

Data Insights: Global Equity Risk Premia

Monday, November 25, 2019

NOTE: In September 2016, Standard & Poor's created a new Real Estate sector from stocks that had been in the Financials sector. In October 2018 it converted the Telecom sector to "Communications Services," moving stocks from Info Tech and Consumer Discretionary. These changes distort metrics for those sectors throughout this report. The overall S&P 500 is not affected.

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	Turkey: Istanbul	+2.40	Turkey: Istanbul	6.0	Turkey: Istanbul	+29%	Turkey: Istanbul	+17%
2	Brazil: Bovespa	+1.73	Russia: MICEX	6.4	India: SENSEX	+11%	HK: Hang Seng	+12%
3	Italy: MIB	+1.41	HK: Hang Seng	10.1	Taiwan: TWSA	+9%	Brazil: Bovespa	+11%
4	Spain: IBEX	+1.36	China: Shanghai SE	10.6	Indonesia: JCI	+7%	China: Shanghai SE	+7%
5	Australia: ASE	+1.04	Italy: MIB	11.5	Korea: KOSPI	+6%	Netherlands: AEX	+6%
6	UK: FTSE	+0.83	Korea: KOSPI	11.6	HK: Hang Seng	+5%	Taiwan: TWSA	+5%
7	HK: Hang Seng	+0.80	Spain: IBEX	12.0	France: CAC	+3%	US: S&P 500	+4%
8	Canada: TSX	+0.59	UK: FTSE	12.7	US: S&P 500	+0%	Korea: KOSPI	+4%
9	Indonesia: JCI	+0.55	Brazil: Bovespa	13.0	Canada: TSX	+0%	France: CAC	+2%
10	France: CAC	+0.55	Germany: DAX	14.2	Italy: MIB	-2%	Indonesia: JCI	+1%
11	China: Shanghai SE	+0.55	Indonesia: JCI	14.3	China: Shanghai SE	-3%	India: SENSEX	-1%
12	Japan: Nikkei	+0.35	France: CAC	14.6	Germany: DAX	-5%	Japan: Nikkei	-3%
13	Germany: DAX	+0.29	Canada: TSX	14.8	Brazil: Bovespa	-5%	Italy: MIB	-3%
14	Russia: MICEX	+0.17	Netherlands: AEX	15.8	Netherlands: AEX	-6%	Spain: IBEX	-3%
15	Korea: KOSPI	+0.09	Taiwan: TWSA	15.9	Spain: IBEX	-7%	Australia: ASE	-4%
16	Netherlands: AEX	+0.00	Japan: Nikkei	16.8	Japan: Nikkei	-10%	Canada: TSX	-5%
17	US: S&P 500	-0.04	Australia: ASE	16.8	Australia: ASE	-14%	Germany: DAX	-11%
18	India: SENSEX	-0.13	US: S&P 500	17.7	Russia: MICEX	-14%	UK: FTSE	-14%
19	Taiwan: TWSA	-0.57	India: SENSEX	19.2	UK: FTSE	-15%	Russia: MICEX	-31%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	+1.02	S&P 500 Value	14.8	S&P Smallcap	+5%	S&P Smallcap	+11%
2	S&P Midcap	+0.75	S&P 500	17.7	S&P 500 Growth	+1%	S&P 500 Growth	+6%
3	S&P 500 Value	+0.35	S&P Midcap	17.7	S&P 500	+0%	S&P 500 Value	+4%
4	S&P 500	-0.04	S&P Smallcap	18.2	S&P 500 Value	+0%	S&P 500	+4%
5	S&P 500 Growth	-0.41	S&P 500 Growth	21.2	S&P Midcap	-11%	S&P Midcap	-11%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Financial	+0.67	Financial	13.0	Health Care	+10%	Health Care	+16%
2	Industrial	+0.32	Health Care	15.6	Info Tech	+10%	Info Tech	+11%
3	Health Care	+0.28	Industrial	16.7	Utilities	+5%	Communications	+5%
4	Consumer Stap	+0.26	Energy	17.0	Consumer Stap	+4%	Consumer Stap	+2%
5	Consumer Disc	+0.16	Communications	17.5	Industrial	+1%	Financial	+2%
6	Materials	+0.14	Materials	17.7	Materials	+1%	Consumer Disc	+2%
7	Energy	+0.04	Utilities	19.4	Financial	-2%	Utilities	-3%
8	Communications	-0.30	Consumer Stap	19.7	Consumer Disc	-3%	Materials	-4%
9	Utilities	-0.43	Consumer Disc	20.6	Communications	-3%	Industrial	-4%
10	Info Tech	-0.55	Info Tech	20.7	Energy	-31%	Energy	-5%

