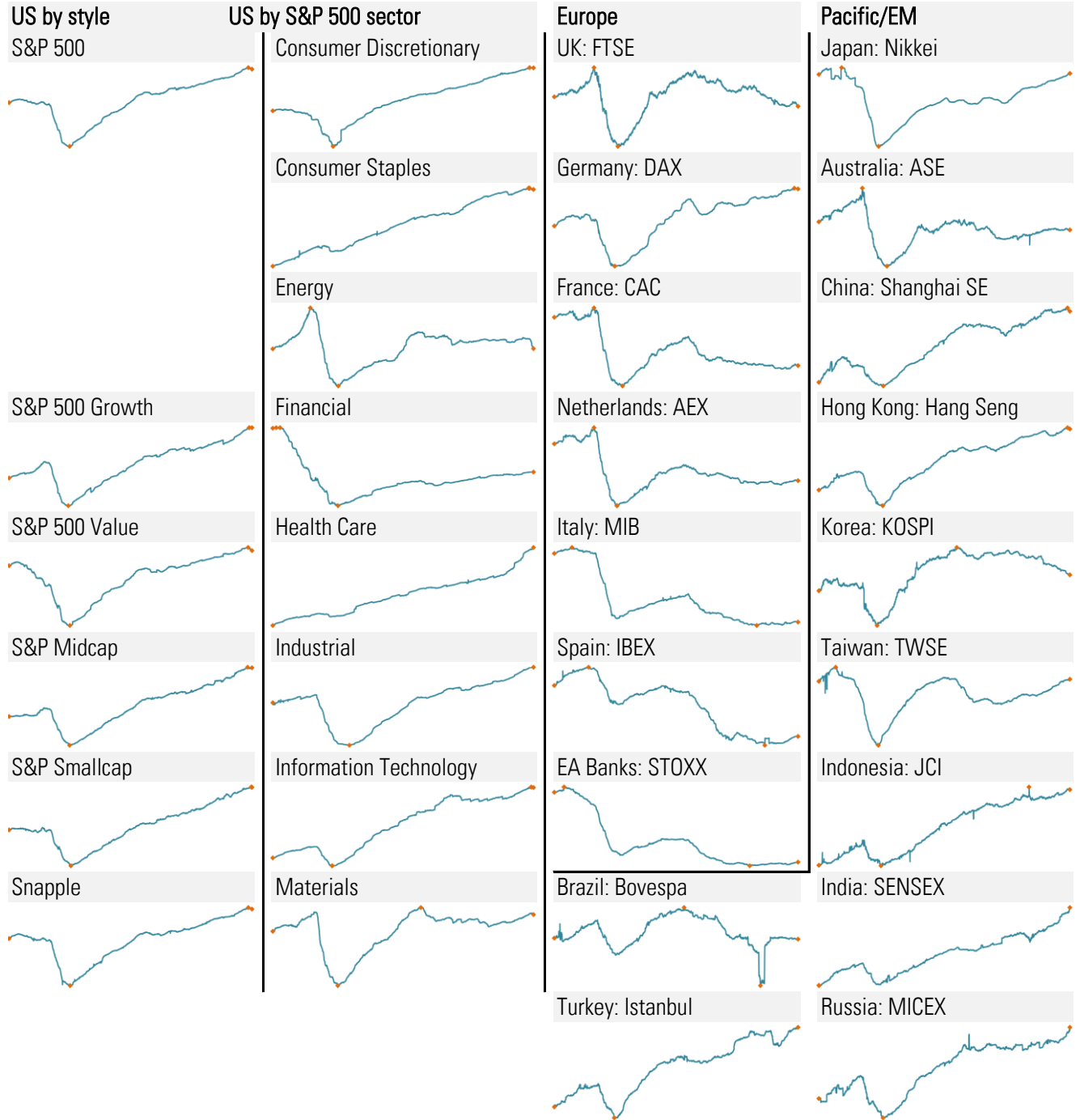
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

