

Data Insights: Global Equity Risk Premia

Monday, December 22, 2014

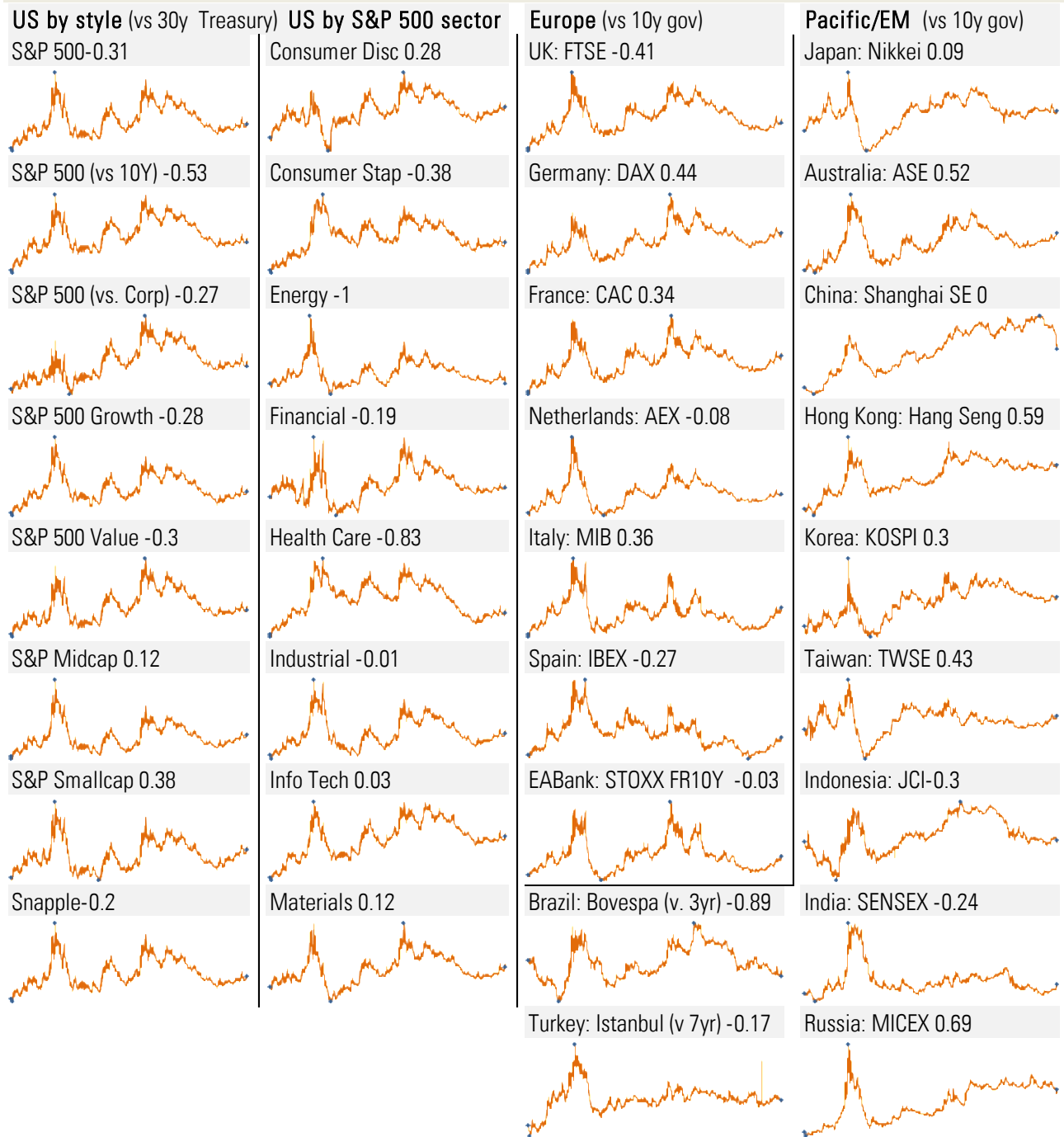
Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	+0.69	Russia: MICEX	4.7	Russia: MICEX	+43%	Russia: MICEX	+105%
2	HK: Hang Seng	+0.59	Turkey: Istanbul	10.1	Japan: Nikkei	+25%	India: SENSEX	+14%
3	Australia: ASE	+0.53	HK: Hang Seng	10.4	India: SENSEX	+23%	Japan: Nikkei	+7%
4	Germany: DAX	+0.44	Brazil: Bovespa	10.5	Turkey: Istanbul	+14%	Netherlands: AEX	+4%
5	Italy: MIB	+0.36	Korea: KOSPI	10.9	Taiwan: TWSA	+14%	Australia: ASE	+4%
6	France: CAC	+0.35	China: Shanghai SE	11.7	Germany: DAX	+3%	Spain: IBEX	+1%
7	Korea: KOSPI	+0.31	Germany: DAX	12.6	Spain: IBEX	+2%	Taiwan: TWSA	+1%
8	Turkey: Istanbul	+0.19	Italy: MIB	12.8	Indonesia: JCI	+1%	UK: FTSE	+1%
9	Taiwan: TWSA	+0.14	Taiwan: TWSA	12.9	France: CAC	-6%	France: CAC	+1%
10	Japan: Nikkei	+0.09	France: CAC	13.5	Netherlands: AEX	-6%	Indonesia: JCI	-0%
11	Indonesia: JCI	-0.00	UK: FTSE	13.7	Australia: ASE	-8%	Germany: DAX	-1%
12	China: Shanghai SE	-0.01	Netherlands: AEX	13.9	US: S&P 500	-8%	US: S&P 500	-4%
13	Netherlands: AEX	-0.09	Spain: IBEX	14.4	Italy: MIB	-11%	Italy: MIB	-5%
14	India: SENSEX	-0.24	Australia: ASE	14.6	China: Shanghai SE	-13%	HK: Hang Seng	-9%
15	Spain: IBEX	-0.27	Indonesia: JCI	14.8	HK: Hang Seng	-13%	China: Shanghai SE	-10%