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

US by style (vs 30y Treasury)

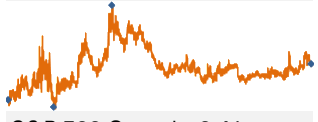
S&P 500 -0.03



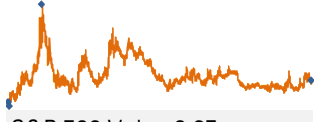
S&P 500 (vs 10Y) -0.31



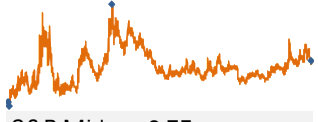
S&P 500 (vs. Corp) 0.19



S&P 500 Growth -0.41



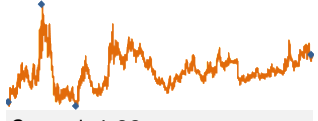
S&P 500 Value 0.35



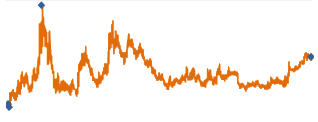
S&P Midcap 0.75



S&P Smallcap 1.01

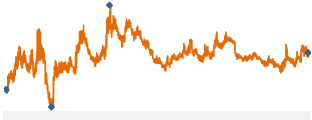


Snapple 1.06

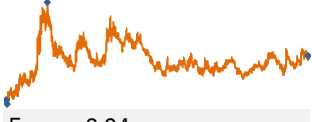


US by S&P 500 sector

Consumer Disc 0.15



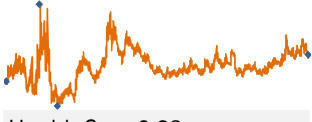
Consumer Stap 0.25



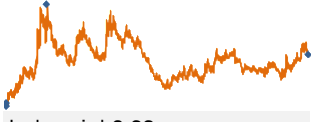
Energy 0.04



Financial 0.66



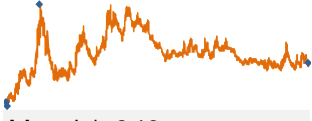
Health Care 0.28



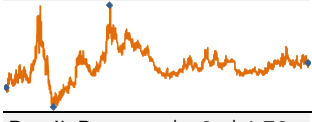
Industrial 0.32



Info Tech -0.54



Materials 0.13



Brazil: Bovespa (v. 3yr) 1.73



Canada, Europe (vs 10y gov)

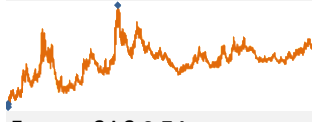
Canada TSX 0.58



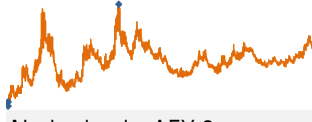
UK: FTSE 0.83



Germany: DAX 0.29



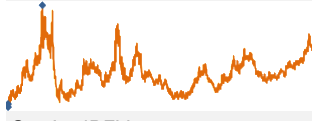
France: CAC 0.54



Netherlands: AEX 0



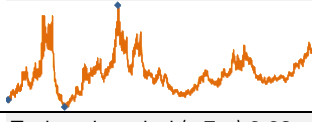
Italy: MIB 1.4



Spain: IBEX 1.36



EABank: STOXX FR10Y 0.97



Turkey: Istanbul (v 7yr) 2.39



Pacific/EM (vs 10y gov)

