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Data Insights: Global Equity Risk Premia

Thursday, July 10, 2014

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

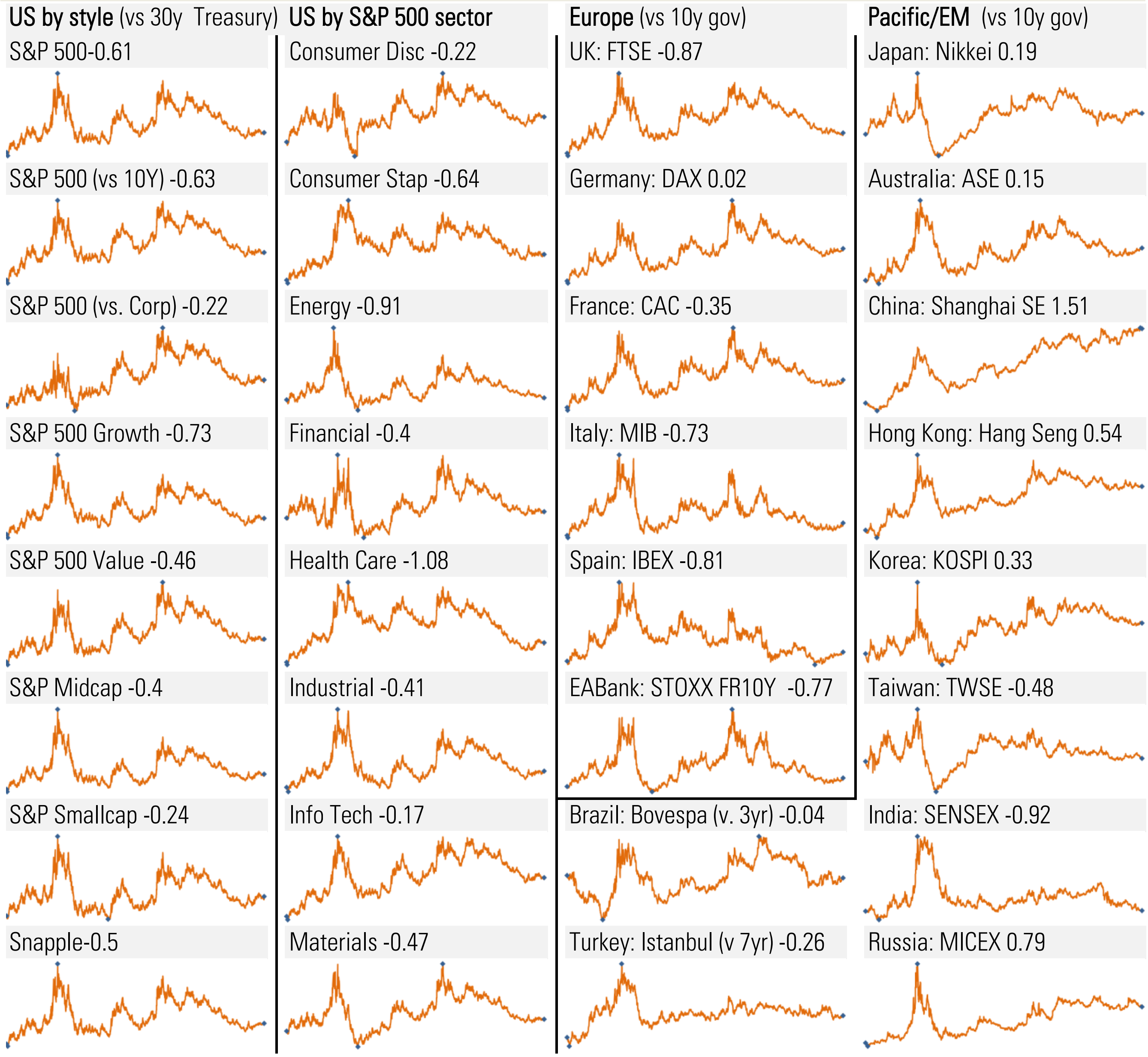
Best / Worst

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	+1.51	Russia: MICEX	5.5	Turkey: Istanbul	+29%	Germany: DAX	+16%
2	Russia: MICEX	+0.80	China: Shanghai SE	7.5	Taiwan:TWSA	+26%	India: SENSEX	+14%
3	HK: Hang Seng	+0.55	Turkey: Istanbul	10.3	India: SENSEX	+20%	Spain: IBEX	+13%
4	Korea: KOSPI	+0.34	HK: Hang Seng	10.3	US: S&P 500	+13%	China: Shanghai SE	+11%
5	Taiwan:TWSA	+0.26	Korea: KOSPI	10.3	Germany: DAX	+13%	Turkey: Istanbul	+10%
6	Japan: Nikkei	+0.19	Brazil: Bovespa	10.4	Spain: IBEX	+12%	Japan: Nikkei	+10%
7	Australia: ASE	+0.15	Germany: DAX	12.8	Japan: Nikkei	+11%	Australia: ASE	+8%
8	Germany: DAX	+0.02	UK: FTSE	13.5	Netherlands: AEX	+10%	Taiwan:TWSA	+7%
9	Brazil: Bovespa	-0.04	Netherlands: AEX	13.7	HK: Hang Seng	+5%	Korea: KOSPI	+5%
10	Turkey: Istanbul	-0.11	France: CAC	14.0	Italy: MIB	+2%	HK: Hang Seng	+5%
11	France: CAC	-0.36	Italy: MIB	14.0	Australia: ASE	+1%	Netherlands: AEX	+5%
12	Netherlands: AEX	-0.45	Taiwan:TWSA	14.7	Brazil: Bovespa	-0%	US: S&P 500	+4%
13	US: S&P 500	-0.62	Australia: ASE	14.8	China: Shanghai SE	-1%	Italy: MIB	+2%
14	Italy: MIB	-0.73	Spain: IBEX	15.5	France: CAC	-3%	France: CAC	+1%