16	US: S&P 500	-0.31	India: SENSEX	15.1	Korea: KOSPI	-21%	Korea: KOSPI	-14%
17	UK: FTSE	-0.41	US: S&P 500	16.4	UK: FTSE	-22%	Turkey: Istanbul	-15%
18	Brazil: Bovespa	-0.89	Japan: Nikkei	17.6	Brazil: Bovespa	-24%	Brazil: Bovespa	-25%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	+0.38	S&P 500 Value	15.1	S&P Smallcap	+2%	S&P Midcap	+17%
2	S&P Midcap	+0.13	S&P 500	16.4	S&P 500 Growth	+2%	S&P Smallcap	+8%
3	S&P 500 Growth	-0.28	S&P 500 Growth	17.8	S&P Midcap	-4%	S&P 500 Growth	+4%
4	S&P 500 Value	-0.31	S&P Midcap	18.1	S&P 500	-8%	S&P 500	-4%
5	S&P 500	-0.31	S&P Smallcap	18.6	S&P 500 Value	-16%	S&P 500 Value	-7%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+1.30	Telecom	13.4	Health Care	+13%	Health Care	+9%
2	Consumer Disc	+0.29	Financial	14.3	Industrial	+7%	Consumer Disc	+8%
3	Materials	+0.13	Info Tech	15.9	Info Tech	+6%	Financial	+6%
4	Info Tech	+0.04	Materials	16.1	Consumer Disc	+6%	Industrial	+2%
5	Industrial	-0.02	Industrial	16.3	Financial	+4%	Telecom	+1%
6	Financial	-0.19	Energy	16.6	Utilities	+4%	Utilities	+1%
7	Consumer Stap	-0.38	Utilities	17.3	Materials	-1%	Info Tech	-0%
8	Utilities	-0.47	Health Care	17.6	Consumer Stap	-3%	Consumer Stap	-1%
9	Health Care	-0.84	Consumer Disc	18.0	Telecom	-17%	Materials	-2%
10	Energy	-1.00	Consumer Stap	19.2	Energy	-73%	Energy	-39%

