

## Data Insights: Global Equity Risk Premia

Wednesday, October 21, 2015

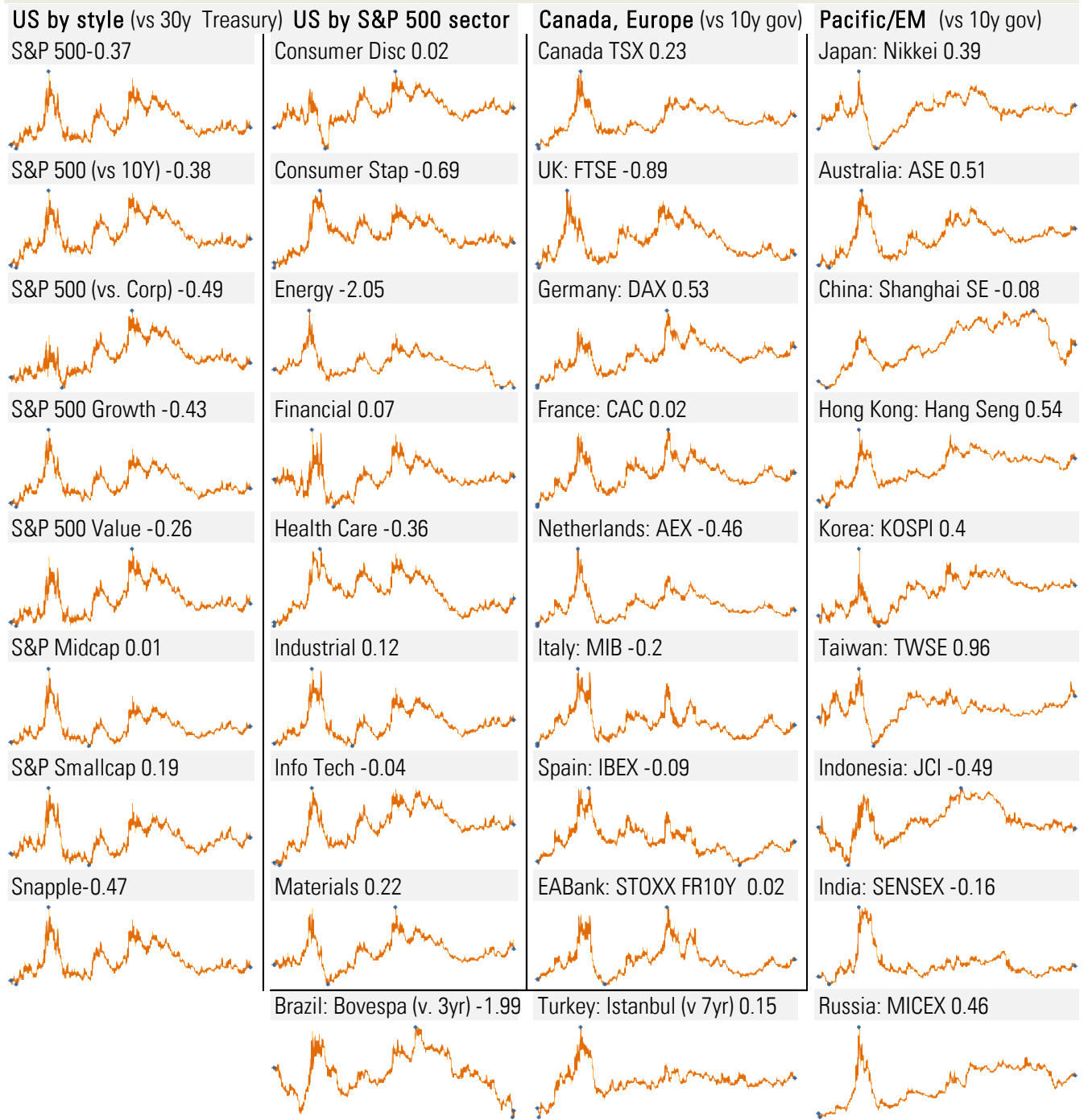
### Global leader-board: by equity risk premium, value, and growth ■ Best ■ Worst

