TrendMacro

Trend Macrolytics, LLC
Donald Luskin, Chief Investment Officer
Thomas Demas, Managing Director
Lorcan Roche Kelly, Chief Europe Strategist

Data Insights: Global Equity Risk Premia

Monday, September 9, 2013

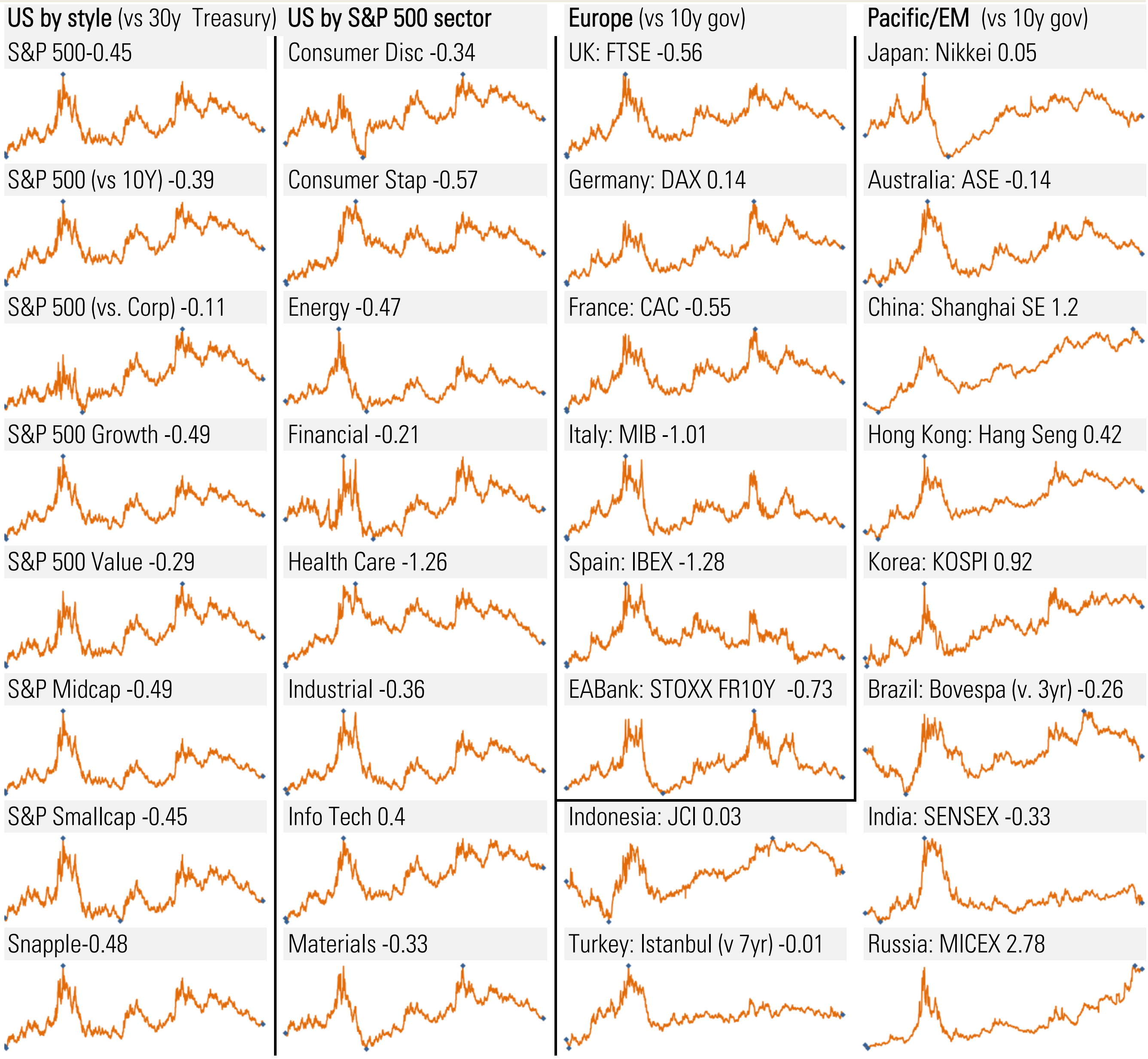
Global leader-board: by equity risk premium, value, and growth Best Worst