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

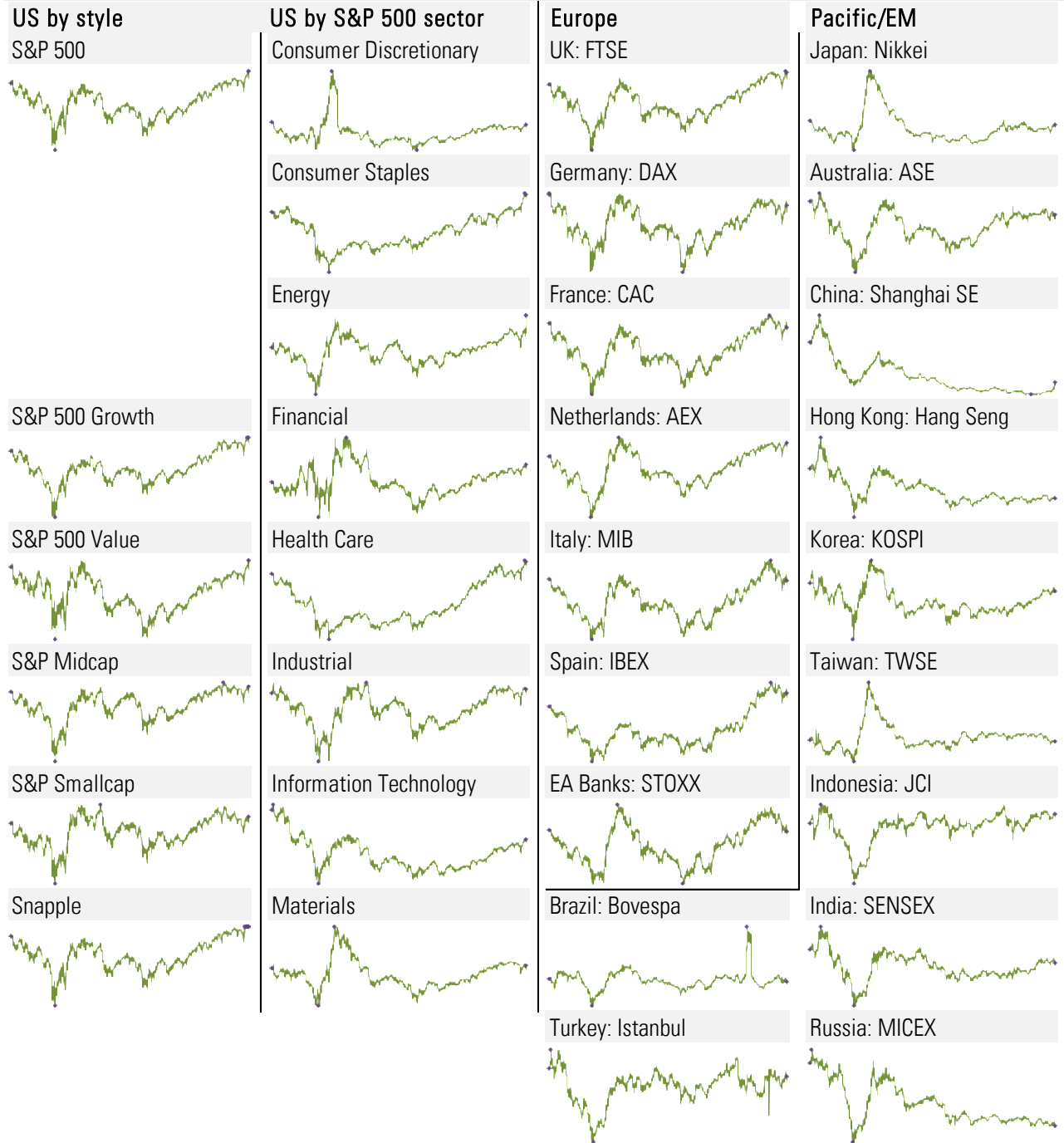
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