| 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    | Taiwan:TWSA                | +0.97 | Russia: MICEX        | 5.7  | Russia: MICEX             | +39% | Brazil: Bovespa        | +37% |
| 2    | HK: Hang Seng              | +0.54 | Turkey: Istanbul     | 9.5  | Brazil: Bovespa           | +18% | Russia: MICEX          | +21% |
| 3    | Germany: DAX               | +0.54 | Brazil: Bovespa      | 10.8 | Japan: Nikkei             | +2%  | India: SENSEX          | +14% |
| 4    | Australia: ASE             | +0.51 | HK: Hang Seng        | 10.9 | France: CAC               | +1%  | Italy: MIB             | +5%  |
| 5    | Russia: MICEX              | +0.47 | Korea: KOSPI         | 11.3 | Italy: MIB                | +0%  | Australia: ASE         | +4%  |
| 6    | Korea: KOSPI               | +0.41 | Germany: DAX         | 12.3 | Turkey: Istanbul          | -0%  | Spain: IBEX            | +2%  |
| 7    | Japan: Nikkei              | +0.39 | Taiwan:TWSA          | 12.6 | Netherlands: AEX          | -1%  | US: S&P 500            | +1%  |
| 8    | Canada:TSX                 | +0.24 | China: Shanghai SE   | 13.2 | Spain: IBEX               | -1%  | Japan: Nikkei          | +1%  |
| 9    | Turkey: Istanbul           | +0.15 | Spain: IBEX          | 13.7 | US: S&P 500               | -1%  | Korea: KOSPI           | -1%  |
| 10   | France: CAC                | +0.02 | Indonesia:JCI        | 14.1 | China: Shanghai SE        | -3%  | Turkey: Istanbul       | -2%  |
| 11   | China: Shanghai SE         | -0.08 | France: CAC          | 14.2 | Canada:TSX                | -7%  | Taiwan:TWSA            | -3%  |
| 12   | Spain: IBEX                | -0.09 | Italy: MIB           | 15.1 | India: SENSEX             | -7%  | France: CAC            | -4%  |
| 13   | India: SENSEX              | -0.17 | UK: FTSE             | 15.1 | Australia: ASE            | -10% | China: Shanghai SE     | -5%  |
| 14   | Italy: MIB                 | -0.21 | Netherlands: AEX     | 15.2 | Germany: DAX              | -11% | Indonesia:JCI          | -7%  |
| 15   | US: S&P 500                | -0.38 | Australia: ASE       | 15.4 | HK: Hang Seng             | -13% | Germany: DAX           | -8%  |
| 16   | Netherlands: AEX           | -0.47 | Canada:TSX           | 15.7 | UK: FTSE                  | -14% | HK: Hang Seng          | -11% |
| 17   | Indonesia:JCI              | -0.49 | India: SENSEX        | 15.8 | Korea: KOSPI              | -15% | UK: FTSE               | -14% |
| 18   | UK: FTSE                   | -0.90 | US: S&P 500          | 16.2 | Indonesia:JCI             | -18% | Canada:TSX             | -17% |
| 19   | Brazil: Bovespa            | -1.99 | Japan: Nikkei        | 16.5 | Taiwan:TWSA               | -21% | Netherlands: AEX       | -18% |
|      | <b>US, by style</b>        |       | <b>US, by style</b>  |      | <b>US, by style</b>       |      | <b>US, by style</b>    |      |
| 1    | S&P Smallcap               | +0.20 | S&P 500 Value        | 14.6 | S&P 500 Growth            | +4%  | S&P Smallcap           | +14% |
| 2    | S&P Midcap                 | +0.02 | S&P 500              | 16.2 | S&P Smallcap              | +1%  | S&P 500 Growth         | +3%  |
| 3    | S&P 500 Value              | -0.26 | S&P 500 Growth       | 17.8 | S&P Midcap                | +0%  | S&P Midcap             | +2%  |
| 4    | S&P 500                    | -0.38 | S&P Midcap           | 18.0 | S&P 500                   | -1%  | S&P 500                | +1%  |
| 5    | S&P 500 Growth             | -0.44 | S&P Smallcap         | 18.7 | S&P 500 Value             | -6%  | S&P 500 Value          | -1%  |
|      | <b>US, by sector</b>       |       | <b>US, by sector</b> |      | <b>US, by sector</b>      |      | <b>US, by sector</b>   |      |
| 1    | Telecom                    | +1.63 | Telecom              | 12.2 | Consumer Disc             | +13% | Telecom                | +59% |
| 2    | Materials                  | +0.22 | Financial            | 13.3 | Telecom                   | +12% | Consumer Disc          | +9%  |
| 3    | Industrial                 | +0.12 | Industrial           | 15.3 | Health Care               | +10% | Health Care            | +8%  |
| 4    | Financial                  | +0.07 | Materials            | 15.3 | Industrial                | +6%  | Financial              | +4%  |
| 5    | Consumer Disc              | +0.03 | Health Care          | 15.5 | Utilities                 | +4%  | Industrial             | +0%  |
| 6    | Info Tech                  | -0.04 | Info Tech            | 15.7 | Info Tech                 | +0%  | Utilities              | -1%  |
| 7    | Utilities                  | -0.22 | Utilities            | 16.1 | Financial                 | -2%  | Info Tech              | -3%  |
| 8    | Health Care                | -0.36 | Consumer Disc        | 18.3 | Consumer Stap             | -2%  | Consumer Stap          | -3%  |
| 9    | Consumer Stap              | -0.70 | Consumer Stap        | 19.7 | Materials                 | -18% | Materials              | -8%  |
| 10   | Energy                     | -2.05 | Energy               | 27.7 | Energy                    | -61% | Energy                 | -20% |