Rank	Equity risk premium By SD from crisis era mean		Forward PE ratio		Fwd earnings upgrade rate Trailing 90 days, AR		Fwd sales upgrade rate Trailing 90 days, AR	
	By country		By country		By country		By country	
1	China: Shanghai SE	+1.21	Russia: MICEX	3.1	Russia: MICEX	+115%	Italy: MIB	+25%
2	Korea: KOSPI	+0.93	China: Shanghai SE	8.6	Japan: Nikkei	+13%	Brazil: Bovespa	+25%
3	Russia: MICEX	+0.69	Turkey: Istanbul	8.8	US: S&P 500	+7%	Korea: KOSPI	+23%
4	HK: Hang Seng	+0.43	Korea: KOSPI	9.0	China: Shanghai SE	+6%	Indonesia: JCI	+21%
5	Germany: DAX	+0.14	HK: Hang Seng	10.3	France: CAC	+4%	China: Shanghai SE	+13%
6	Japan: Nikkei	+0.05	Germany: DAX	11.4	HK: Hang Seng	+4%	Japan: Nikkei	+10%
7	Turkey: Istanbul	+0.05	Brazil: Bovespa	11.5	Indonesia: JCI	+2%	France: CAC	+5%
8	Indonesia: JCI	+0.02	Italy: MIB	11.7	Australia: ASE	+2%	Australia: ASE	+4%
9	Australia: ASE	-0.14	UK: FTSE	12.0	Germany: DAX	+1%	HK: Hang Seng	+1%
10	Brazil: Bovespa	-0.26	France: CAC	12.0	Korea: KOSPI	Unch	US: S&P 500	+1%
11	India: SENSEX	-0.34	Indonesia: JCI	12.1	Italy: MIB	-3%	India: SENSEX	-0%
12	US: S&P 500	-0.45	Netherlands: AEX	12.5	UK: FTSE	-6%	Germany: DAX	-1%
13	France: CAC	-0.55	Spain: IBEX	12.8	Netherlands: AEX	-7%	Turkey: Istanbul	-6%
14	UK: FTSE	-0.56	India: SENSEX	13.7	Turkey: Istanbul	-13%	UK: FTSE	-14%
15	Netherlands: AEX	-0.68	US: S&P 500	14.0	Spain: IBEX	-15%	Russia: MICEX	-21%
16	Italy: MIB	-1.01	Australia: ASE	14.4	India: SENSEX	-17%	Netherlands: AEX	-24%
17	Spain: IBEX	-1.28	Japan: Nikkei	16.6	Brazil: Bovespa	-25%	Spain: IBEX	-31%
	US, by style		US, by style		US, by style		US, by style	
1	S&P 500 Value	-0.30	S&P 500 Value	12.8	S&P Smallcap	+19%	S&P 500 Growth	+8%
2	S&P 500	-0.45	S&P 500	14.0	S&P 500 Growth	+18%	S&P Smallcap	+6%
3	S&P Smallcap	-0.46	S&P 500 Growth	15.1	S&P 500	+7%	S&P Midcap	+4%
4	S&P Midcap	-0.50	S&P Midcap	16.9	S&P 500 Value	+5%	S&P 500 Value	+2%
5	S&P 500 Growth	-0.50	S&P Smallcap	17.9	S&P Midcap	+4%	S&P 500	+1%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Info Tech	+0.40	Energy	12.3	Telecom	+53%	Telecom	+34%
2	Financial	-0.22	Financial	12.3	Info Tech	+27%	Info Tech	+15%
3	Telecom	-0.28	Info Tech	12.4	Financial	+14%	Consumer Disc	+8%
4	Materials	-0.33	Industrial	14.6	Consumer Disc	+12%	Health Care	+4%
5	Consumer Disc	-0.35	Utilities	14.7	Health Care	+8%	Financial	+2%
6	Industrial	-0.36	Telecom	14.9	Industrial	+7%	Energy	+1%
7	Energy	-0.47	Materials	15.0	Consumer Stap	+3%	Industrial	-0%
8	Consumer Stap	-0.58	Health Care	15.2	Utilities	+3%	Utilities	-1%
9	Utilities	-0.61	Consumer Stap	16.1	Energy	-3%	Consumer Stap	-1%
10	Health Care	-1.26	Consumer Disc	16.7	Materials	-12%	Materials	-6%

