

Data Insights: Global Equity Risk Premia

Wednesday, April 1, 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 | |
| | By country | | By country | | By country | | By country | |
| 1 | Korea: KOSPI | +0.29 | Russia: MICEX | 6.7 | Germany: DAX | +22% | Germany: DAX | +23% |
| 2 | Australia: ASE | +0.14 | Turkey: Istanbul | 10.1 | Japan: Nikkei | +15% | France: CAC | +20% |
| 3 | Indonesia:JCI | +0.12 | Korea: KOSPI | 11.2 | Korea: KOSPI | +12% | India: SENSEX | +14% |
| 4 | Taiwan:TWSA | +0.09 | HK: Hang Seng | 12.8 | Taiwan:TWSA | +9% | Netherlands: AEX | +13% |
| 5 | Russia: MICEX | +0.03 | Taiwan:TWSA | 13.1 | France: CAC | +8% | Indonesia:JCI | +12% |
| 6 | Turkey: Istanbul | -0.01 | Brazil: Bovespa | 13.7 | Spain: IBEX | +8% | Turkey: Istanbul | +2% |
| 7 | Germany: DAX | -0.10 | Germany: DAX | 14.2 | Turkey: Istanbul | +7% | Taiwan:TWSA | +1% |
| 8 | Japan: Nikkei | -0.11 | Indonesia:JCI | 14.9 | US: S&P 500 | +6% | Brazil: Bovespa | +1% |
| 9 | HK: Hang Seng | -0.14 | India: SENSEX | 15.2 | Italy: MIB | +6% | Japan: Nikkei | +0% |
| 10 | India: SENSEX | -0.22 | Spain: IBEX | 15.7 | India: SENSEX | +4% | US: S&P 500 | +0% |
| 11 | France: CAC | -0.39 | France: CAC | 15.7 | Netherlands: AEX | +1% | Korea: KOSPI | -0% |
| 12 | Spain: IBEX | -0.65 | UK: FTSE | 16.1 | Indonesia:JCI | -0% | China: Shanghai SE | -0% |
| 13 | Italy: MIB | -0.66 | Italy: MIB | 16.3 | HK: Hang Seng | -3% | UK: FTSE | -2% |
| 14 | China: Shanghai SE | -0.74 | Australia: ASE | 16.3 | Australia: ASE | -8% | Australia: ASE | -3% |
| 15 | US: S&P 500 | -0.74 | China: Shanghai SE | 16.8 | China: Shanghai SE | -11% | Spain: IBEX | -3% |
| 16 | Netherlands: AEX | -0.93 | US: S&P 500 | 17.0 | UK: FTSE | -11% | HK: Hang Seng | -9% |
| 17 | UK: FTSE | -1.14 | Netherlands: AEX | 17.3 | Brazil: Bovespa | -20% | Italy: MIB | -10% |
| 18 | Brazil: Bovespa | -2.02 | Japan: Nikkei | 18.4 | Russia: MICEX | -49% | Russia: MICEX | -65% |
| | US, by style | | US, by style | | US, by style | | US, by style | |
| 1 | S&P Smallcap | -0.32 | S&P 500 Value | 15.6 | S&P 500 Growth | +9% | S&P 500 Growth | +7% |
| 2 | S&P Midcap | -0.42 | S&P 500 | 17.0 | S&P 500 | +6% | S&P 500 | +0% |
| 3 | S&P 500 Value | -0.67 | S&P 500 Growth | 18.5 | S&P 500 Value | +4% | S&P Midcap | +0% |
| 4 | S&P 500 | -0.74 | S&P Midcap | 19.4 | S&P Midcap | -1% | S&P Smallcap | -1% |
| 5 | S&P 500 Growth | -0.75 | S&P Smallcap | 20.3 | S&P Smallcap | -17% | S&P 500 Value | -3% |
| | US, by sector | | US, by sector | | US, by sector | | US, by sector | |
| 1 | Telecom | +0.94 | Telecom | 13.5 | Health Care | +19% | Health Care | +21% |
| 2 | Industrial | -0.18 | Financial | 14.0 | Telecom | +13% | Utilities | +5% |
| 3 | Info Tech | -0.19 | Info Tech | 16.1 | Materials | +11% | Consumer Disc | +0% |
| 4 | Consumer Disc | -0.23 | Utilities | 16.1 | Industrial | +6% | Financial | -0% |
| 5 | Financial | -0.28 | Industrial | 16.1 | Financial | +6% | Info Tech | -1% |
| 6 | Utilities | -0.33 | Health Care | 17.4 | Consumer Disc | +6% | Industrial | -2% |
| 7 | Materials | -0.35 | Materials | 17.4 | Info Tech | +3% | Telecom | -2% |
| 8 | Consumer Stap | -0.78 | Consumer Disc | 18.9 | Utilities | +0% | Consumer Stap | -3% |
| 9 | Health Care | -0.97 | Consumer Stap | 19.5 | Consumer Stap | -0% | Materials | -9% |
| 10 | Energy | -2.33 | Energy | 27.0 | Energy | -8% | Energy | -12% |