Source: Bloomberg, TrendMacro calculations

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

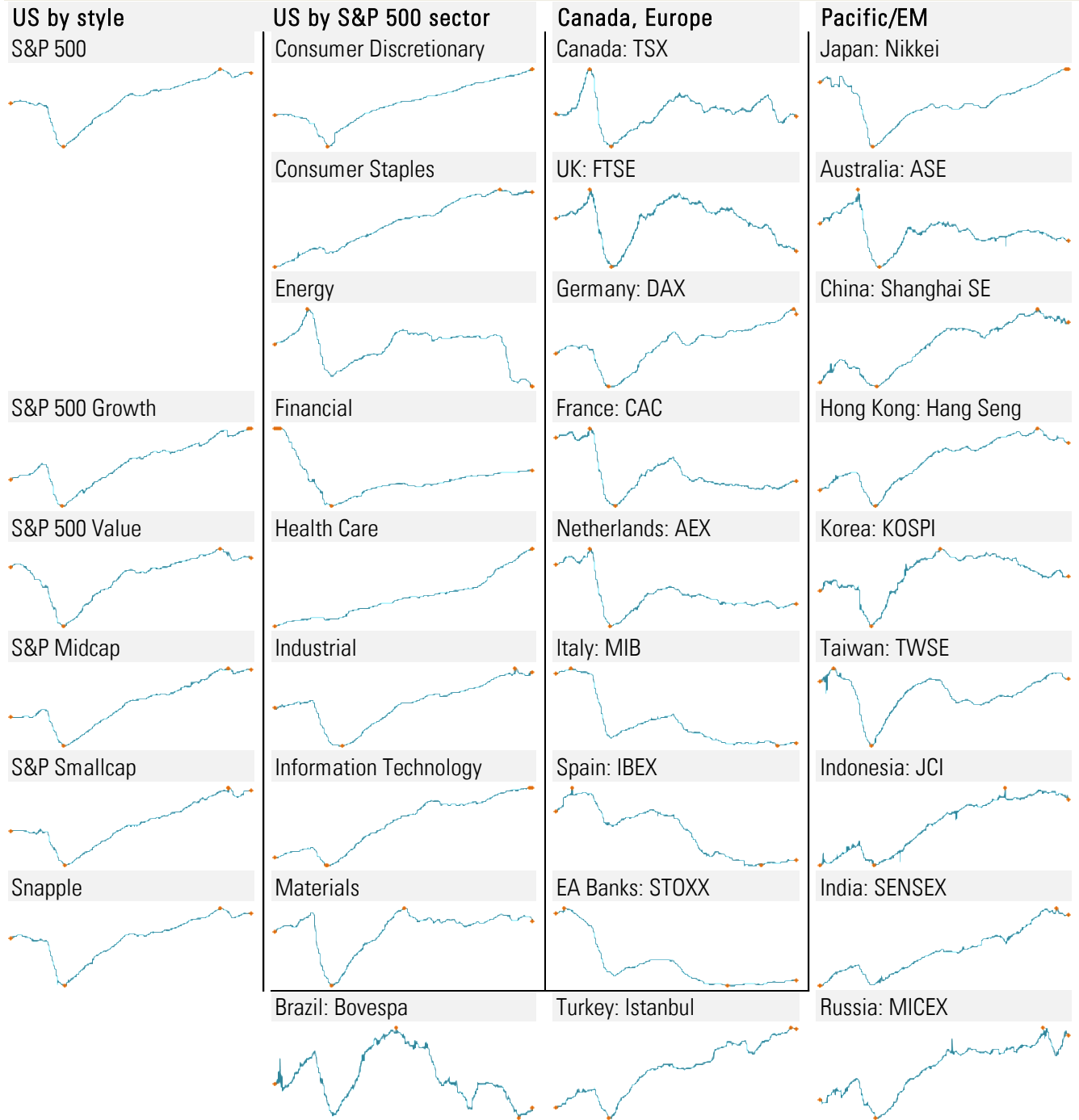
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

