

## Data Insights: Global Equity Risk Premia

Wednesday, February 25, 2015

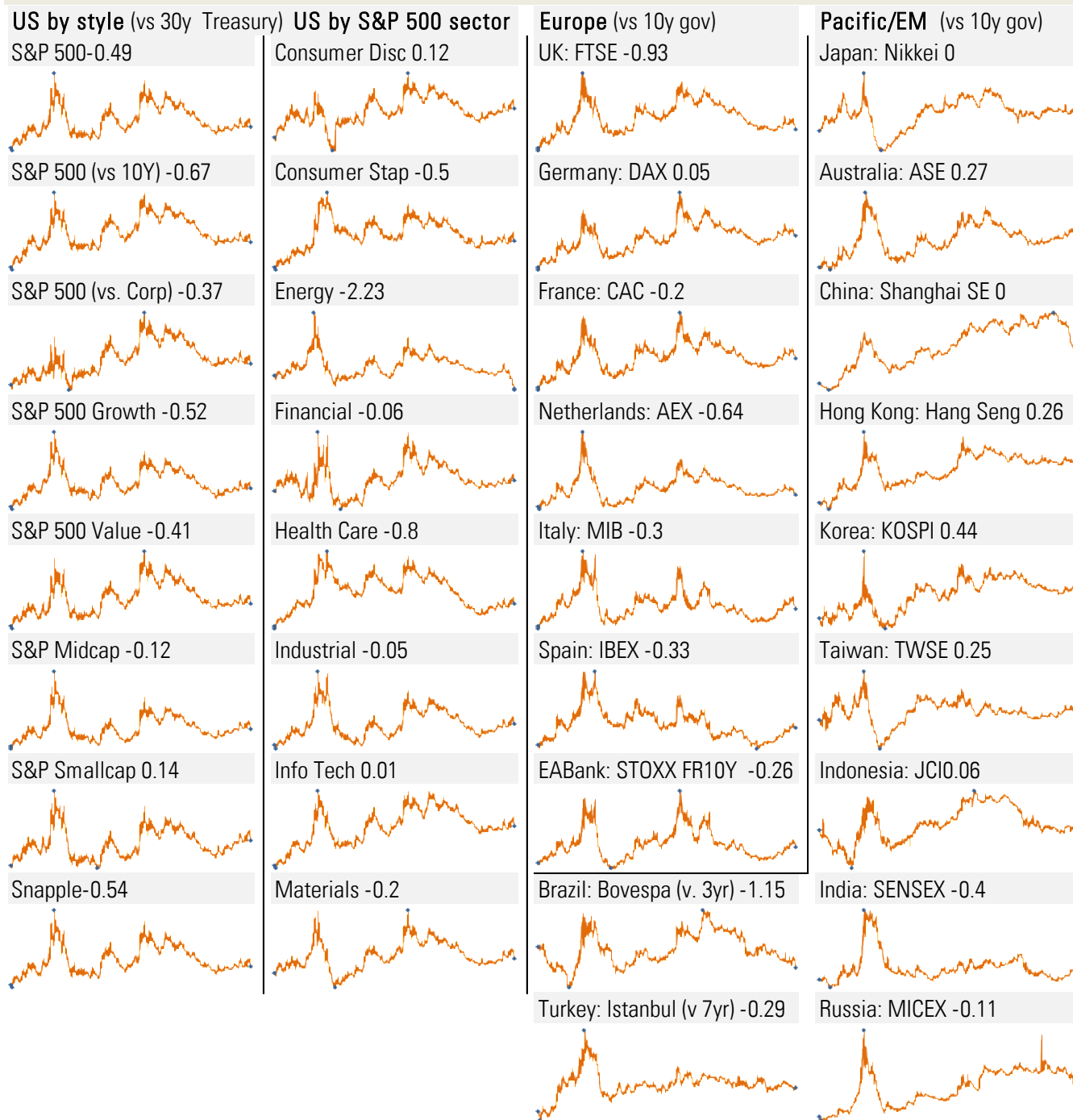
### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