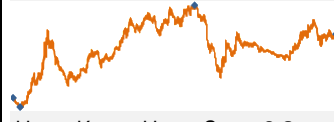
Japan: Nikkei 0.35



Australia: ASE 1.04



China: Shanghai SE 0.54



Hong Kong: Hang Seng 0.8



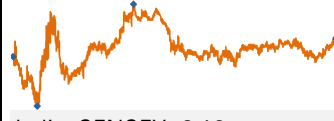
Korea: KOSPI 0.09



Taiwan: TWSE -0.56



Indonesia: JCI 0.55



India: SENSEX -0.13



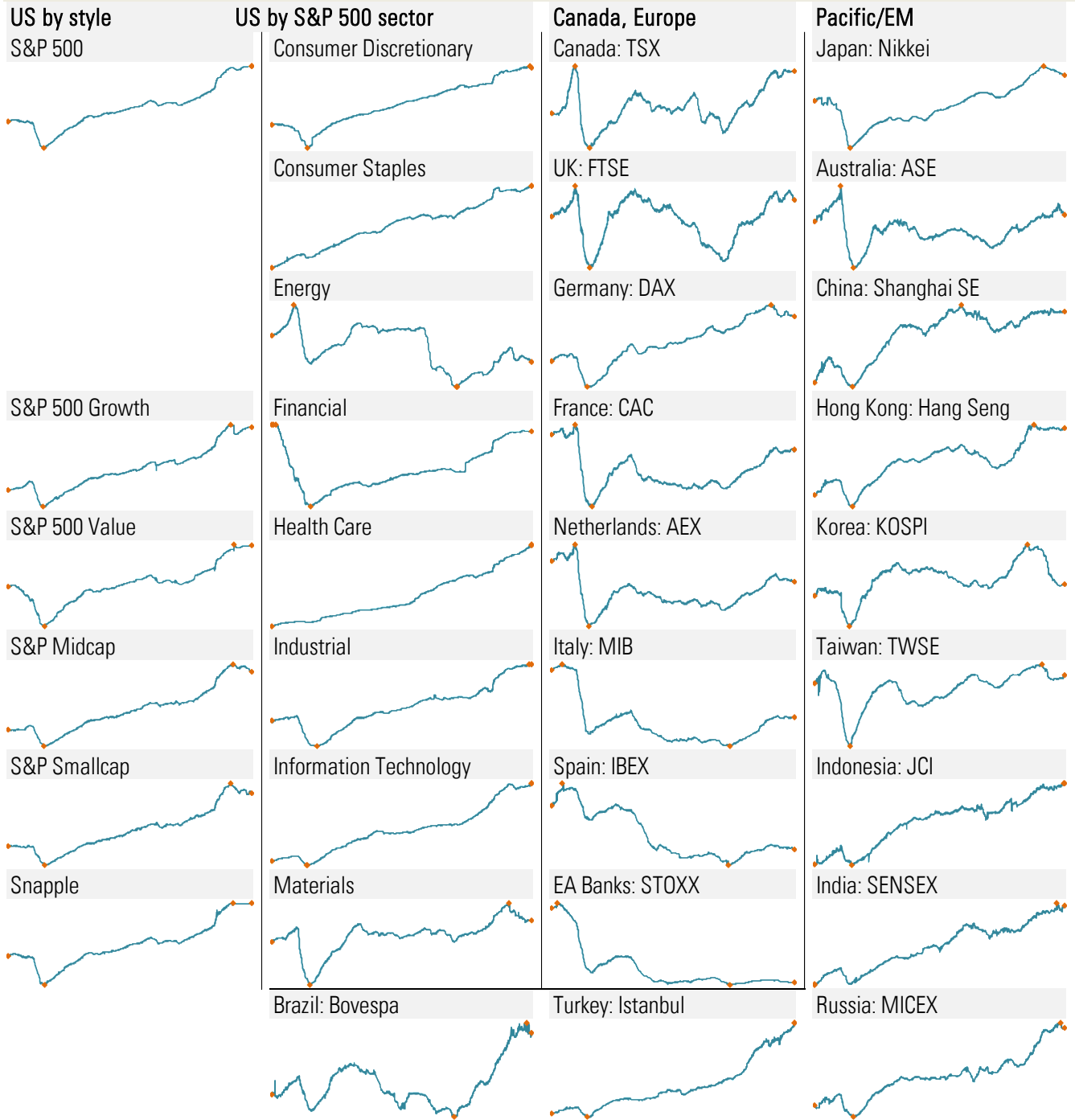
Russia: MICEX 0.17