Source: Bloomberg, TrendMacro calculations

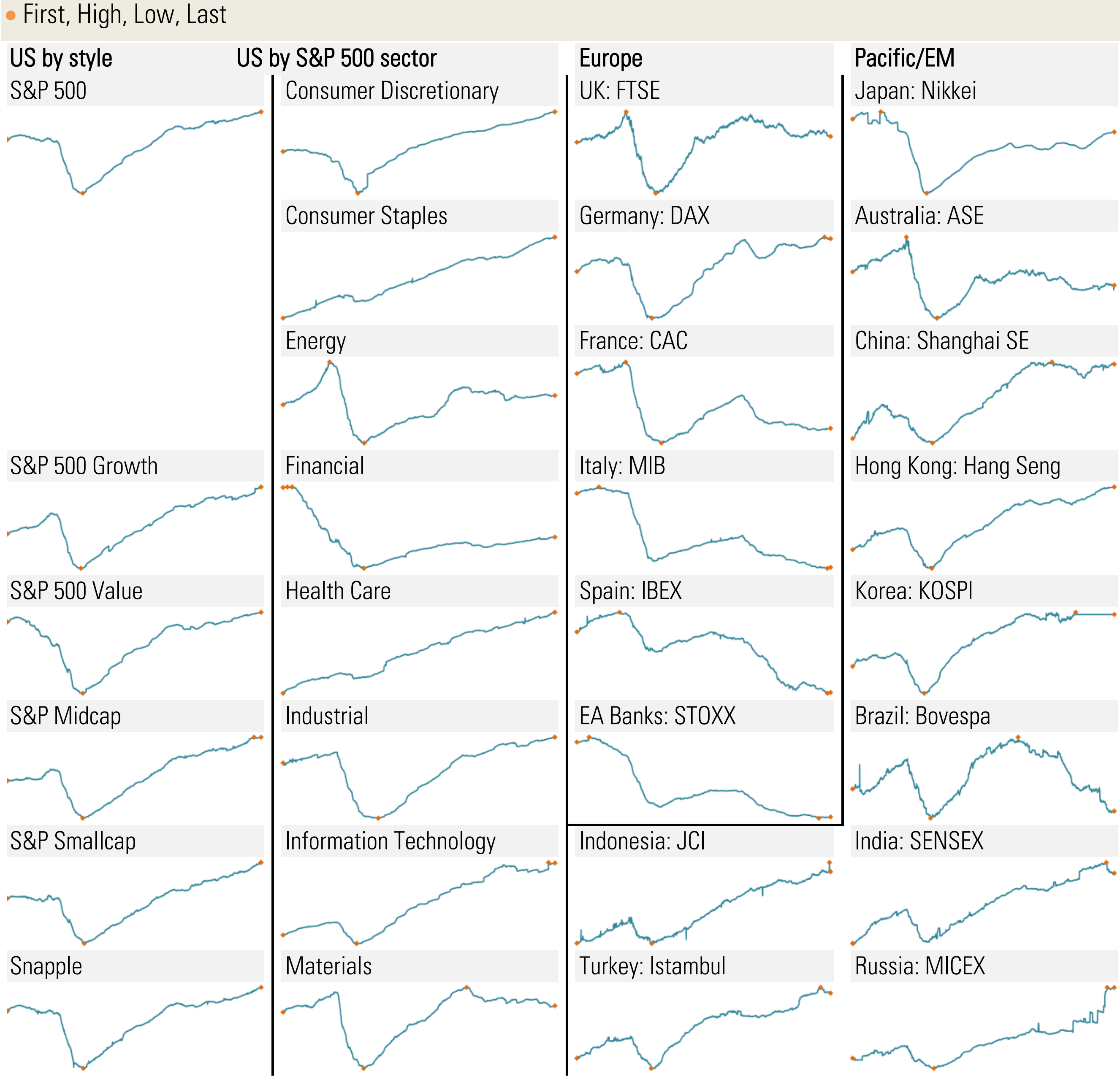
Equity risk premium: forward earnings yield minus bond yield, July 2007 to current