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	
	<b>By country</b>		<b>By country</b>		<b>By country</b>		<b>By country</b>	
1	Korea: KOSPI	+0.45	Russia: MICEX	6.0	Japan: Nikkei	+22%	Russia: MICEX	#N/A
2	Australia: ASE	+0.28	Turkey: Istanbul	10.5	Taiwan: TWSA	+20%	HK: Hang Seng	+28%
3	HK: Hang Seng	+0.26	Korea: KOSPI	10.9	Turkey: Istanbul	+7%	India: SENSEX	+14%
4	Taiwan: TWSA	+0.20	Brazil: Bovespa	11.2	Indonesia: JCI	+5%	Germany: DAX	+12%
5	Turkey: Istanbul	+0.10	HK: Hang Seng	11.5	Russia: MICEX	+5%	Indonesia: JCI	+6%
6	Indonesia: JCI	+0.06	China: Shanghai SE	12.3	Korea: KOSPI	+4%	Japan: Nikkei	+5%
7	Germany: DAX	+0.05	Taiwan: TWSA	13.3	Germany: DAX	+4%	France: CAC	+5%
8	Japan: Nikkei	+0.00	Germany: DAX	14.2	Spain: IBEX	-2%	Brazil: Bovespa	+5%
9	China: Shanghai SE	-0.01	Spain: IBEX	15.3	India: SENSEX	-3%	Netherlands: AEX	-2%
10	Russia: MICEX	-0.12	Indonesia: JCI	15.4	France: CAC	-9%	Spain: IBEX	-2%
11	France: CAC	-0.21	UK: FTSE	15.6	Australia: ASE	-9%	Korea: KOSPI	-3%
12	Italy: MIB	-0.30	France: CAC	15.7	China: Shanghai SE	-11%	Taiwan: TWSA	-7%
13	Spain: IBEX	-0.34	Italy: MIB	15.7	US: S&P 500	-17%	Italy: MIB	-8%
14	India: SENSEX	-0.41	India: SENSEX	16.3	HK: Hang Seng	-20%	US: S&P 500	-11%
15	US: S&P 500	-0.49	Australia: ASE	16.4	Brazil: Bovespa	-22%	Turkey: Istanbul	-11%
16	Netherlands: AEX	-0.64	Netherlands: AEX	16.8	Italy: MIB	-25%	China: Shanghai SE	-13%
17	UK: FTSE	-0.93	US: S&P 500	17.3	Netherlands: AEX	-28%	Australia: ASE	-14%
18	Brazil: Bovespa	-1.16	Japan: Nikkei	17.9	UK: FTSE	-36%	UK: FTSE	-28%
	<b>US, by style</b>		<b>US, by style</b>		<b>US, by style</b>		<b>US, by style</b>	
1	S&P Smallcap	+0.15	S&P 500 Value	15.7	S&P Smallcap	-9%	S&P Smallcap	+4%
2	S&P Midcap	-0.12	S&P 500	17.3	S&P Midcap	-10%	S&P Midcap	-2%
3	S&P 500 Value	-0.41	S&P 500 Growth	19.0	S&P 500 Growth	-14%	S&P 500 Growth	-6%
4	S&P 500	-0.49	S&P Midcap	19.5	S&P 500	-17%	S&P 500	-11%
5	S&P 500 Growth	-0.53	S&P Smallcap	19.9	S&P 500 Value	-20%	S&P 500 Value	-18%
	<b>US, by sector</b>		<b>US, by sector</b>		<b>US, by sector</b>		<b>US, by sector</b>	
1	Telecom	+1.13	Telecom	13.9	Consumer Disc	+9%	Health Care	+17%
2	Consumer Disc	+0.13	Financial	14.1	Health Care	+9%	Info Tech	+7%
3	Info Tech	+0.01	Info Tech	16.3	Info Tech	+8%	Utilities	+2%
4	Industrial	-0.05	Industrial	16.7	Financial	+1%	Consumer Disc	+2%
5	Financial	-0.07	Utilities	17.0	Industrial	+0%	Telecom	-0%
6	Materials	-0.21	Health Care	17.9	Utilities	Unch	Industrial	-1%
7	Utilities	-0.26	Materials	17.9	Telecom	-7%	Financial	-6%
8	Consumer Stap	-0.51	Consumer Disc	18.9	Consumer Stap	-9%	Consumer Stap	-8%
9	Health Care	-0.81	Consumer Stap	20.1	Materials	-17%	Materials	-16%
10	Energy	-2.23	Energy	26.4	Energy	-93%	Energy	-63%