Source: Bloomberg, TrendMacro calculations

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

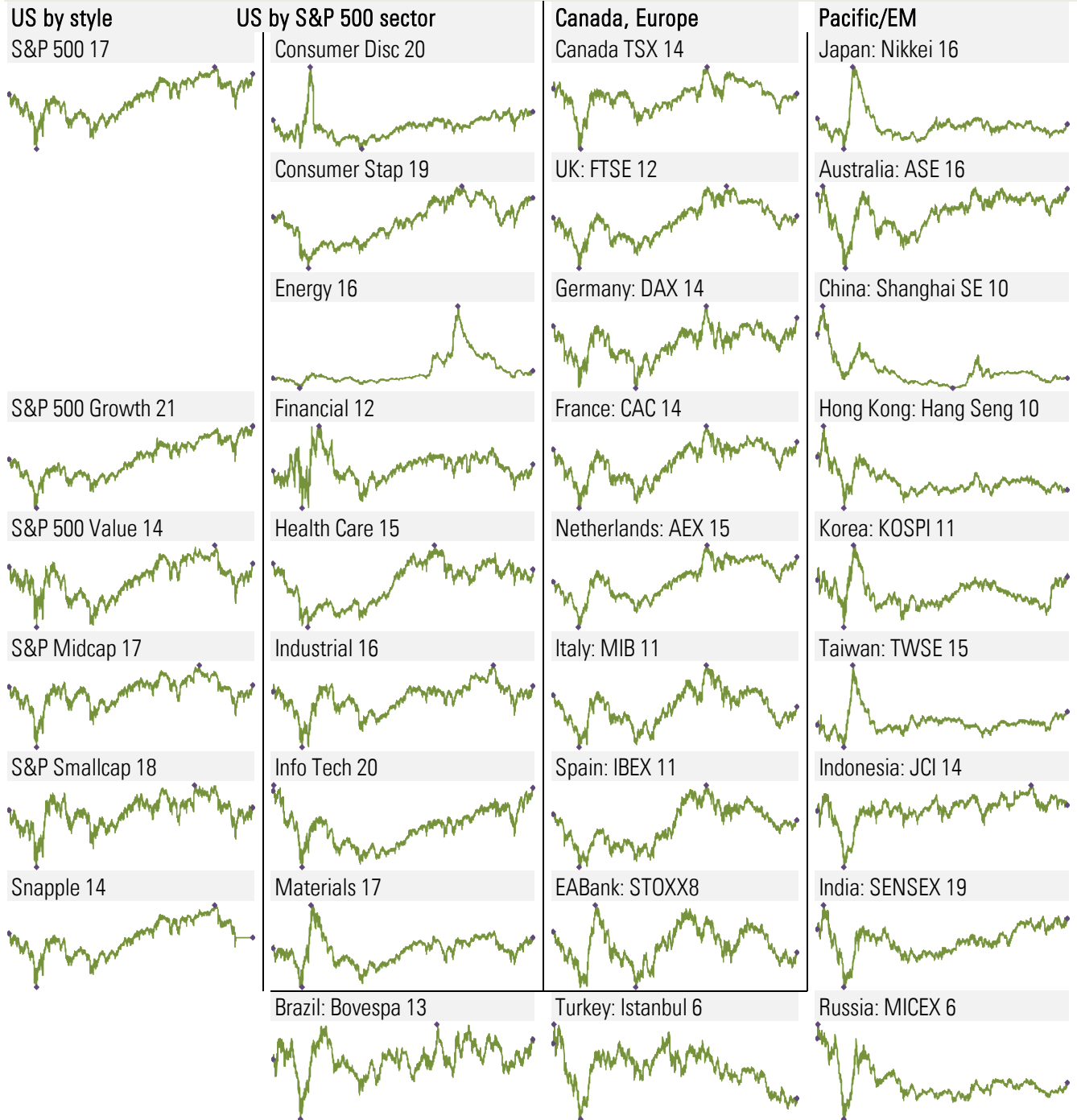
● First, High, Low, Last



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

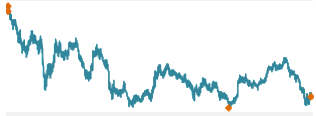
10-year government, unless indicated • First, High, Low, Last