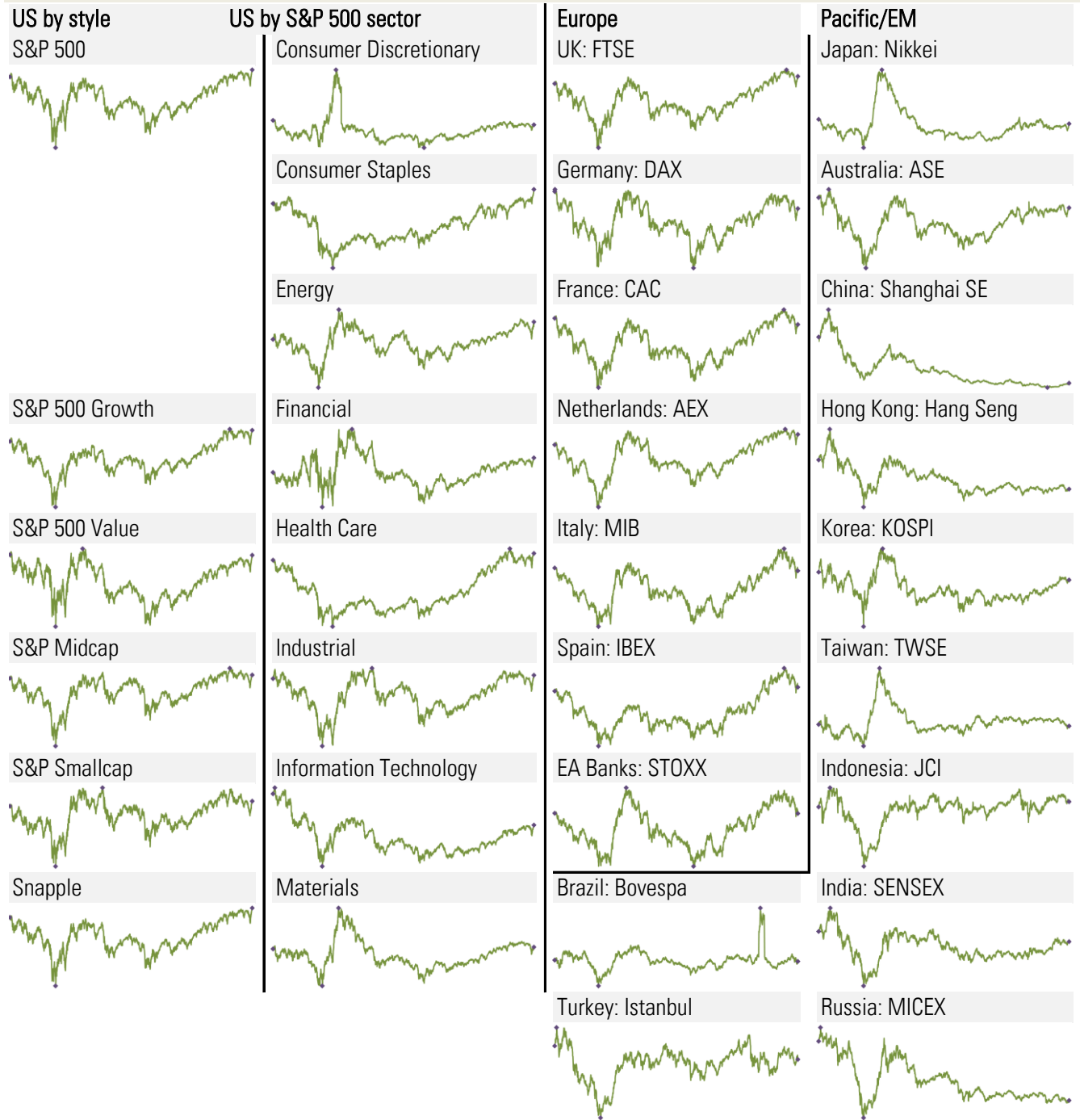
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



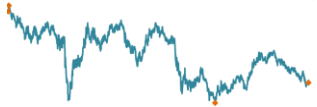
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