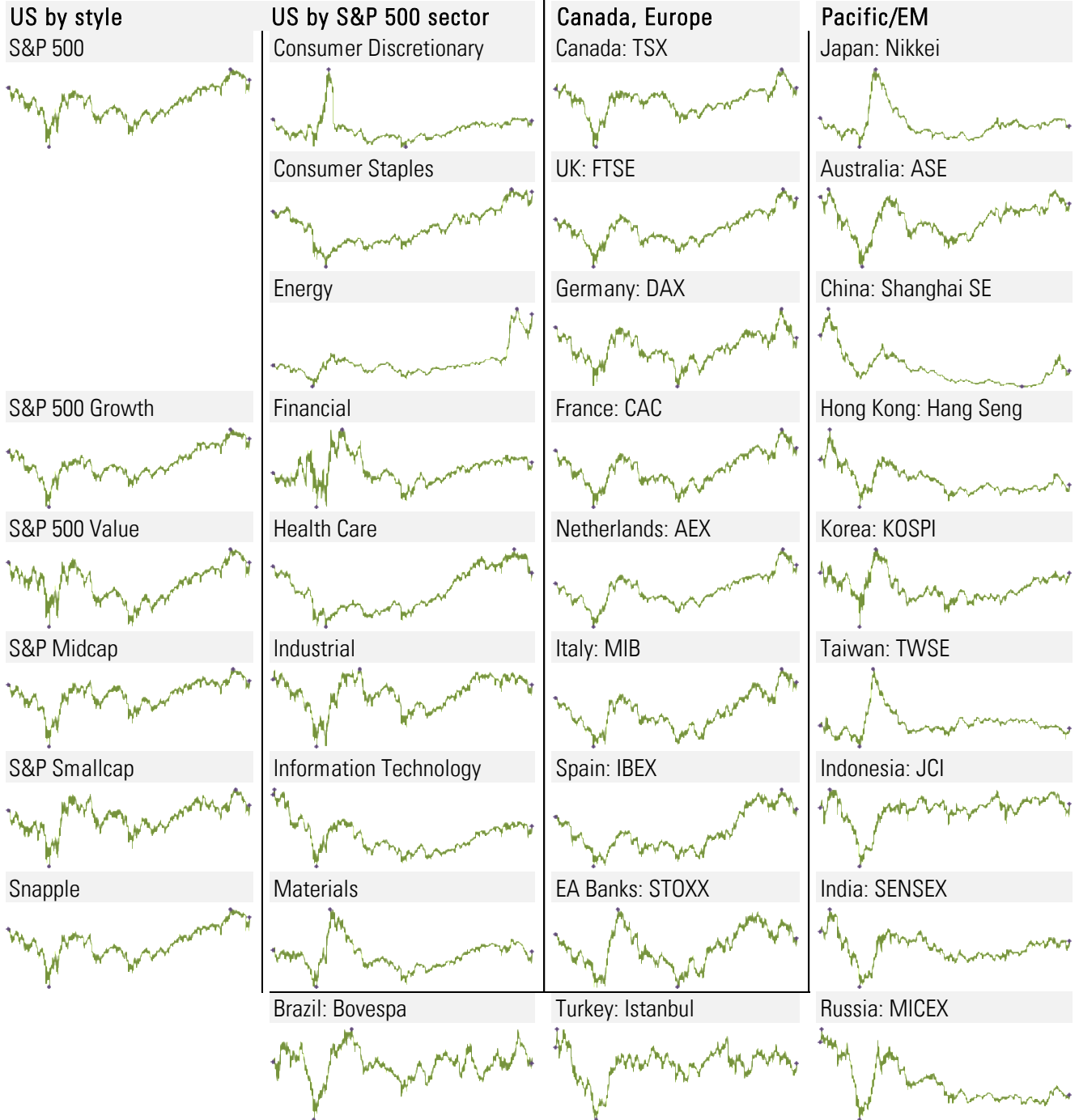
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