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



Source: Bloomberg, TrendMacro calculations

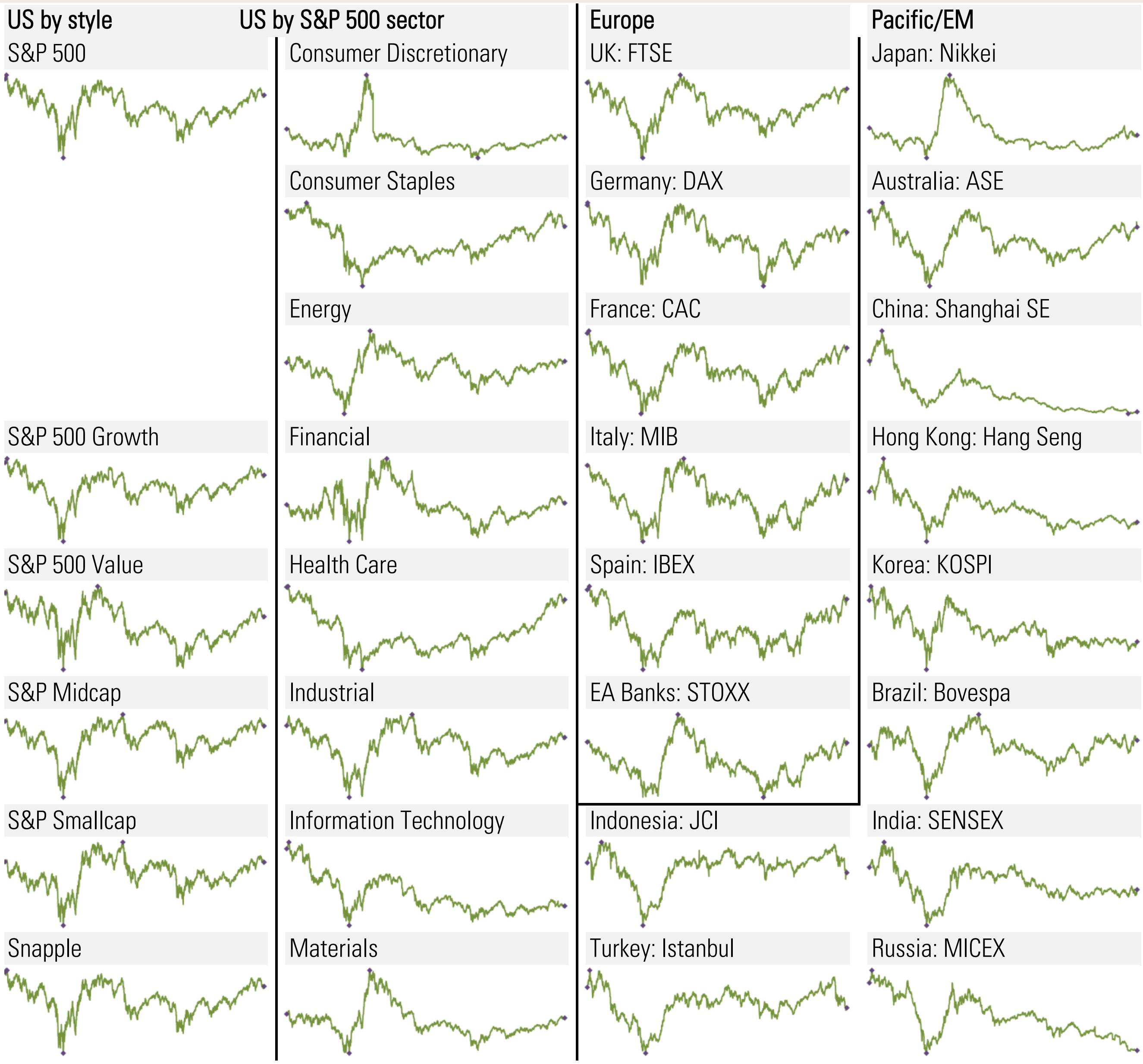
EPS: forward consensus, bottom-up, July 2007 to current