Source: Bloomberg, TrendMacro calculations

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

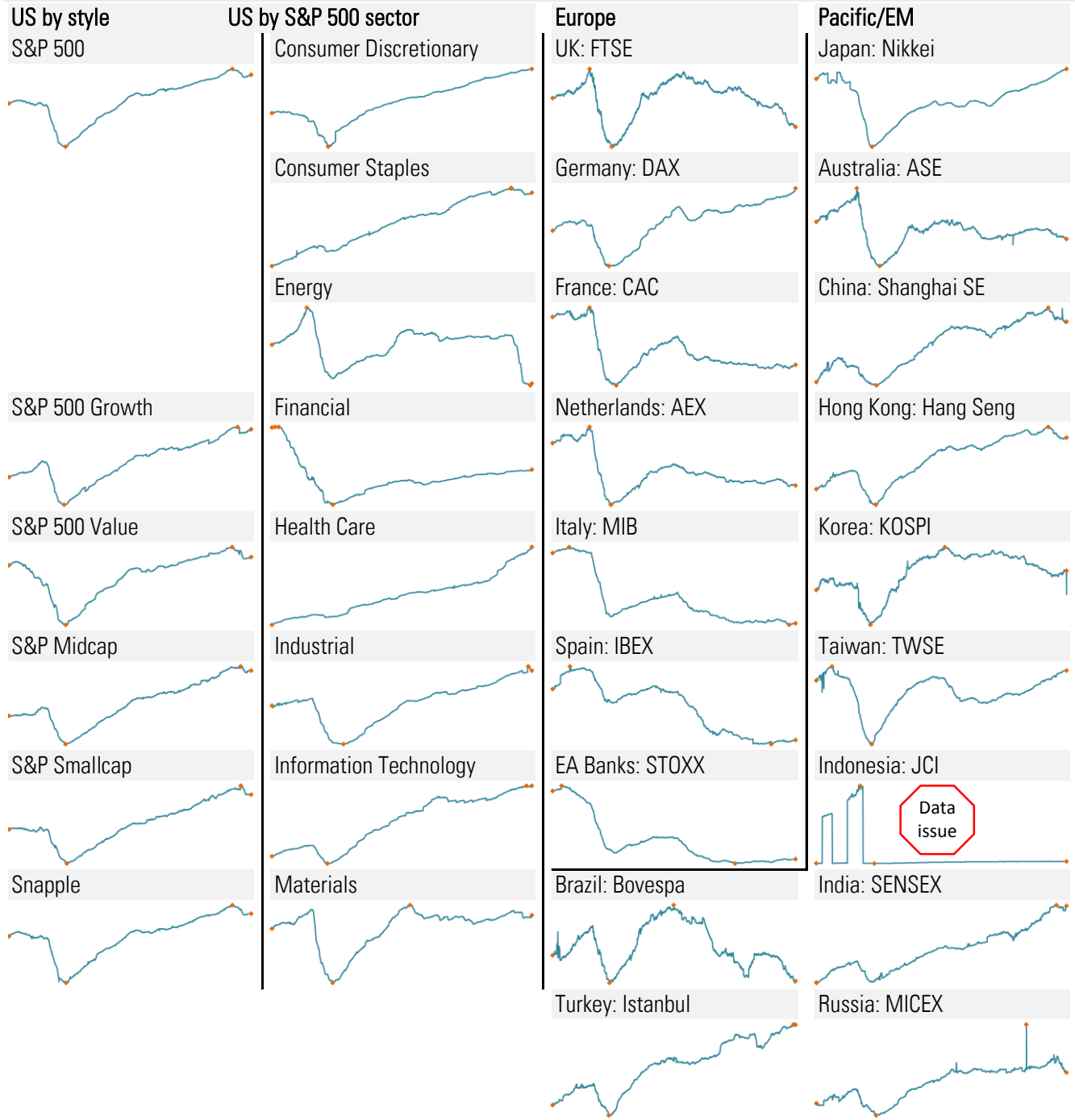
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