Source: Bloomberg, TrendMacro calculations

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

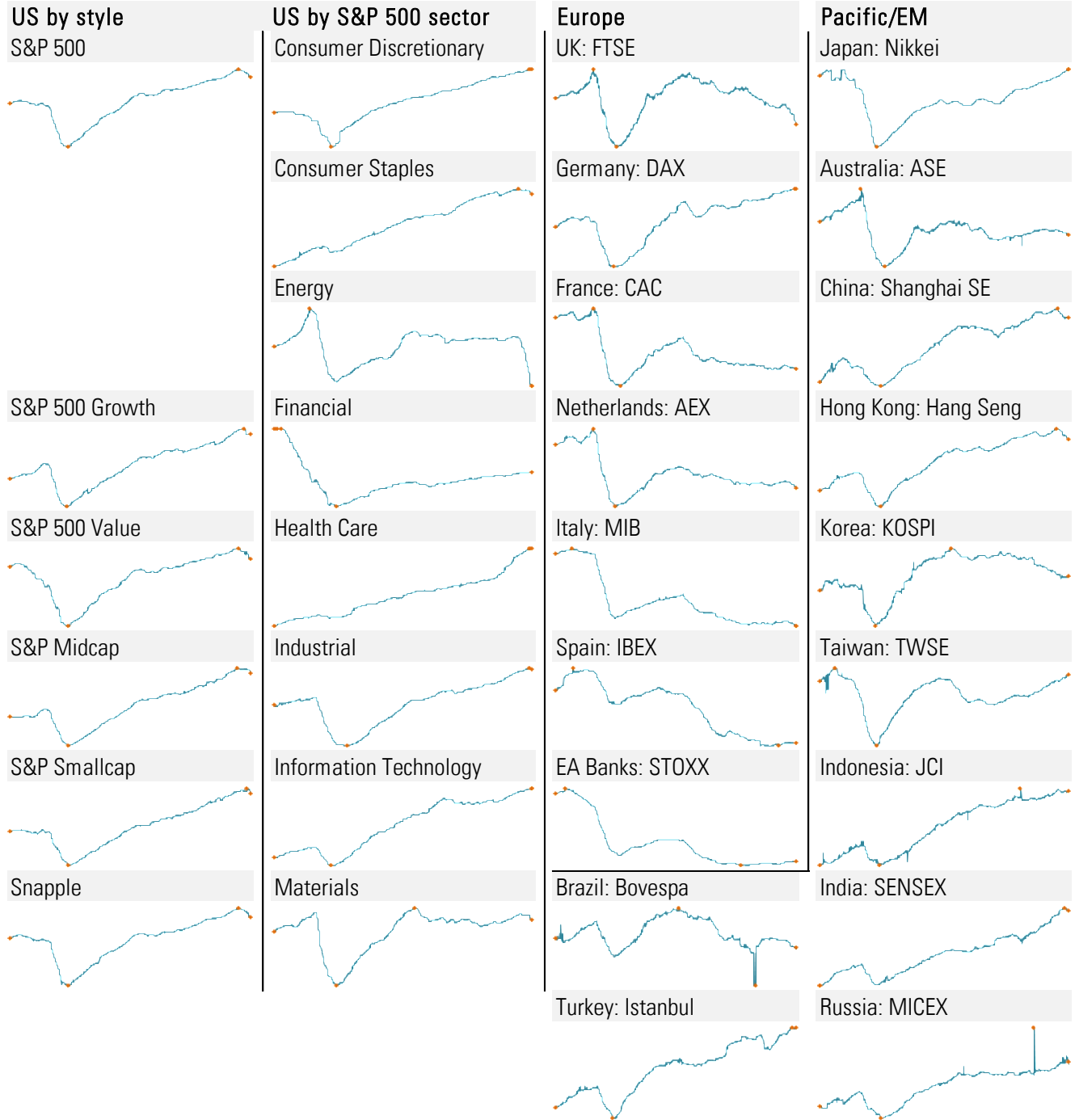
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