Source: Bloomberg, TrendMacro calculations

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

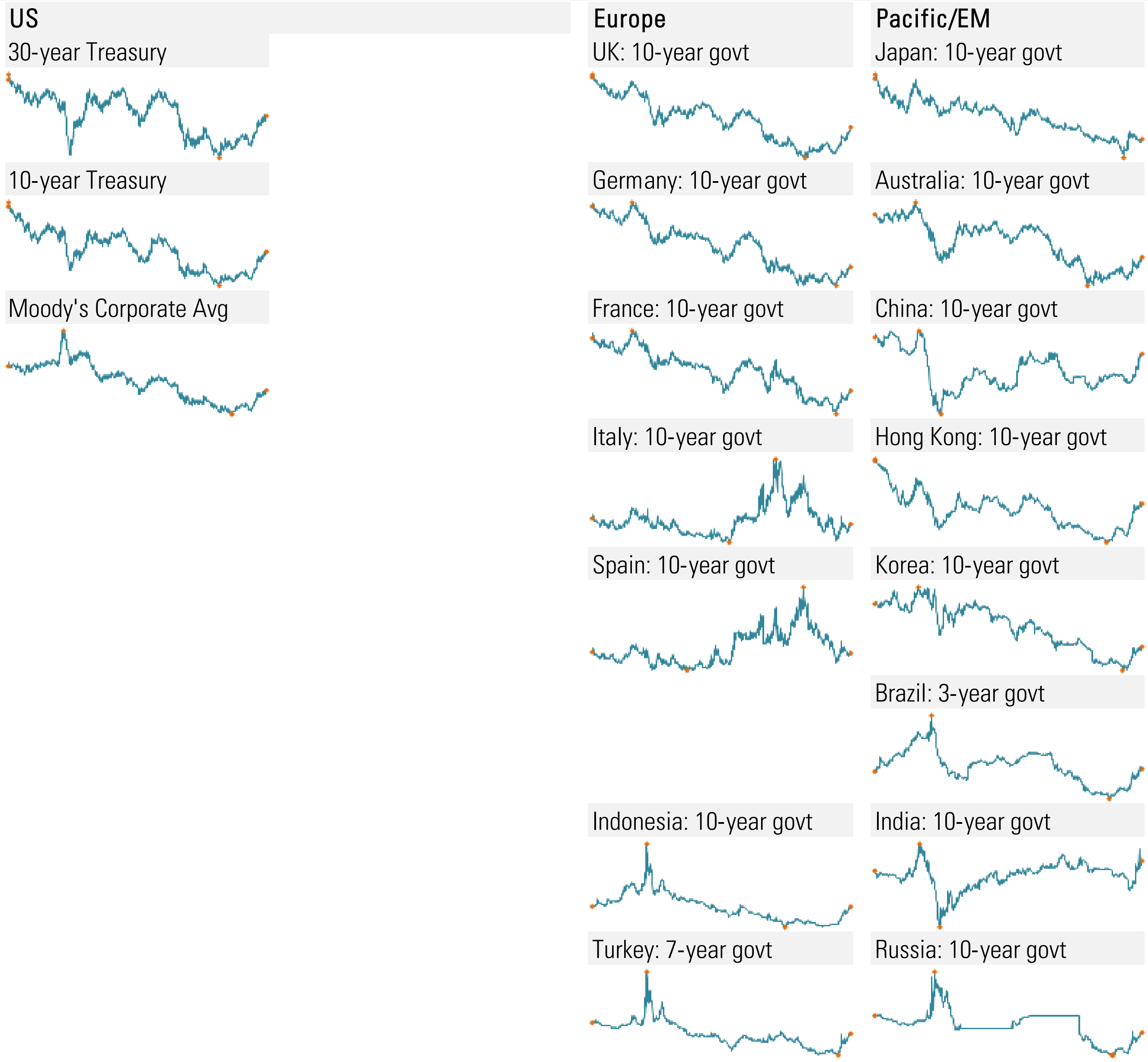
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