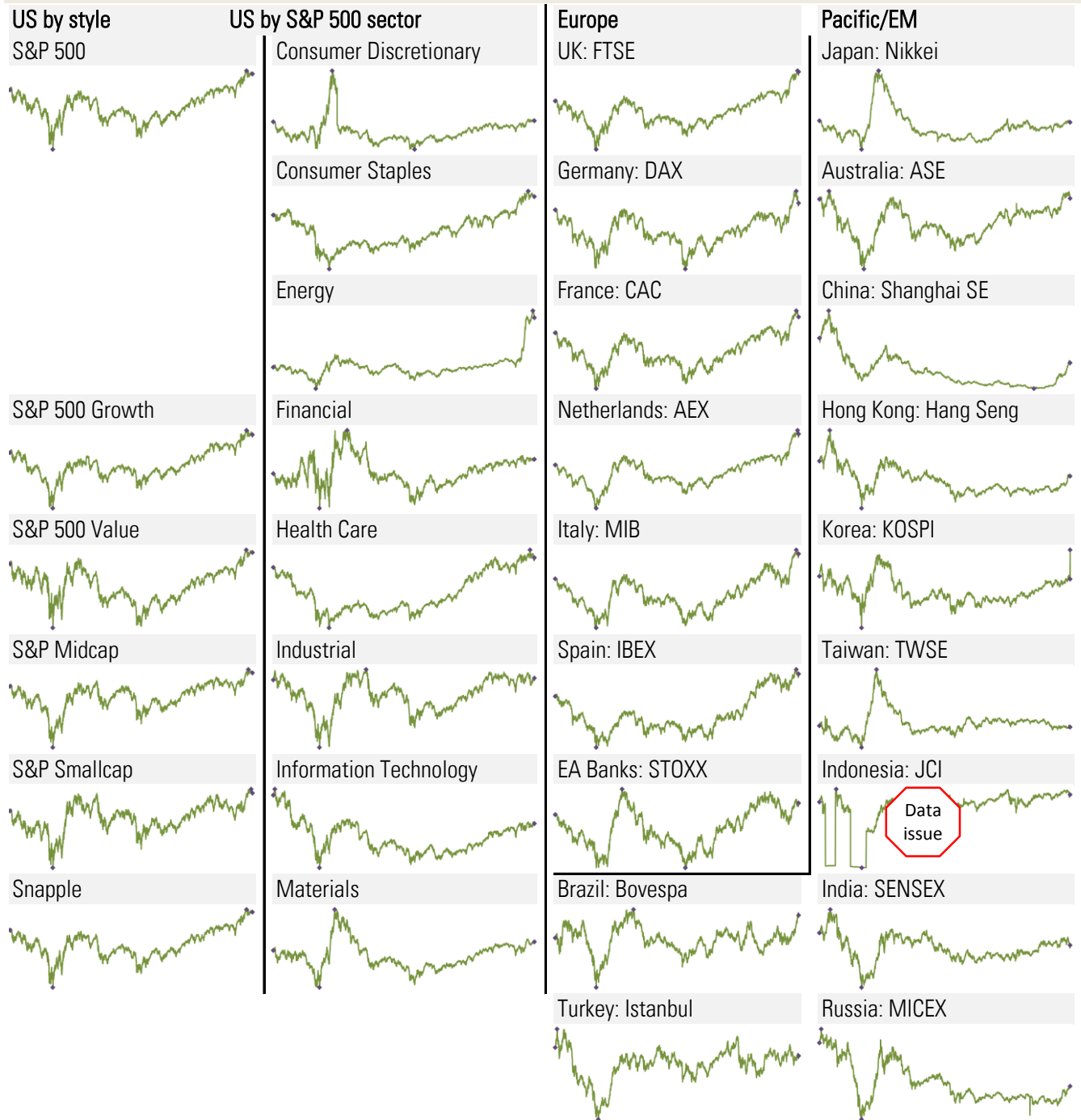
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