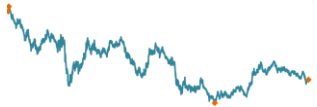
• First, High, Low, Last

US

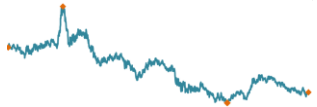
30-year Treasury



10-year Treasury

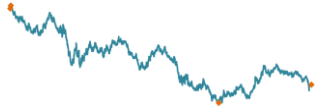


Moody's Corporate Avg

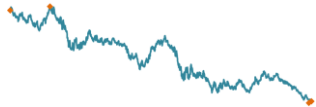


Europe

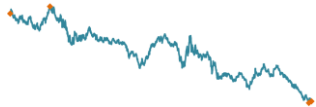
UK: 10-year govt



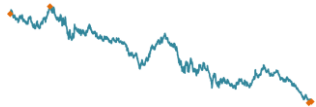
Germany: 10-year govt



France: 10-year govt



Netherlands: 10-year govt



Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

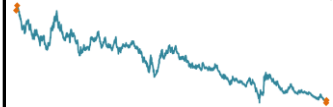


Turkey: 7-year govt

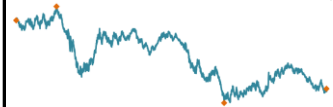


Pacific/EM

Japan: 10-year govt



Australia: 10-year govt



China: 10-year govt



Hong Kong: 10-year govt



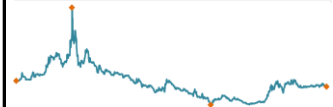
Korea: 10-year govt



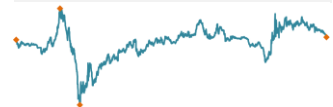
Taiwan: 10-year govt



Indonesia: 10-year govt



India: 10-year govt



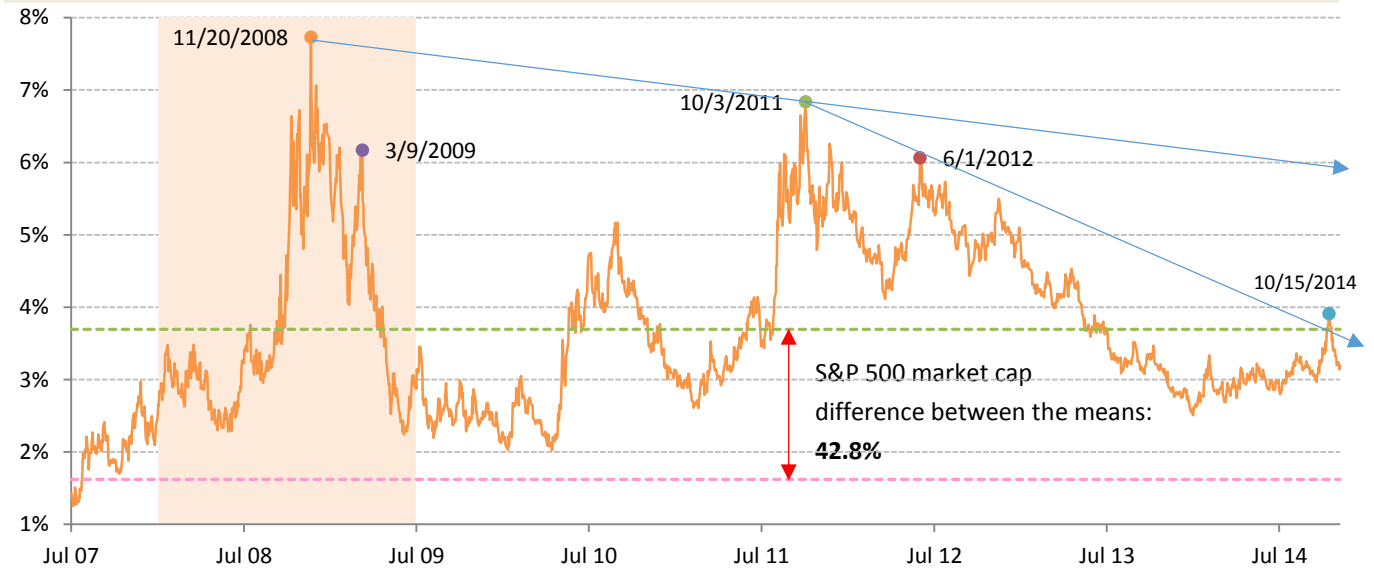
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