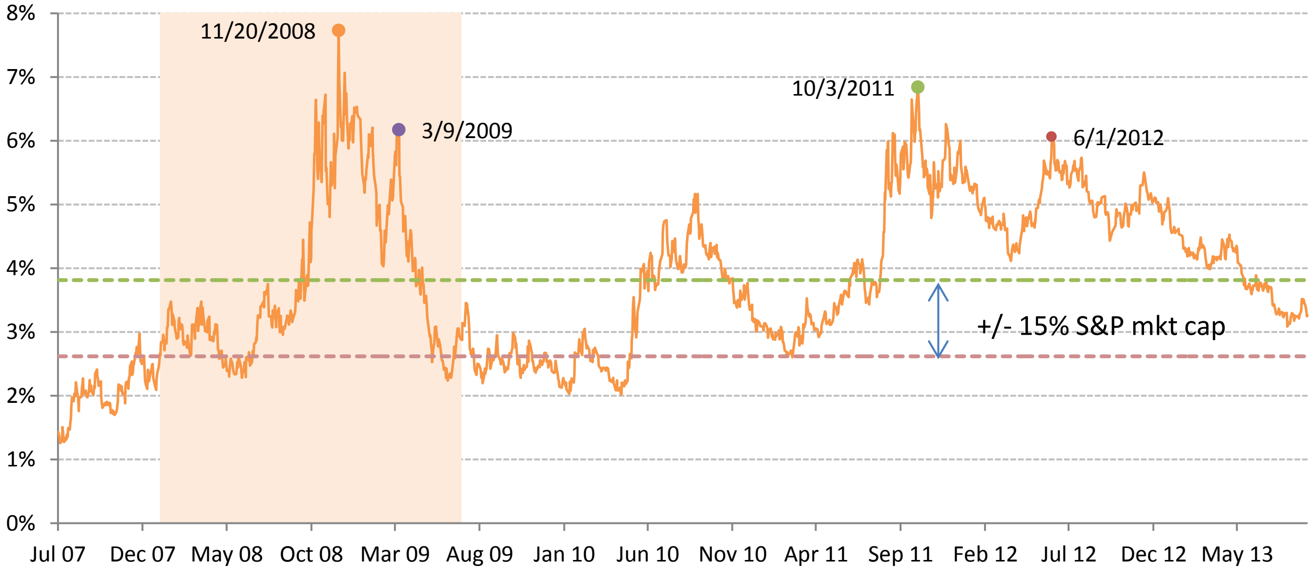
Benchmark bond yields, July 2007 to current