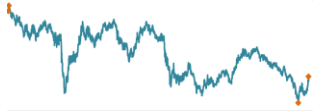
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

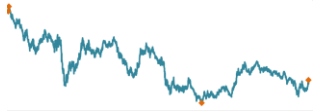
• First, High, Low, Last

US

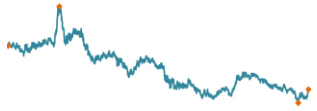
30-year Treasury



10-year Treasury

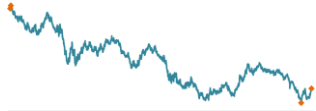


Moody's Corporate Avg

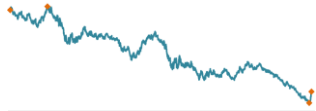


Europe

UK: 10-year govt



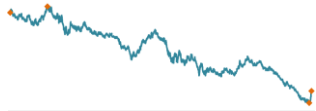
Germany: 10-year govt



France: 10-year govt



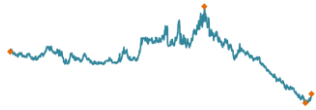
Netherlands: 10-year govt



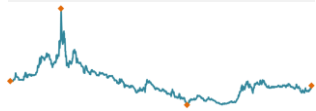
Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt



Turkey: 7-year govt

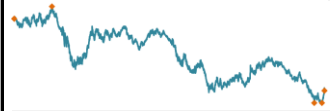


Pacific/EM

Japan: 10-year govt



Australia: 10-year govt



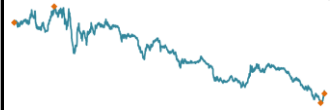
China: 10-year govt



Hong Kong: 10-year govt



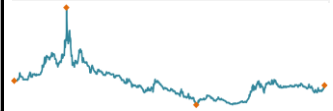
Korea: 10-year govt



Taiwan: 10-year govt



Indonesia: 10-year govt



India: 10-year govt



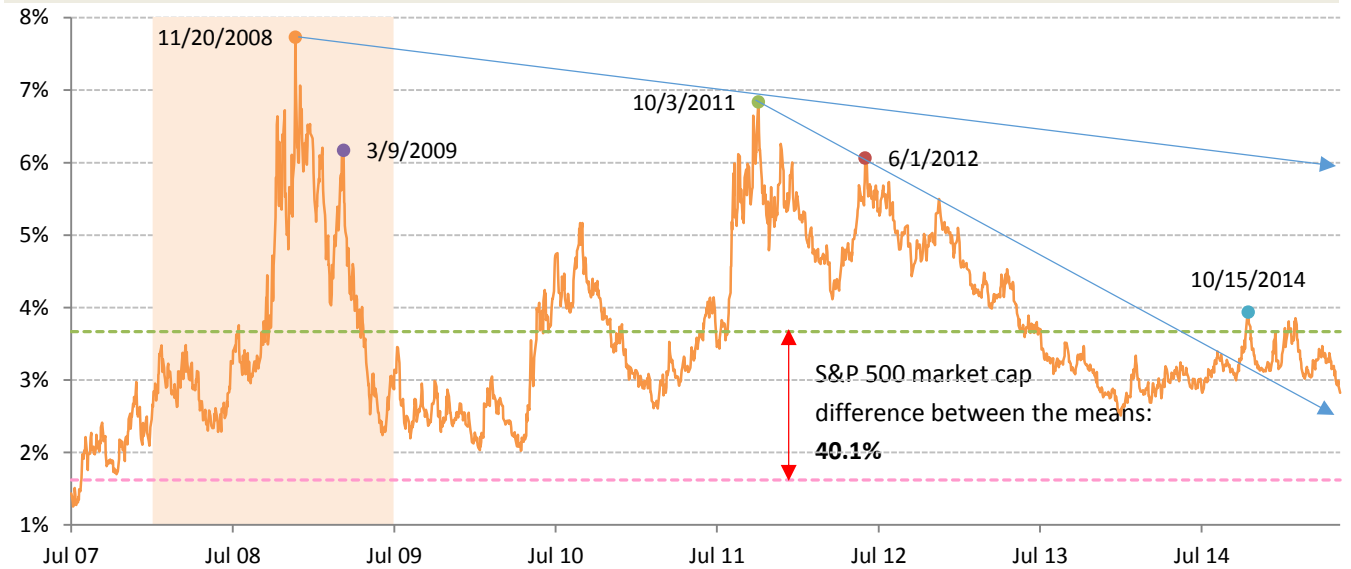
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