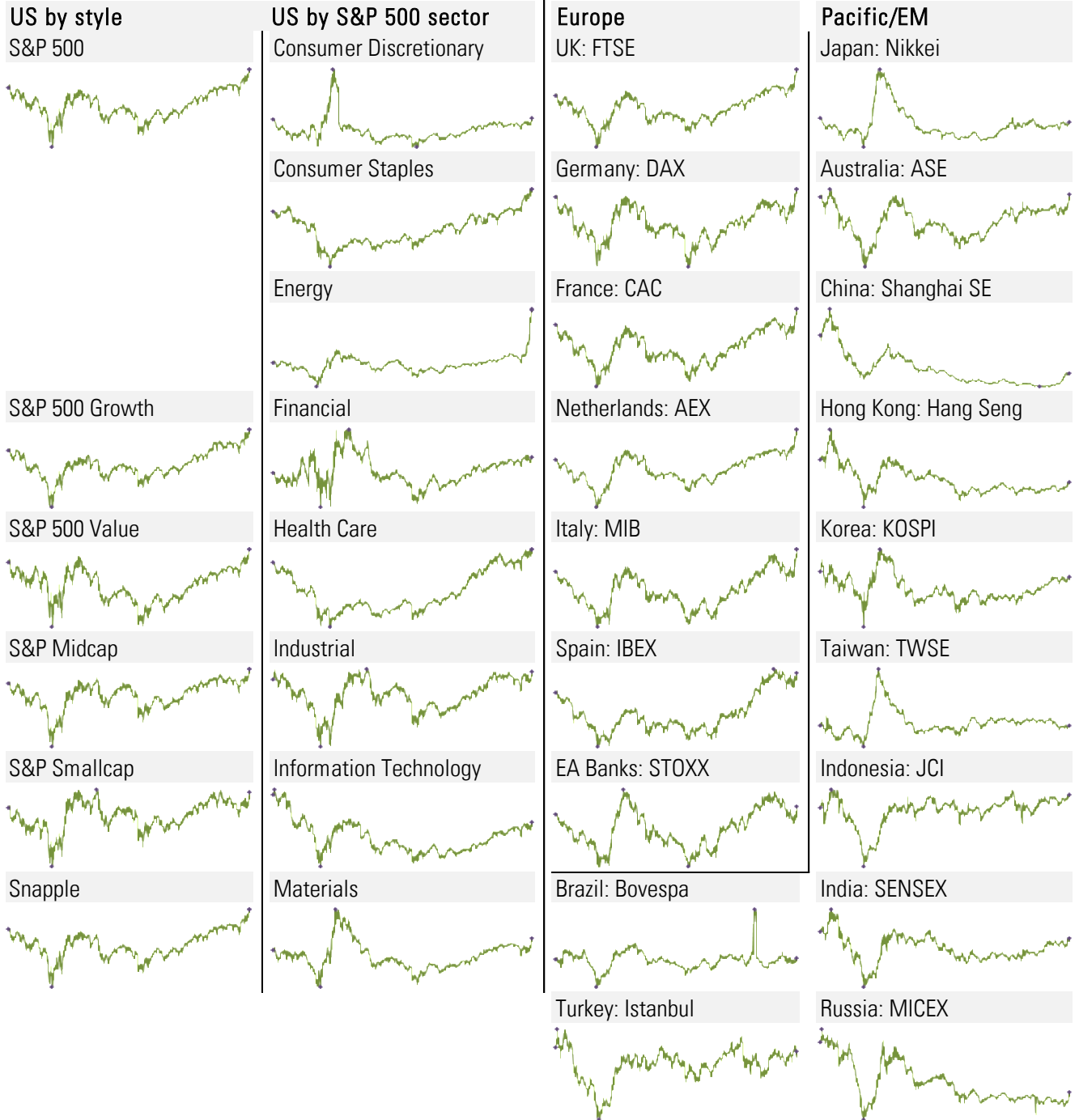
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



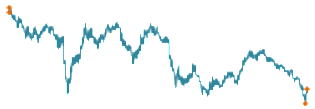
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