15	Spain: IBEX	-0.82	India: SENSEX	15.5	Russia: MICEX	-5%	Russia: MICEX	-4%
16	UK: FTSE	-0.87	US: S&P 500	15.7	UK: FTSE	-5%	UK: FTSE	-5%
17	India: SENSEX	-0.93	Japan: Nikkei	16.6	Korea: KOSPI	-7%	Brazil: Bovespa	-13%
	US, by style		**US, by style**		**US, by style**		**US, by style**	
1	S&P Smallcap	-0.24	S&P 500 Value	14.2	S&P 500 Growth	+19%	S&P Midcap	+18%
2	S&P Midcap	-0.40	S&P 500	15.7	S&P Midcap	+18%	S&P Smallcap	+12%
3	S&P 500 Value	-0.47	S&P 500 Growth	17.4	S&P Smallcap	+14%	S&P 500 Growth	+8%
4	S&P 500	-0.62	S&P Midcap	18.2	S&P 500	+13%	S&P 500	+4%
5	S&P 500 Growth	-0.74	S&P Smallcap	18.9	S&P 500 Value	+9%	S&P 500 Value	+3%
	US, by sector		**US, by sector**		**US, by sector**		**US, by sector**	
1	Telecom	+0.79	Telecom	13.4	Health Care	+29%	Utilities	+10%
2	Info Tech	-0.18	Financial	13.8	Info Tech	+17%	Info Tech	+8%
3	Consumer Disc	-0.22	Energy	14.7	Industrial	+16%	Health Care	+8%
4	Financial	-0.41	Info Tech	15.2	Materials	+13%	Consumer Stap	+8%
5	Industrial	-0.42	Utilities	16.1	Energy	+12%	Consumer Disc	+7%
6	Materials	-0.47	Industrial	16.2	Consumer Disc	+12%	Telecom	+5%
7	Utilities	-0.63	Health Care	16.6	Utilities	+11%	Industrial	+4%
8	Consumer Stap	-0.64	Materials	17.1	Consumer Stap	+8%	Financial	+1%
9	Energy	-0.92	Consumer Disc	17.8	Financial	+5%	Energy	-1%
10	Health Care	-1.09	Consumer Stap	17.9	Telecom	+3%	Materials	-13%