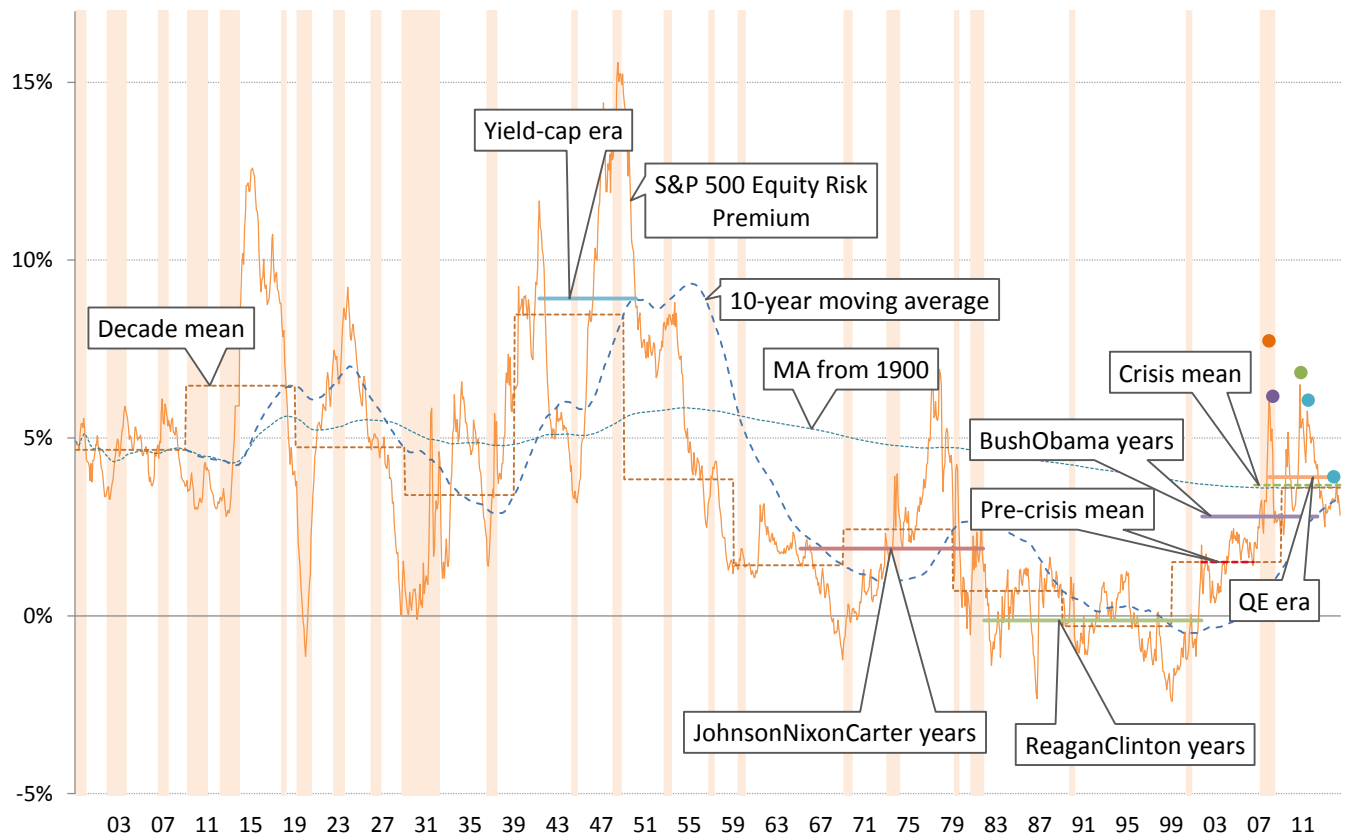
--- Crisis era mean - - - Pre-crisis mean ↘ Downtrends ■ Recession