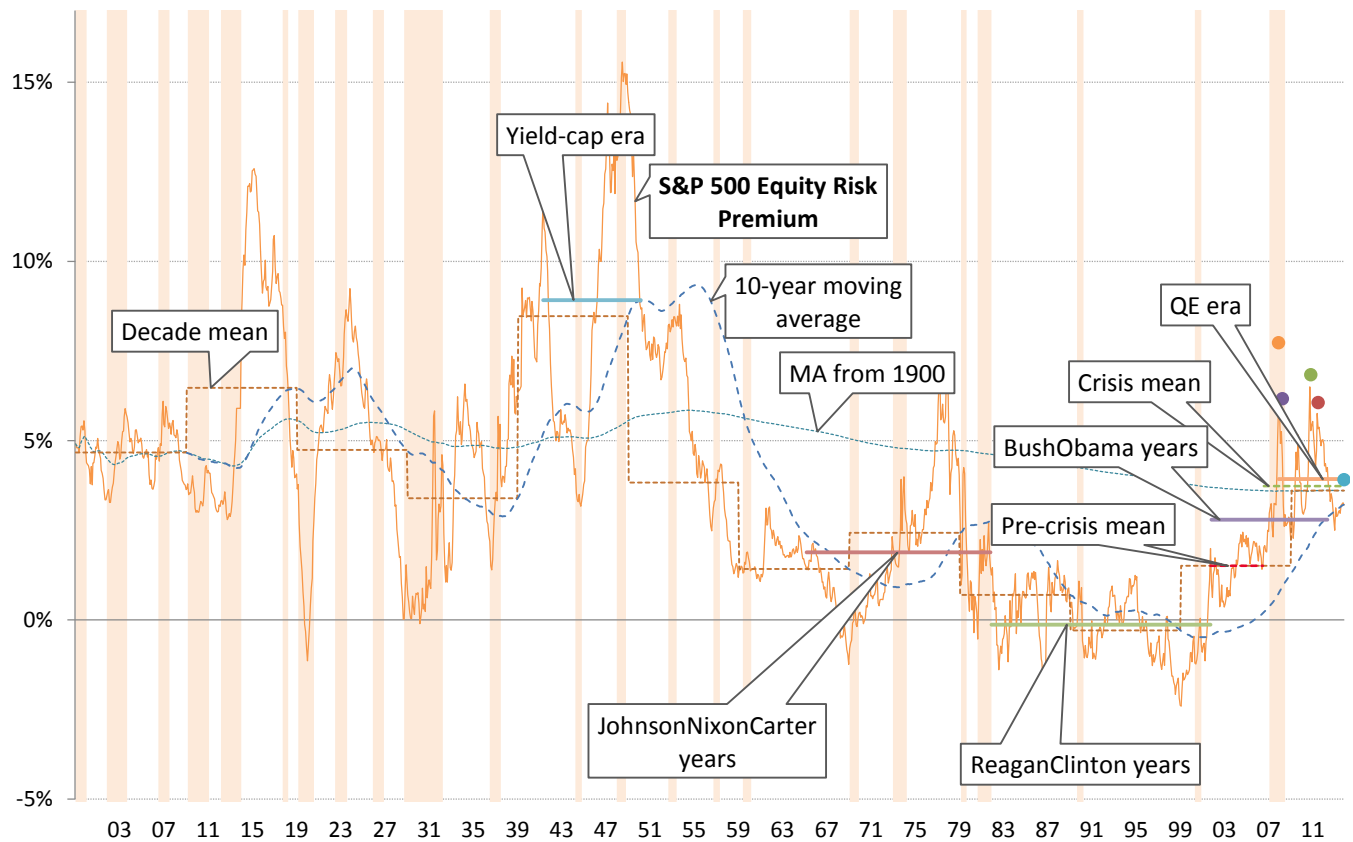
--- Crisis era mean - - - Pre-crisis mean ↘ Downtrends ■ Recession



Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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