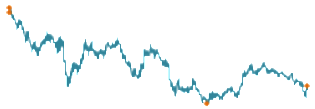
● First, High, Low, Last

## US

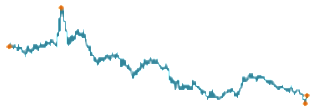
30-year Treasury



10-year Treasury

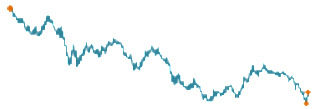


Moody's Corporate Avg

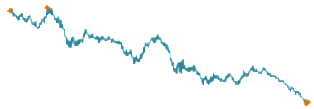


## Europe

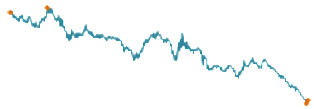
UK: 10-year govt



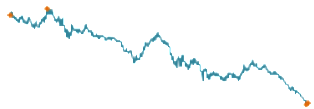
Germany: 10-year govt



France: 10-year govt



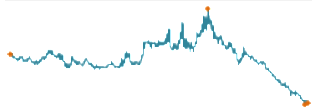
Netherlands: 10-year govt



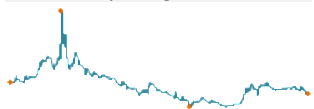
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt

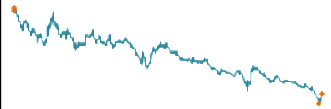


Turkey: 7-year govt

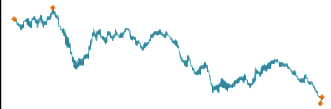


## Pacific/EM

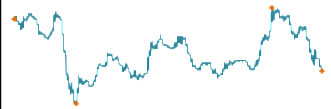
Japan: 10-year govt



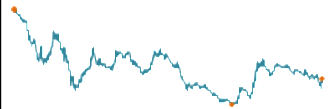
Australia: 10-year govt



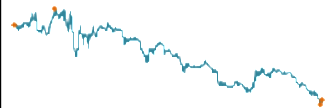
China: 10-year govt



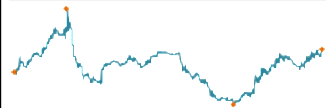
Hong Kong: 10-year govt



Korea: 10-year govt



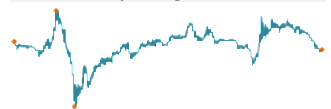
Taiwan: 10-year govt



Indonesia: 10-year govt



India: 10-year govt



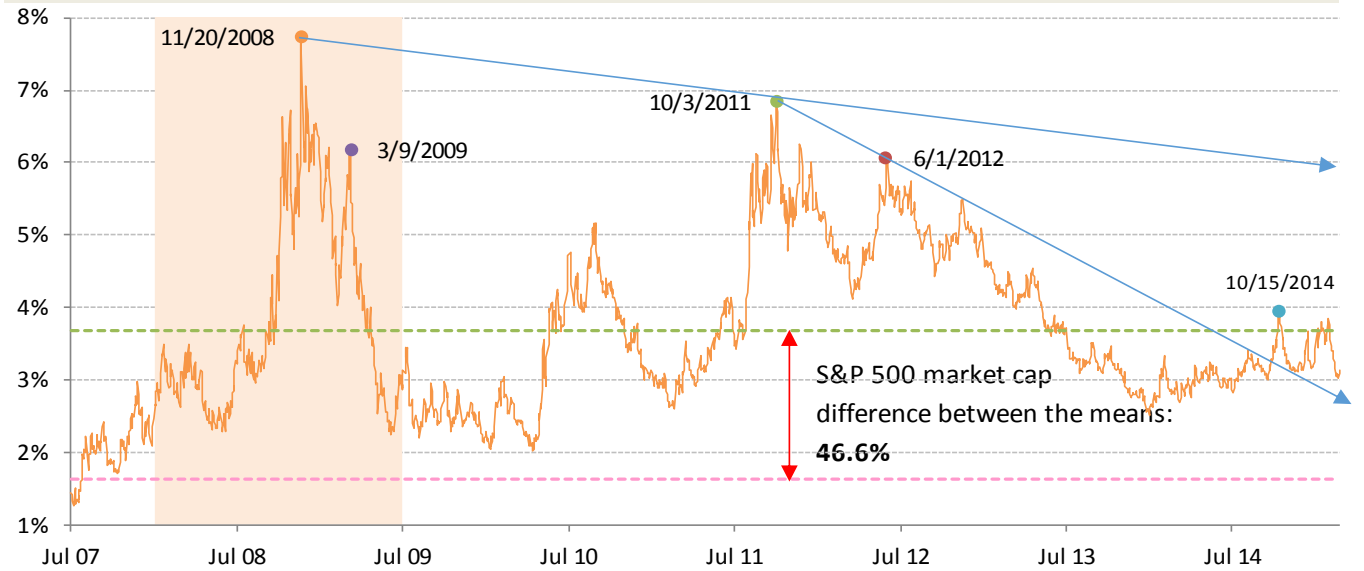
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