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

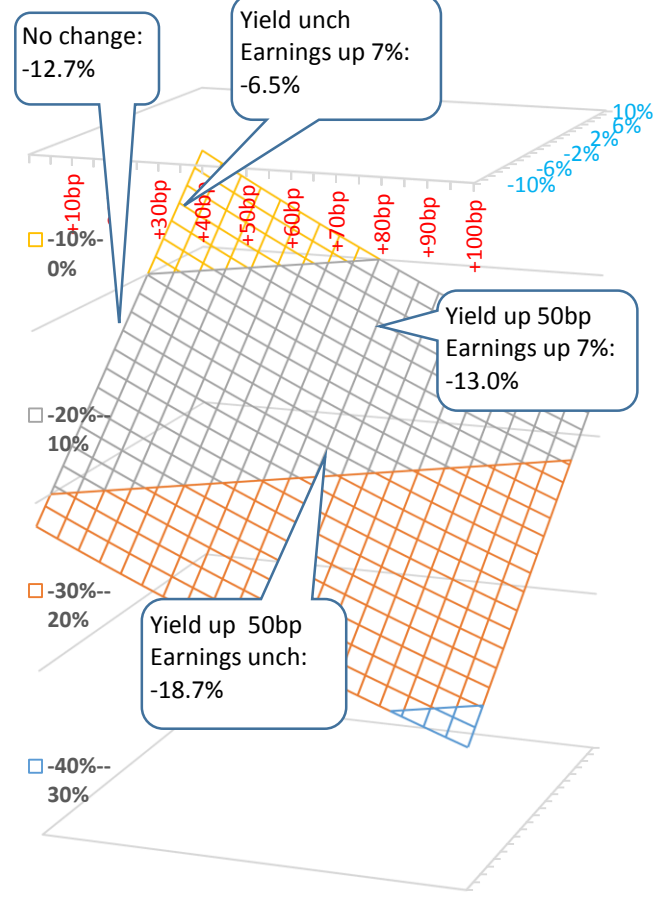
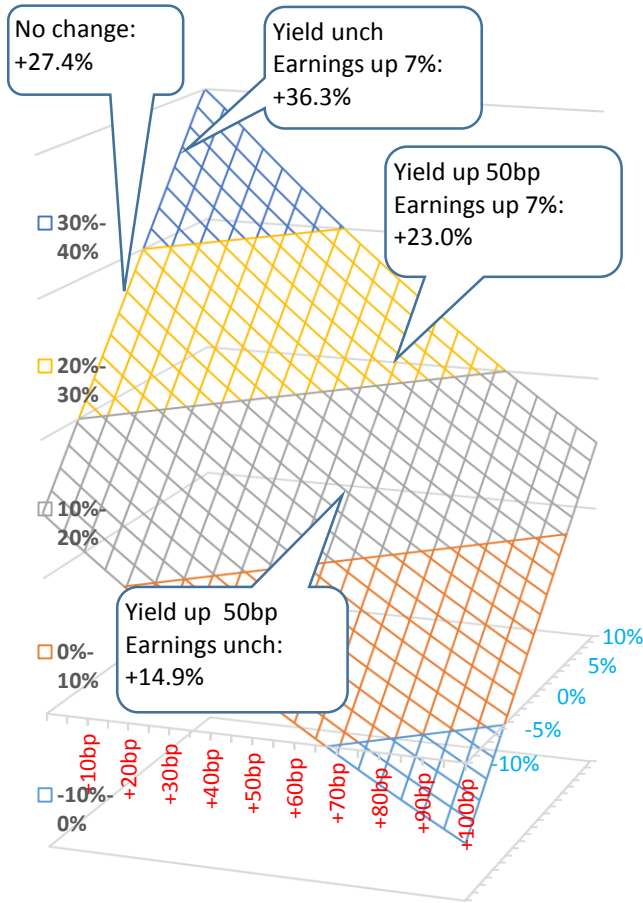
Source: Various, TrendMacro calculations

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 | 2105.33 | +27.43% | 2682.74 |
| Forward earnings | 123.83 | -21.92% | 96.69 |
| Earnings yield | 5.88% | | |
| 30-year yield | 3.03% | +1.26% | 4.29% |
| Equity risk premium | 2.85% | | |

| | | Sensitivity | |
|----------------------------|--------------|-------------|---------|
| S&P 500 | 2105.33 | -12.65% | 1838.91 |
| Forward earnings | 123.83 | 13.91% | 141.06 |
| Earnings yield | 5.88% | | |
| 30-year yield | 3.03% | -0.85% | 2.18% |
| Equity risk premium | 2.85% | | |

Source: Various, TrendMacro calculations