US

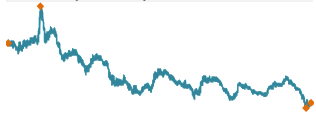
30-yr Treasury 2.2%



10-yr Treasury 1.8%

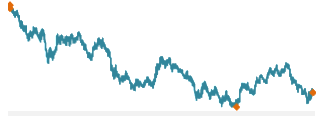


Moody's Corp 3.4%

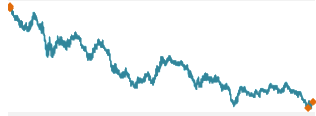


Canada, Europe

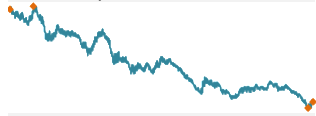
Canada 1.0%



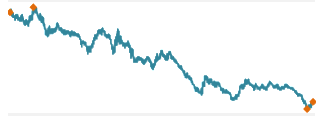
UK 0.7%



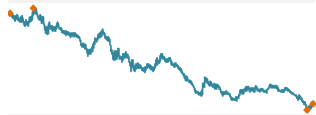
Germany -0.4%



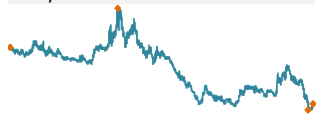
France 0.0%



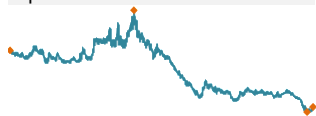
Netherlands -0.2%



Italy 1.2%

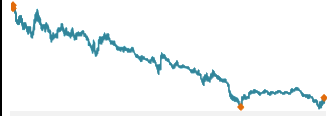


Spain 0.4%

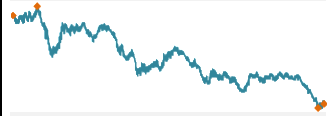


Pacific/EM