Source: Bloomberg, TrendMacro calculations

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

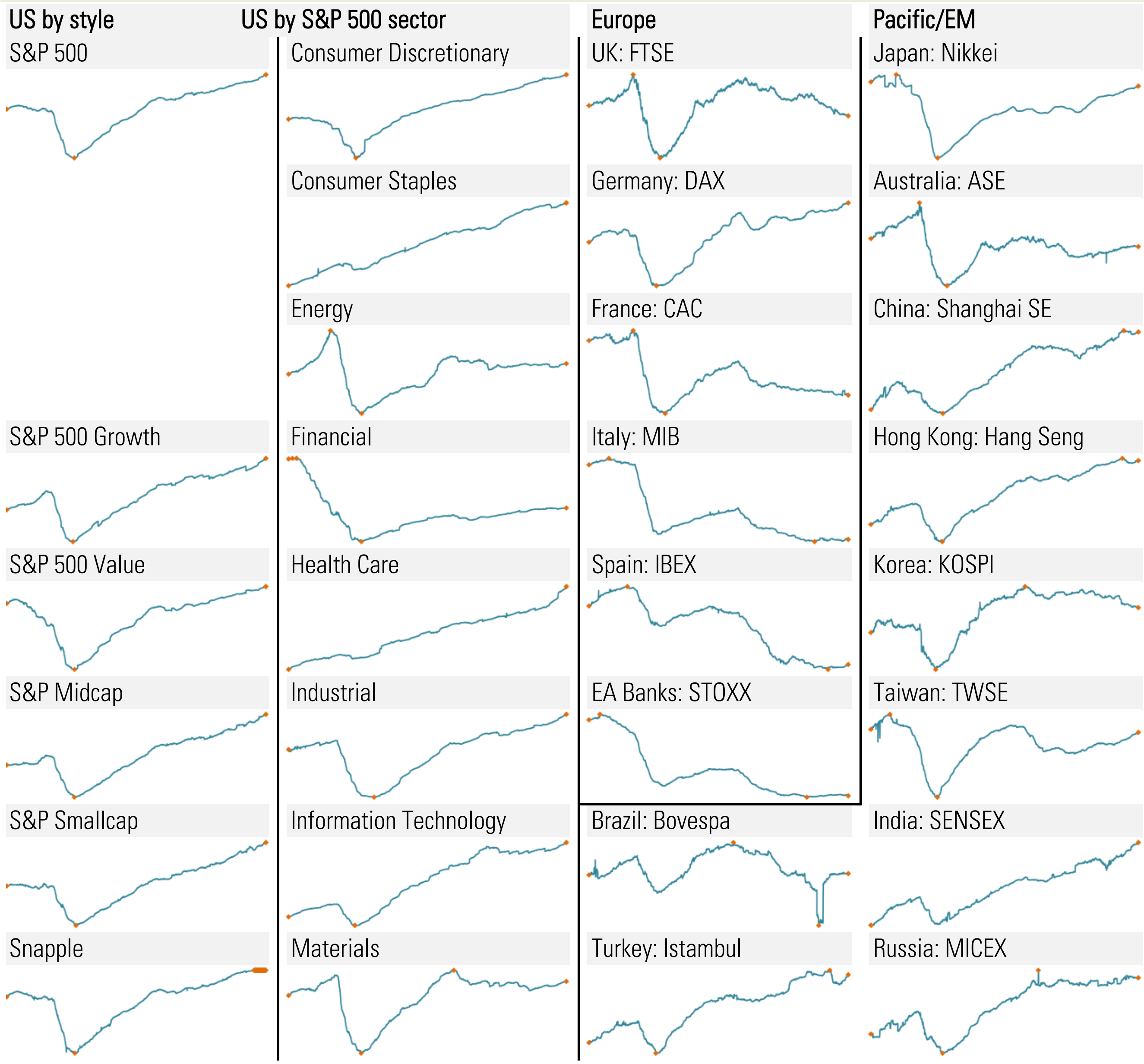
Standard deviations from crisis-era mean • First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