• First, High, Low, Last



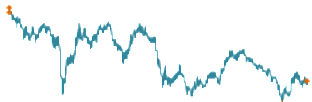
Source: Bloomberg, TrendMacro calculations

# Benchmark bond yields, July 2007 to current

● First, High, Low, Last

## US

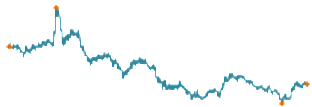
30-year Treasury



10-year Treasury

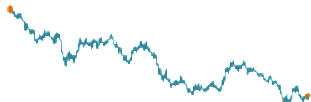


Moody's Corporate Avg



## Canada, Europe

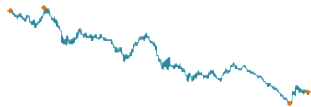
Canada 10-year govt



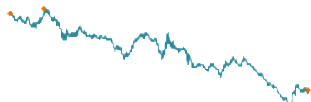
UK: 10-year govt



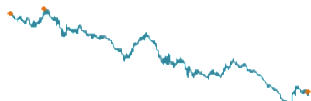
Germany: 10-year govt



France: 10-year govt



Netherlands: 10-year govt



Italy: 10-year govt

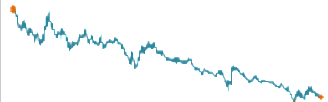


Spain: 10-year govt