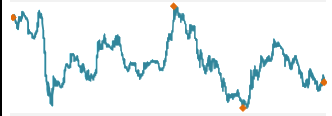
Japan -0.1%



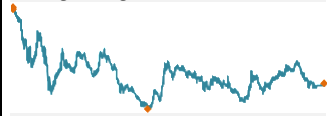
Australia 1.1%



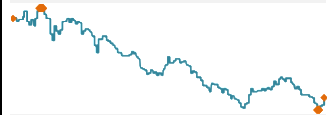
China 3.2%



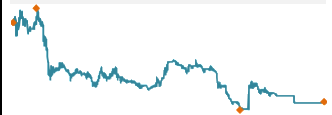
Hong Kong 1.6%



Korea 1.9%



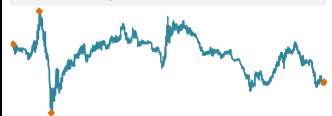
Taiwan 0.8%



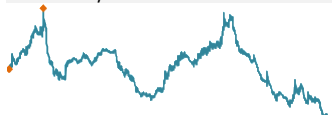
Indonesia 7.1%



India 6.5%



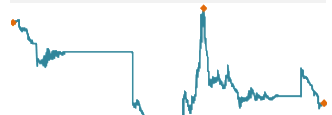
Brazil 3-year 5.0%



Turkey 7-year 5.6%

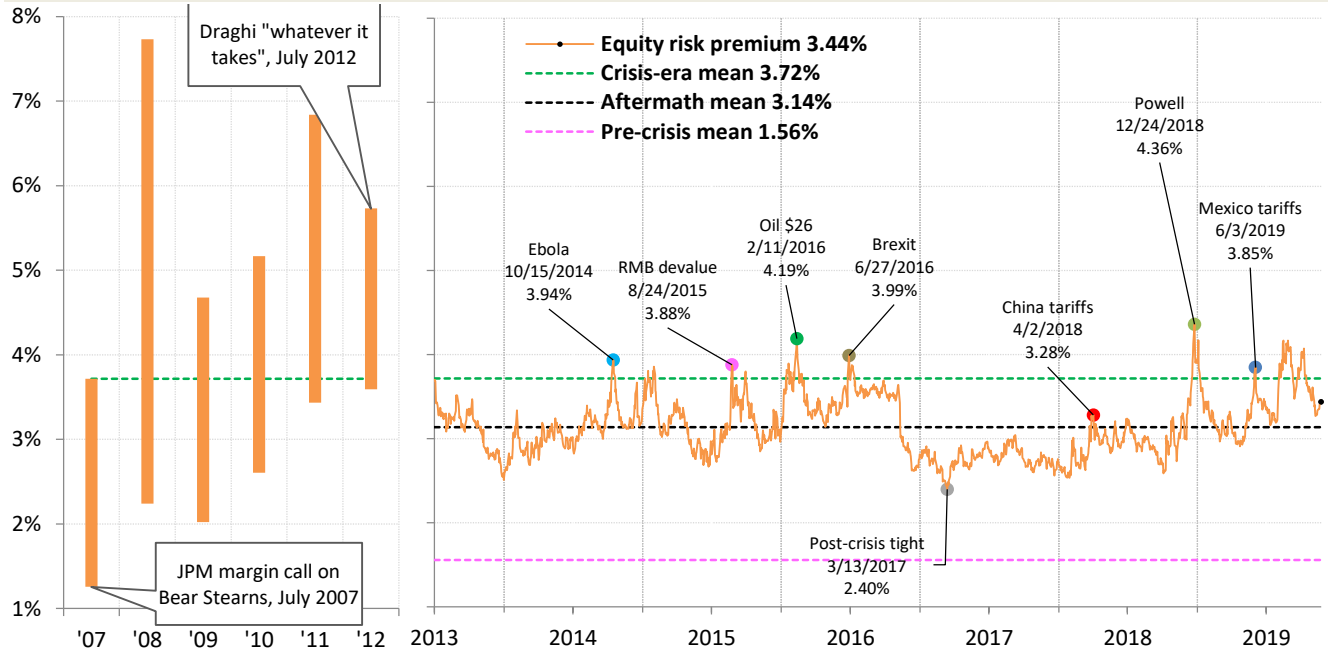


Russia 2.3%



Source: Bloomberg, TrendMacro calculations

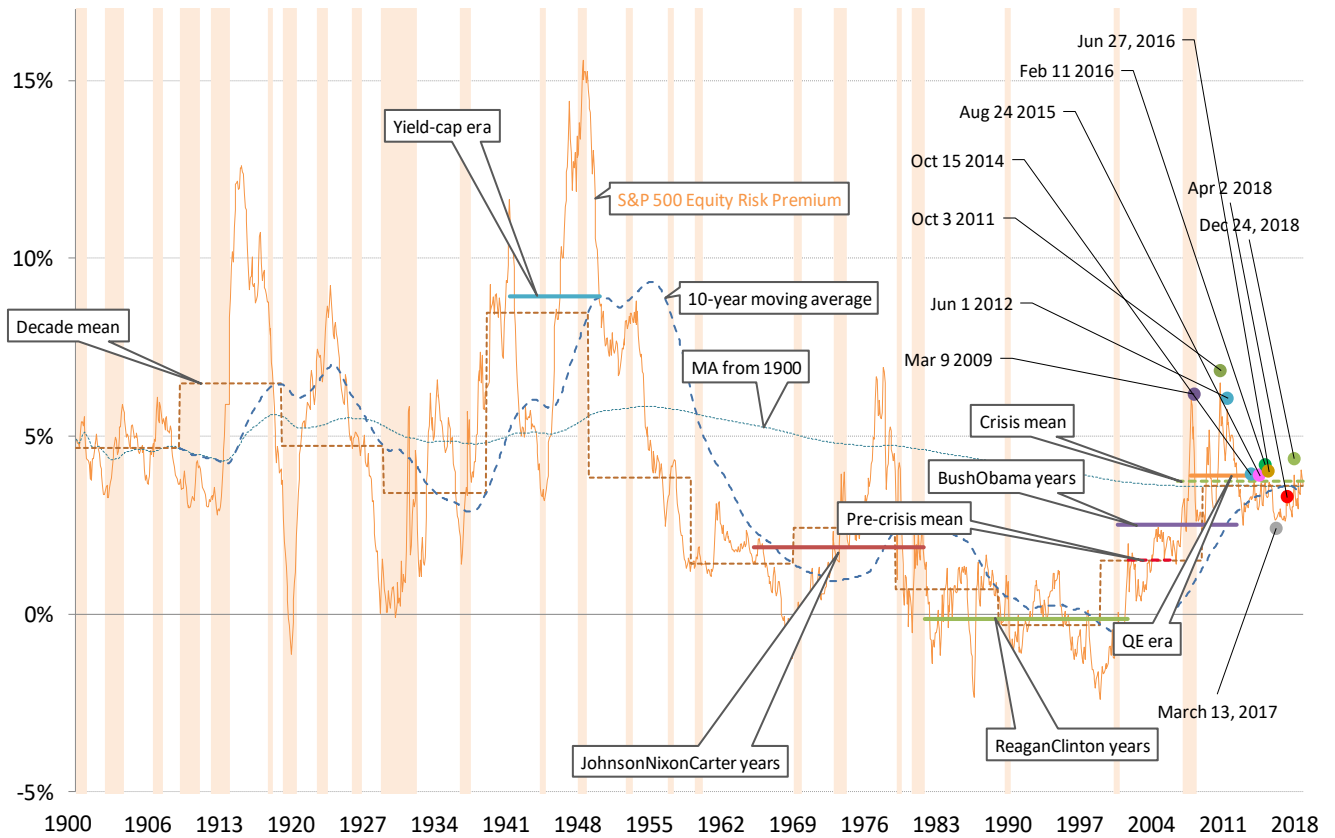
Daily S&P 500 equity risk premium in the crisis era



Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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

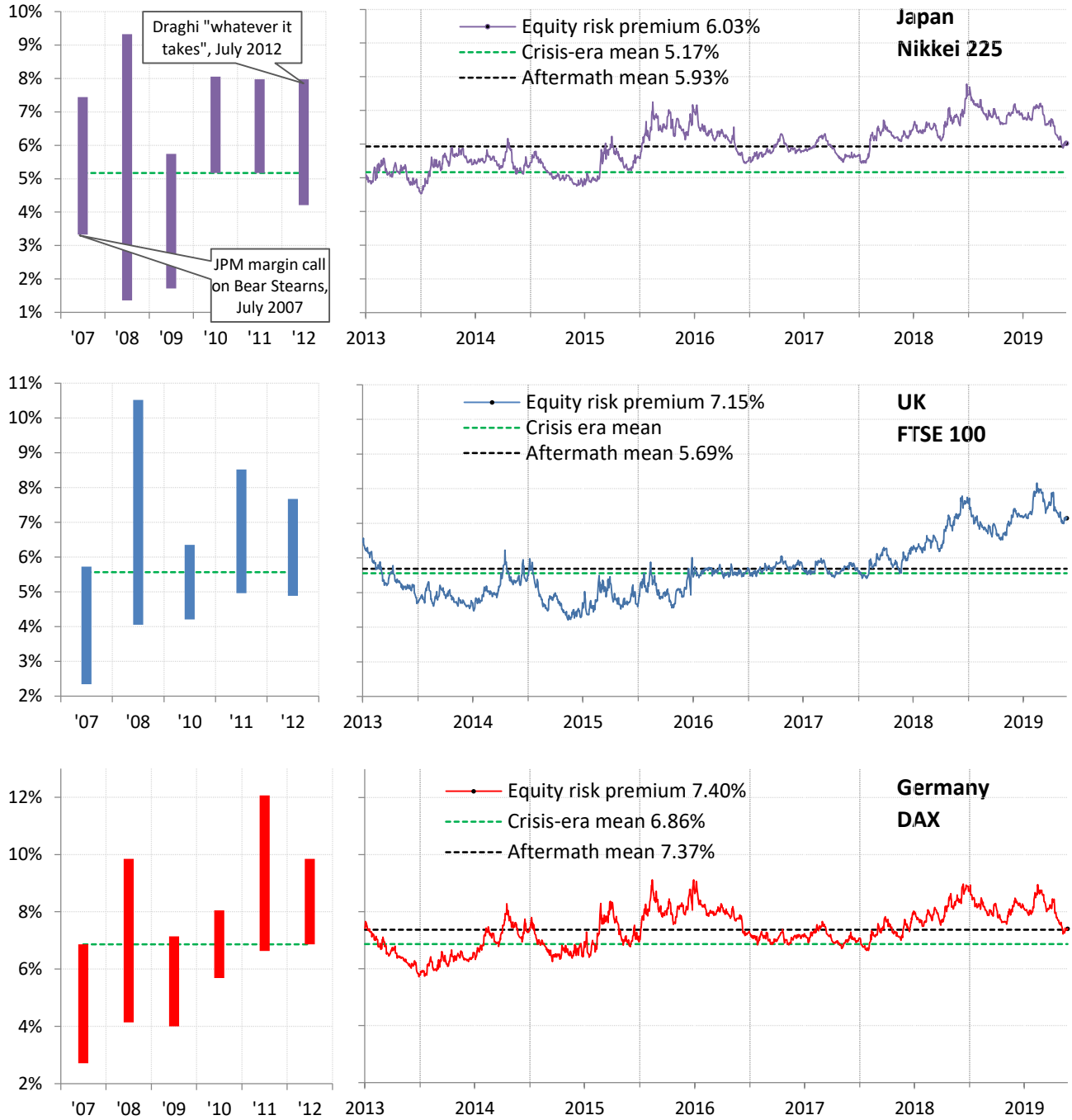


Versus 30-year Treasury

Source: Various, TrendMacro calculations

Close-up: Global equity risk premia in the crisis, and its aftermath

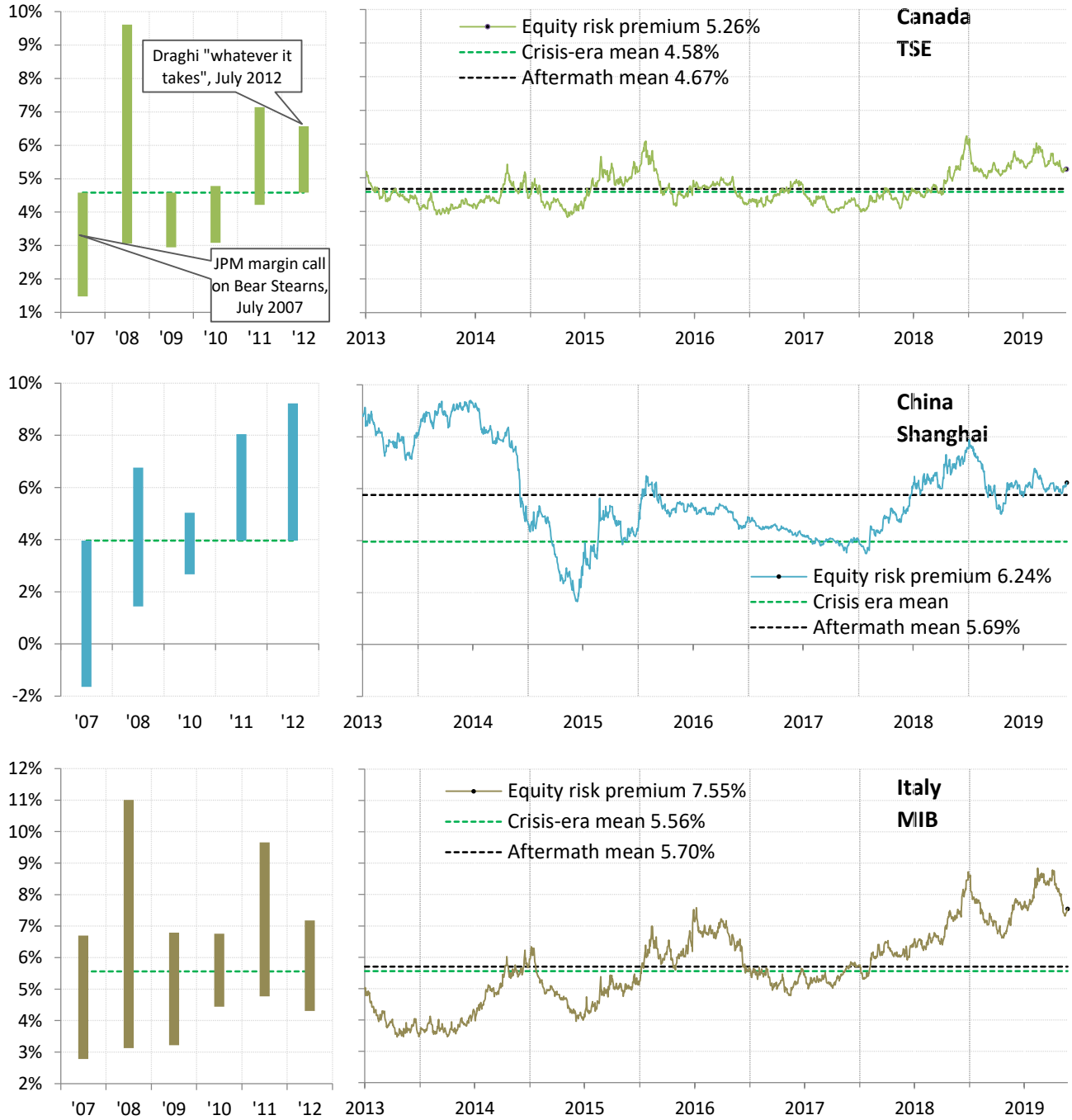
July-to-July range (left panel), daily from July 2013 (right panel)



Source: Bloomberg, TrendMacro calculations

Close-up: Global equity risk premia in the crisis, and its aftermath

July-to-July range (left panel), daily form July 2013 (right panel)



Source: Bloomberg, TrendMacro calculations