• First, High, Low, Last



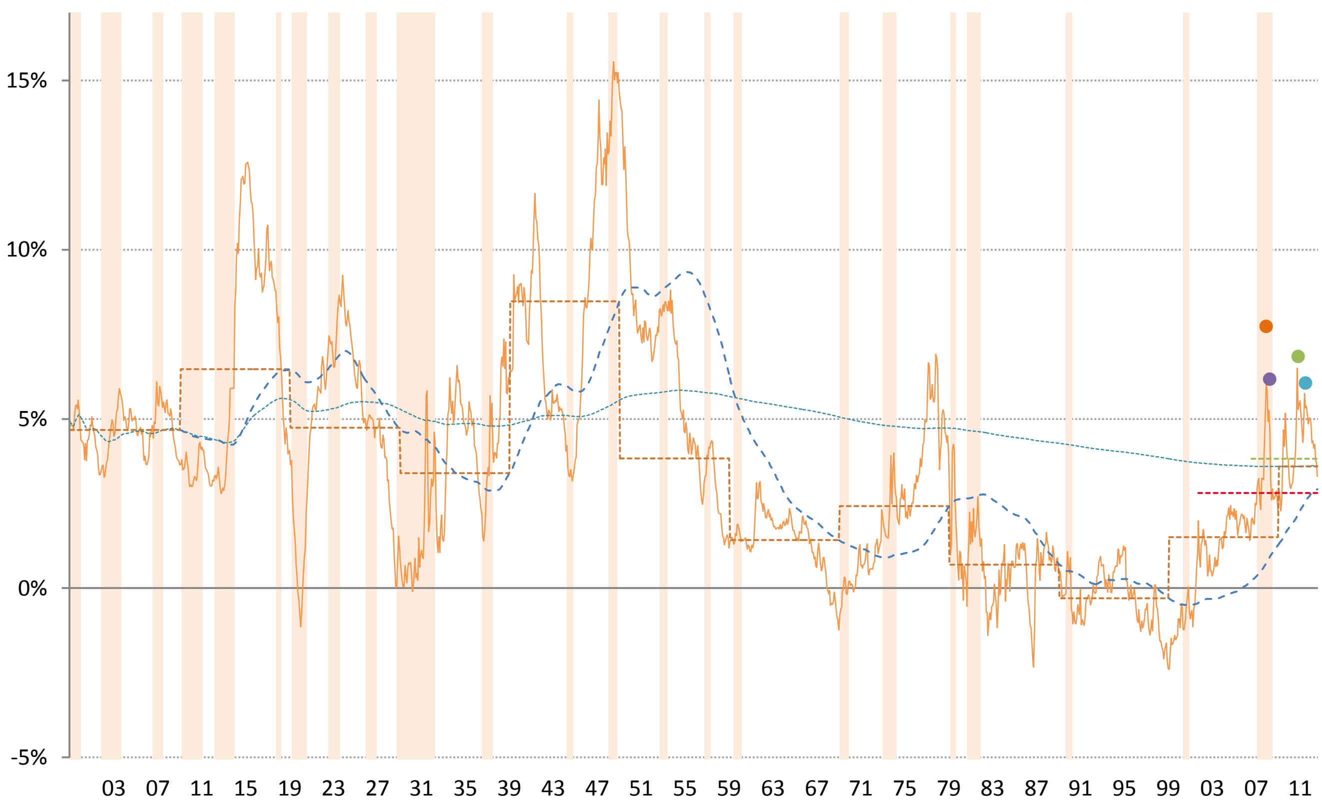
Source: Bloomberg, TrendMacro calculations

Daily S&P 500 equity risk premium
--- Crisis-era mean --- Post Q3-02 mean Recession



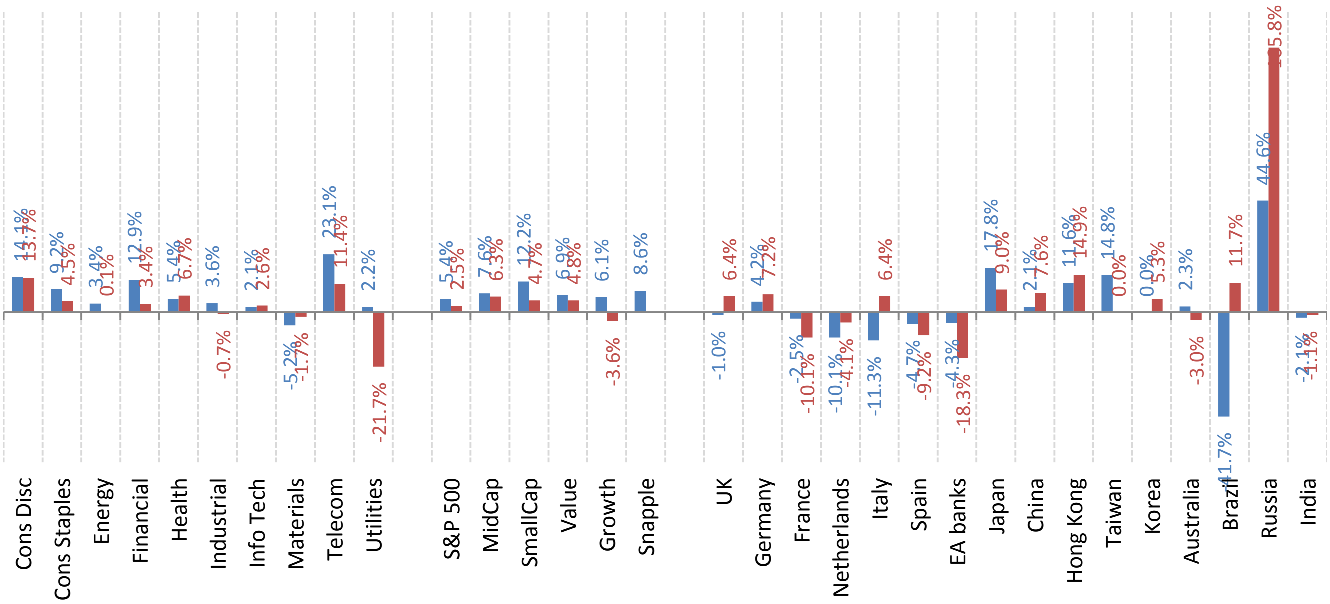
Versus 30-year Treasury Source: Bloomberg, NBER, TrendMacro calculations