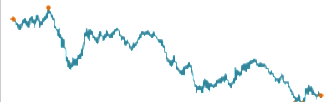


## Pacific/EM

Japan: 10-year govt



Australia: 10-year govt



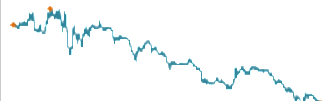
China: 10-year govt



Hong Kong: 10-year govt



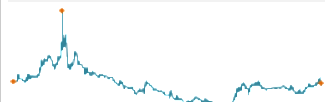
Korea: 10-year govt



Taiwan: 10-year govt



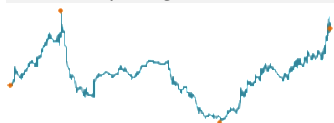
Indonesia: 10-year govt



India: 10-year govt



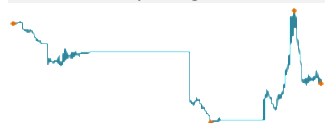
Brazil: 3-year govt



Turkey: 7-year govt



Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

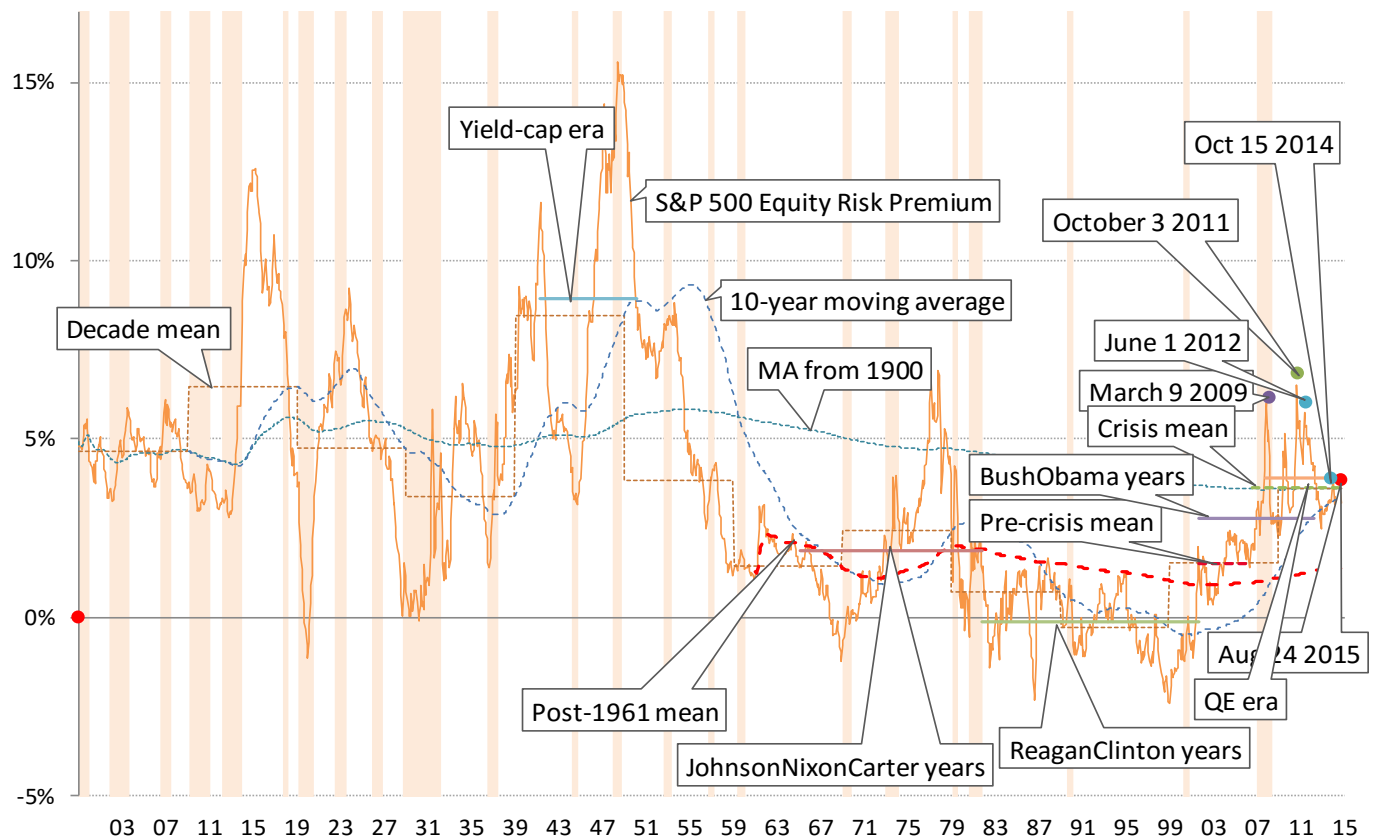
--- Crisis era mean    - - - Pre-crisis mean    ↘ Downtrends    ■ Recession



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