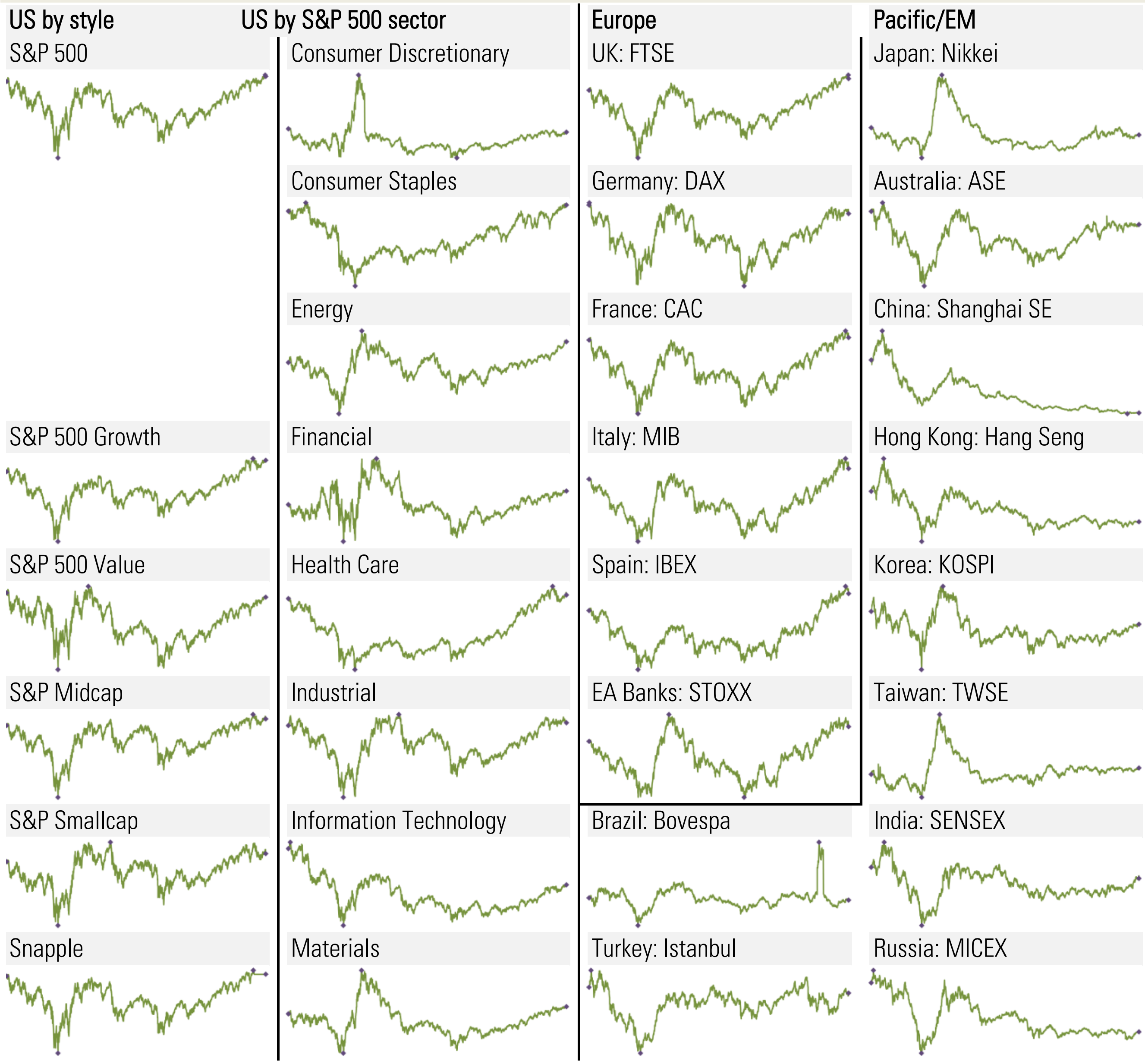
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