Versus 30-year Treasury

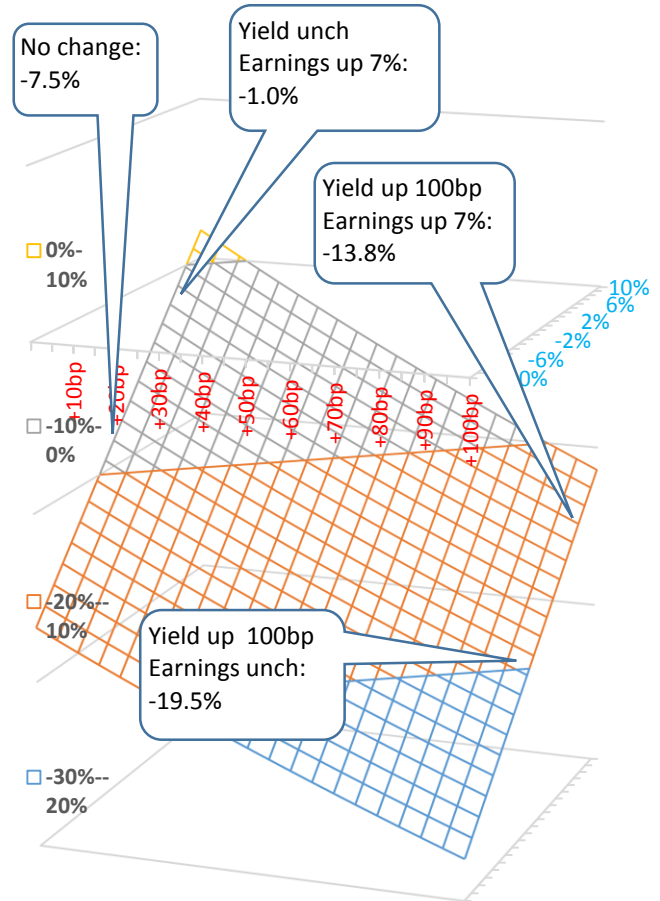
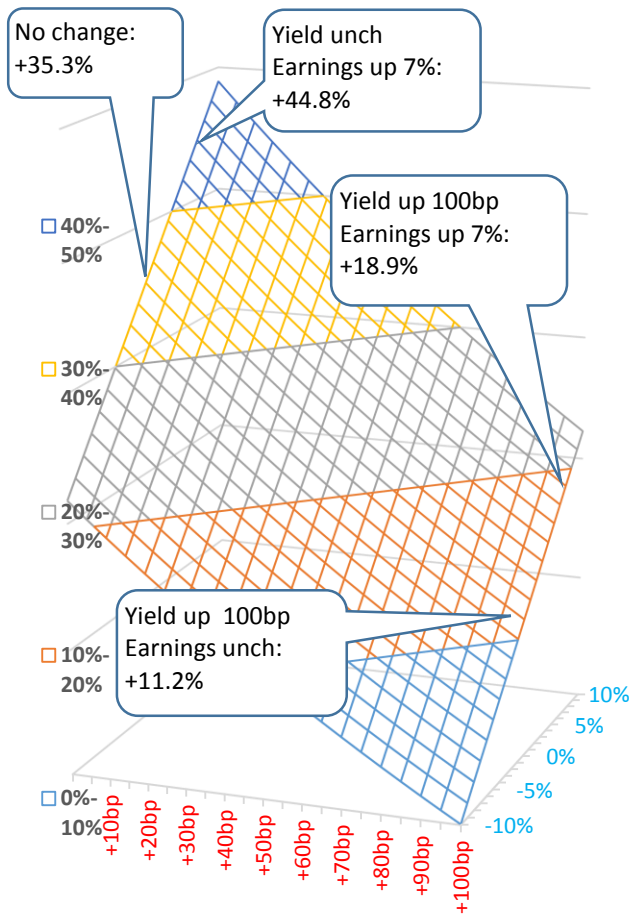
Source: Various, TrendMacro calculations

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	2031.92	+35.32%	2749.59
Forward earnings	127.52	-26.66%	93.52
Earnings yield	6.28%		
30-year yield	3.04%	+1.63%	4.67%
Equity risk premium	3.24%		

		Sensitivity	
S&P 500	2031.92	-7.50%	1879.50
Forward earnings	127.52	7.29%	136.82
Earnings yield	6.28%		
30-year yield	3.04%	-0.51%	2.53%
Equity risk premium	3.24%		

Source: Various, TrendMacro calculations