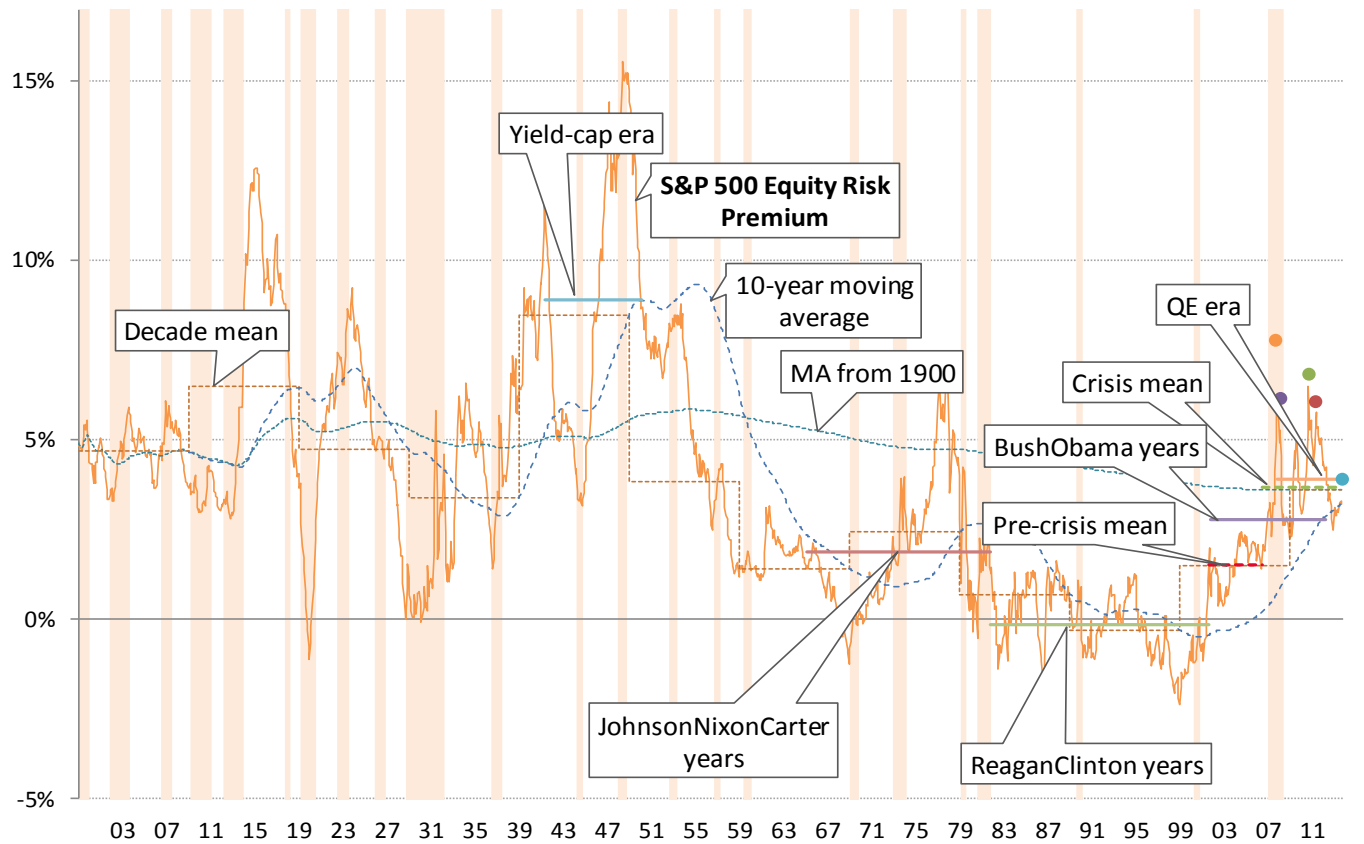
--- Crisis era mean    - - - Pre-crisis mean    ↘ Downtrends    ■ Recession



Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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