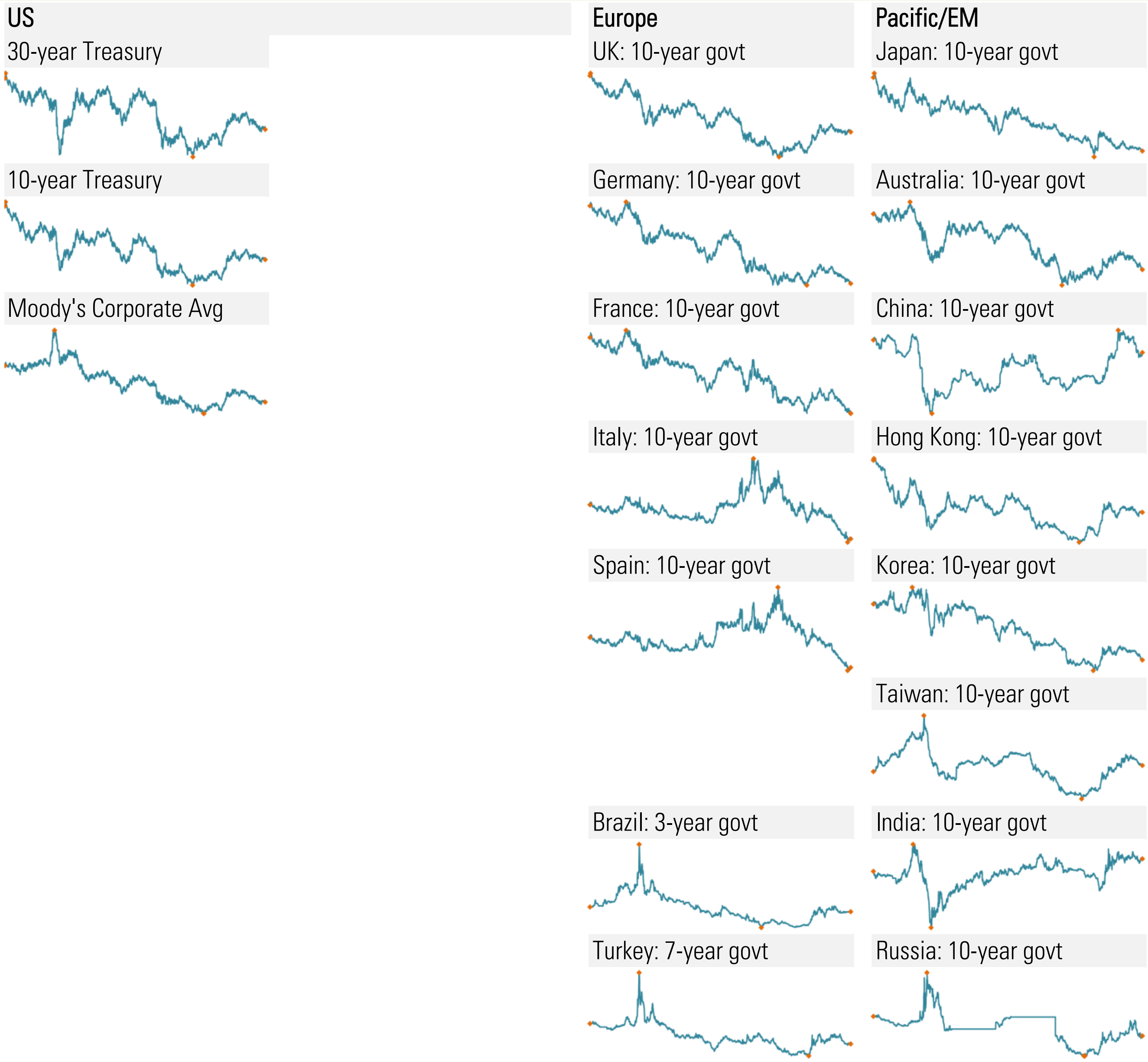
• First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