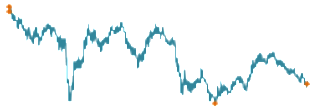
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

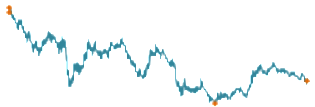
● First, High, Low, Last

US

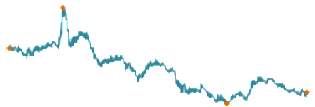
30-year Treasury



10-year Treasury

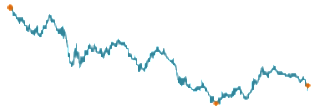


Moody's Corporate Avg

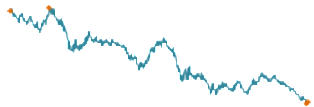


Europe

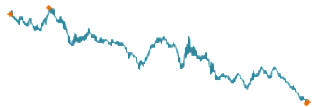
UK: 10-year govt



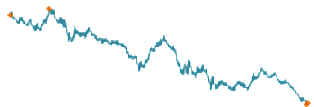
Germany: 10-year govt



France: 10-year govt



Netherlands: 10-year govt



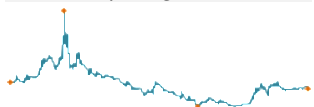
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

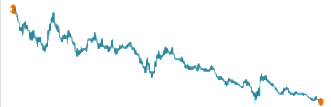


Turkey: 7-year govt