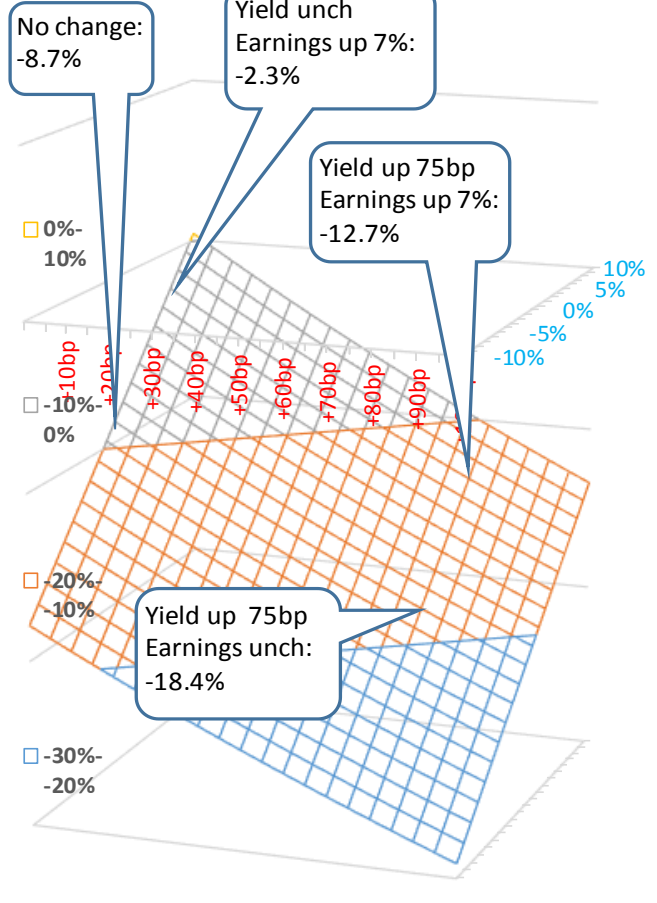
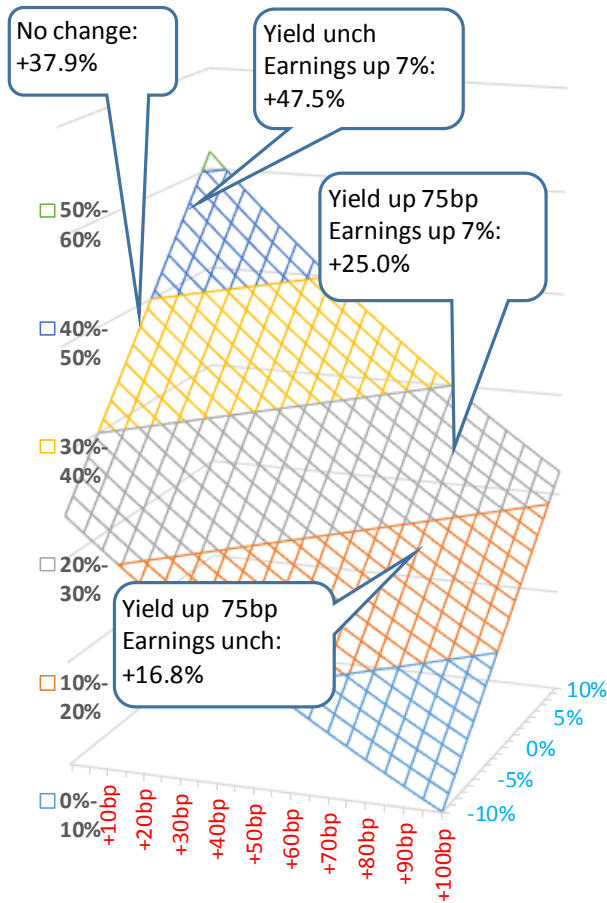


Versus 30-year Treasury

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>	
S&P 500	2115.48	+47.55%	3121.34
Forward earnings	122.07	-27.86%	88.06
Earnings yield	5.77%		
30-year yield	2.60%	+1.58%	4.18%
<b>Equity risk premium</b>	<b>3.17%</b>		

		<u>Sensitivity</u>	
S&P 500	2115.48	-8.72%	1931.00
Forward earnings	122.07	8.98%	133.03
Earnings yield	5.77%		
30-year yield	2.60%	-0.55%	2.05%
<b>Equity risk premium</b>	<b>3.17%</b>		

Source: Various, TrendMacro calculations