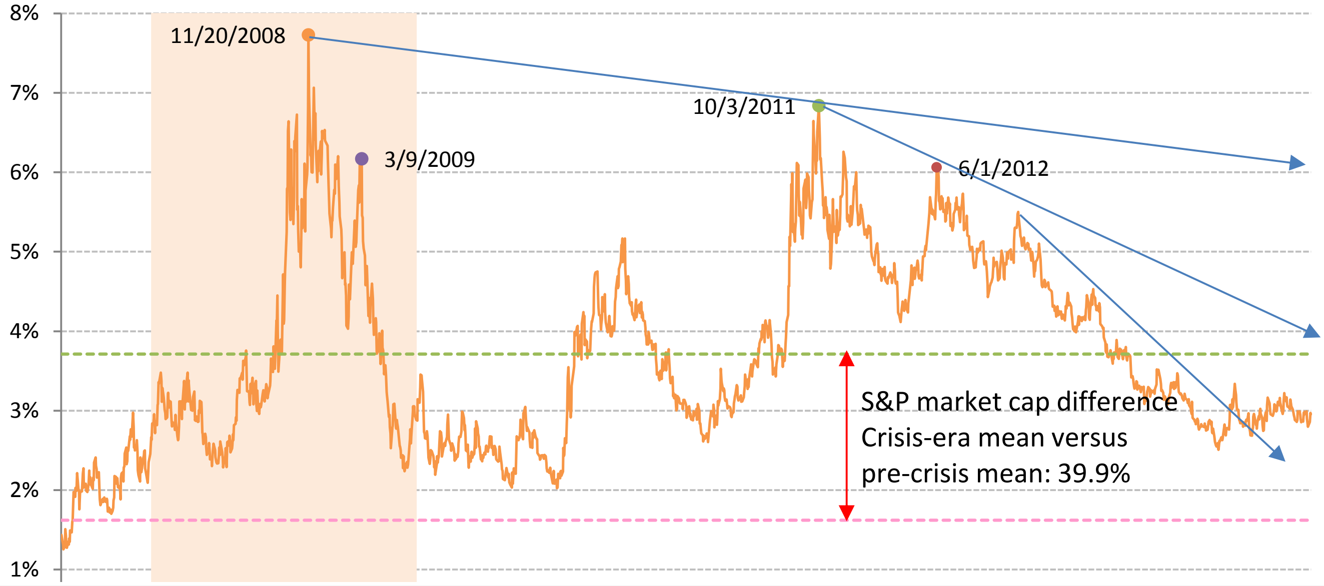
● First, High, Low, Last



Source: Bloomberg, TrendMacro calculations

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

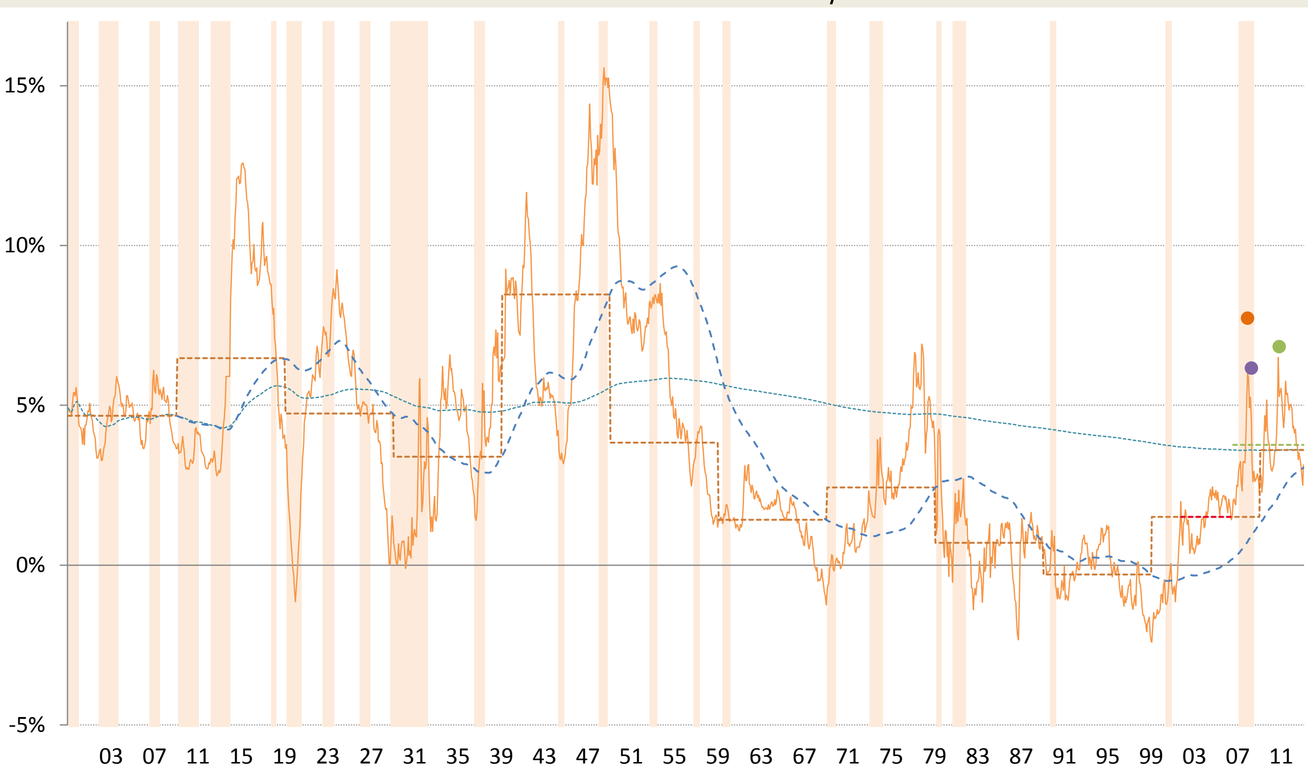
--- Crisis era mean --- Pre-crisis mean ↘ Downtrends Recession