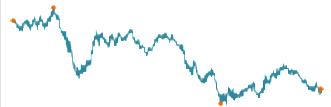


Pacific/EM

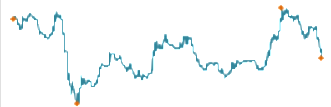
Japan: 10-year govt



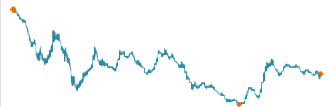
Australia: 10-year govt



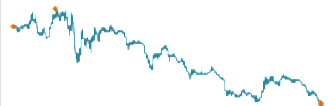
China: 10-year govt



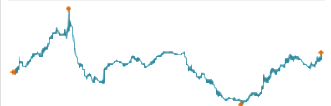
Hong Kong: 10-year govt



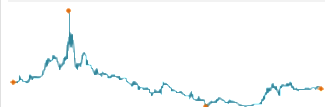
Korea: 10-year govt



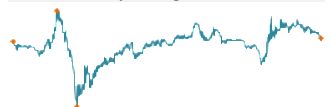
Taiwan: 10-year govt



Indonesia: 10-year govt



India: 10-year govt



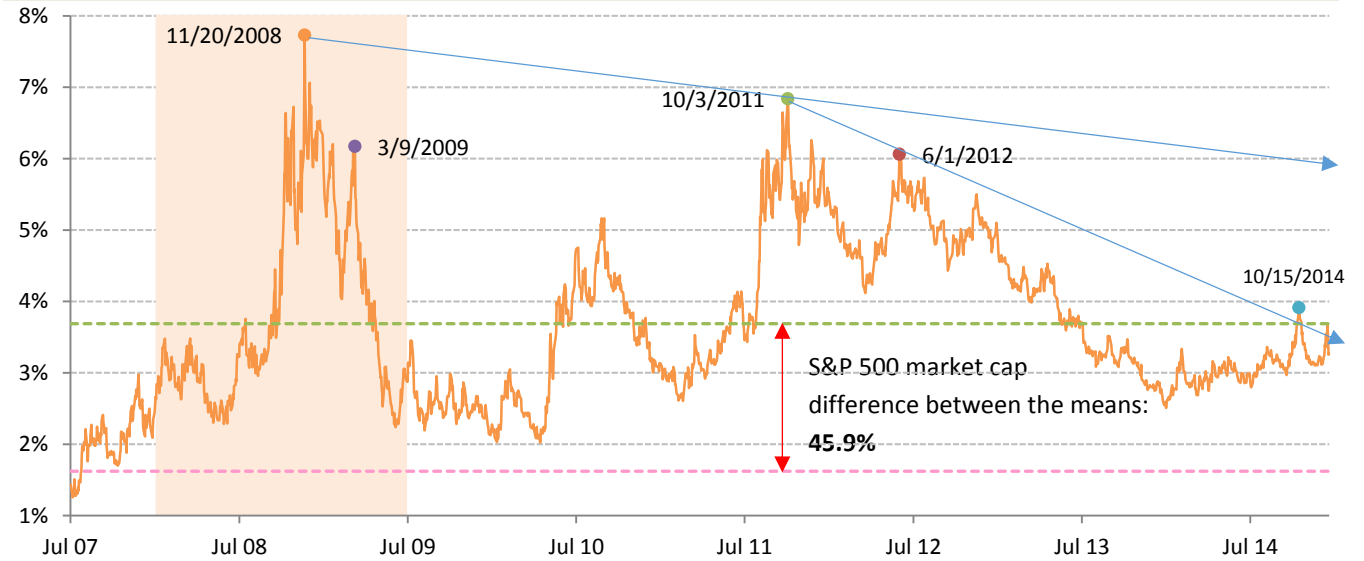
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

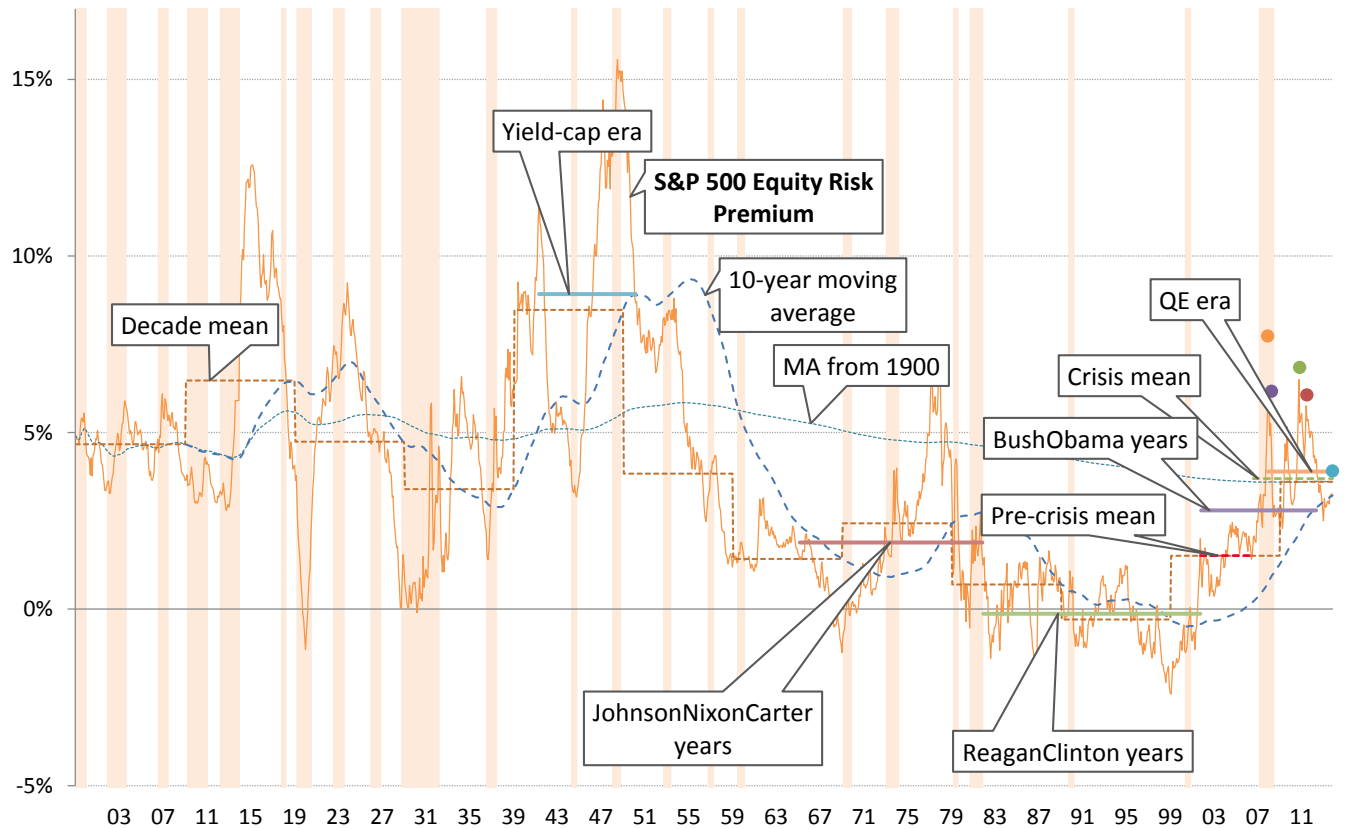
--- Crisis era mean - - - Pre-crisis mean ↘ Downtrends ■ Recession



Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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

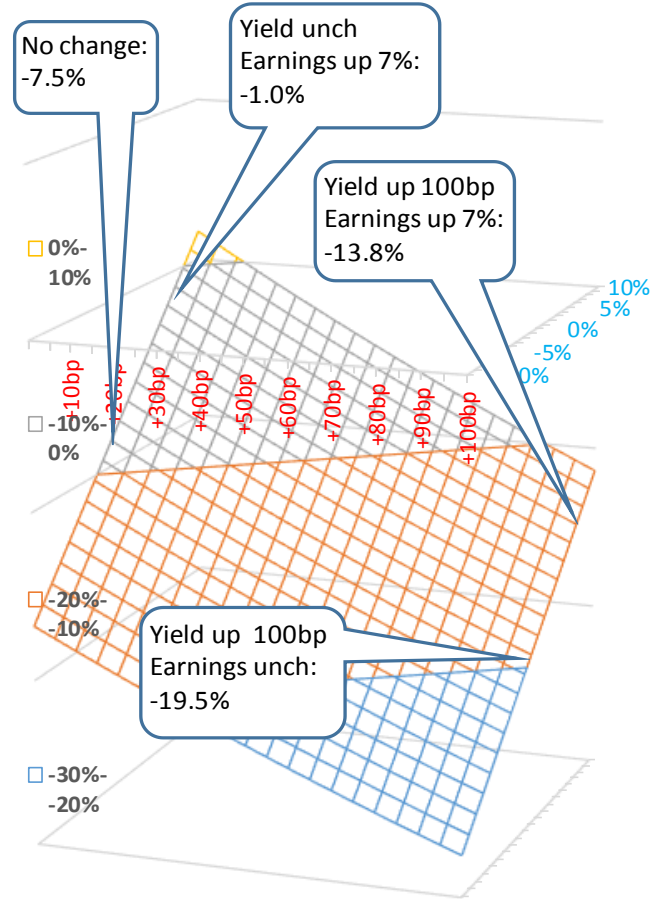


Versus 30-year Treasury

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



		<u>Sensitivity</u>				<u>Sensitivity</u>	
S&P 500	2070.65	+39.35%	2885.49	S&P 500	2031.92	-7.50%	1879.50
Forward earnings	126	-28.80%	89.71	Forward earnings	127.52	7.29%	136.82
Earnings yield	6.09%			Earnings yield	6.28%		
30-year yield	2.77%	+1.70%	4.47%	30-year yield	3.04%	-0.51%	2.53%
Equity risk premium	3.32%			Equity risk premium	3.24%		

Source: Various, TrendMacro calculations