A century-plus of the monthly S&P 500 equity risk premium
Means: --- Crisis era --- Post-Q302 --- Decade --- 10-yr --- Cume from 1900



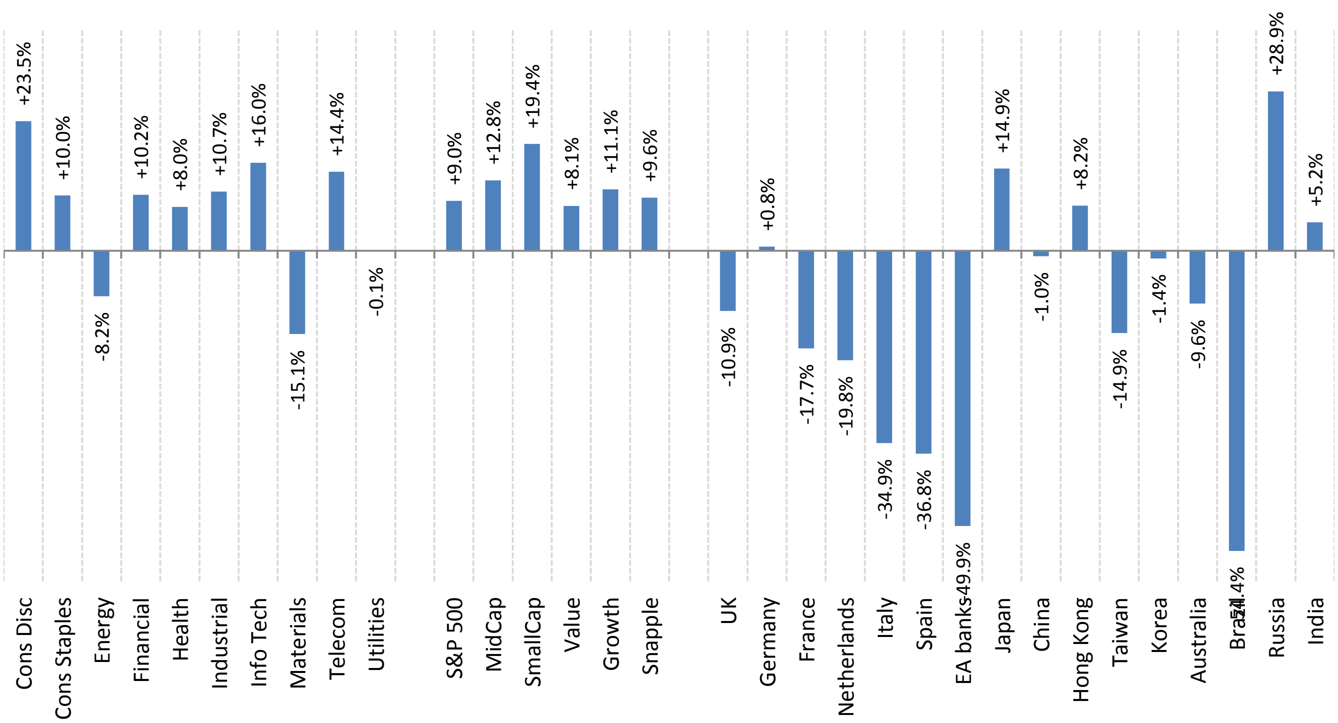
Versus 30-year Treasury Source: Various, TrendMacro calculations

Consensus per share, YOY



Source: Bloomberg, TrendMacro calculations

Consensus EPS versus 2011 high-water mark



Source: Bloomberg, TrendMacro calculations