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

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

Means: --- Crisis era --- Pre-crisis --- Decade --- 10-yr --- Cume from 1900



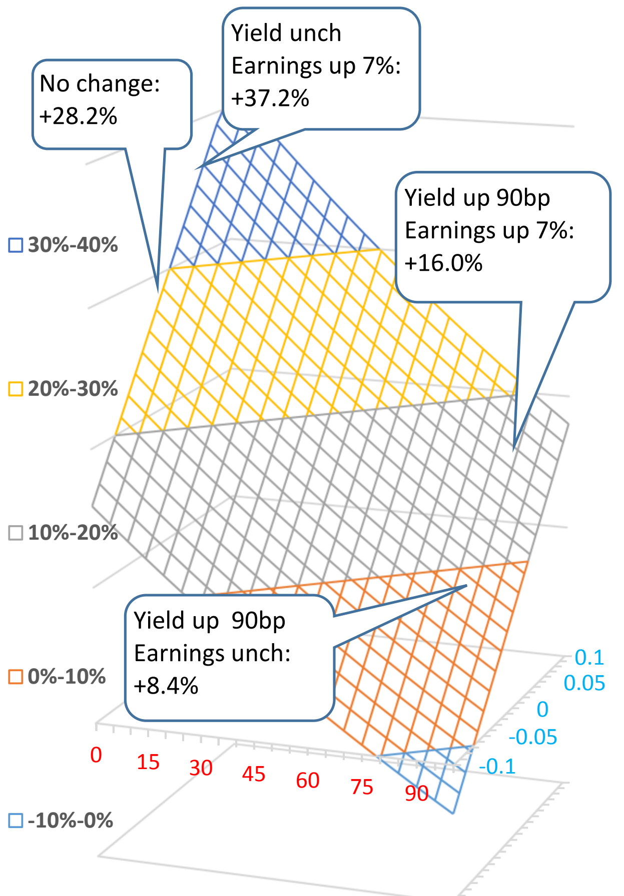
Versus 30-year Treasury Source: Various, TrendMacro calculations

S&P 500 factor-sensitivity surfaces

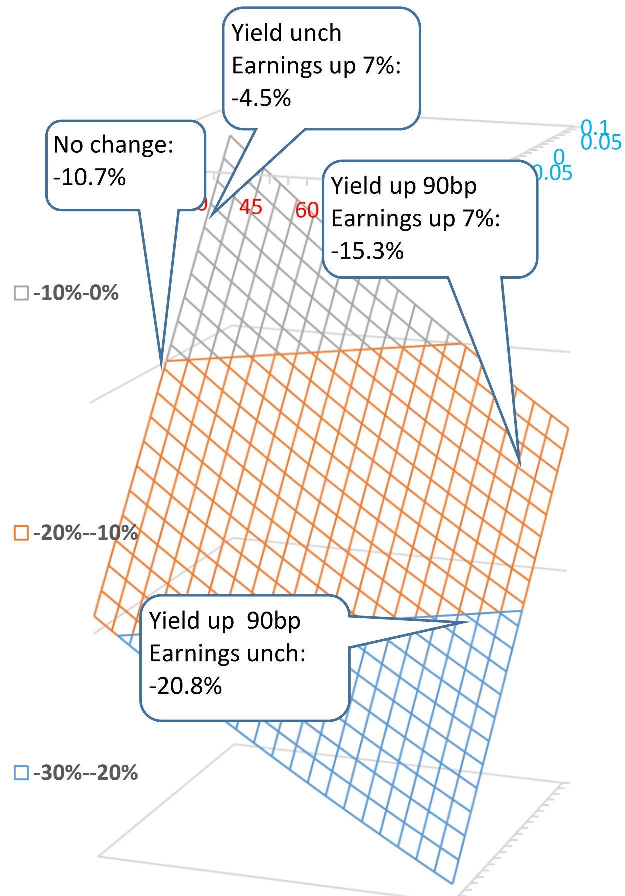
Increase in 30-year Treasury yield — Change in consensus forward earnings

Change from current market cap if:

Reversion to post-Q3'02 mean



Reversion to crisis era mean



		Sensitivity	
S&P 500	1937.78	+28.78%	2495.48
Forward earnings	124.61	-22.83%	96.16
Earnings yield	6.43%		
30-year yield	3.40%	+1.43%	4.83%
Equity risk premium	**3.03%**		

		Sensitivity	
S&P 500	1937.78	-10.27%	1738.71
Forward earnings	124.61	10.76%	138.02
Earnings yield	6.43%		
30-year yield	3.40%	-0.73%	2.67%
Equity risk premium	**3.03%**		

Source: Various, TrendMacro calculations