

Data Insights: Global Equity Risk Premia

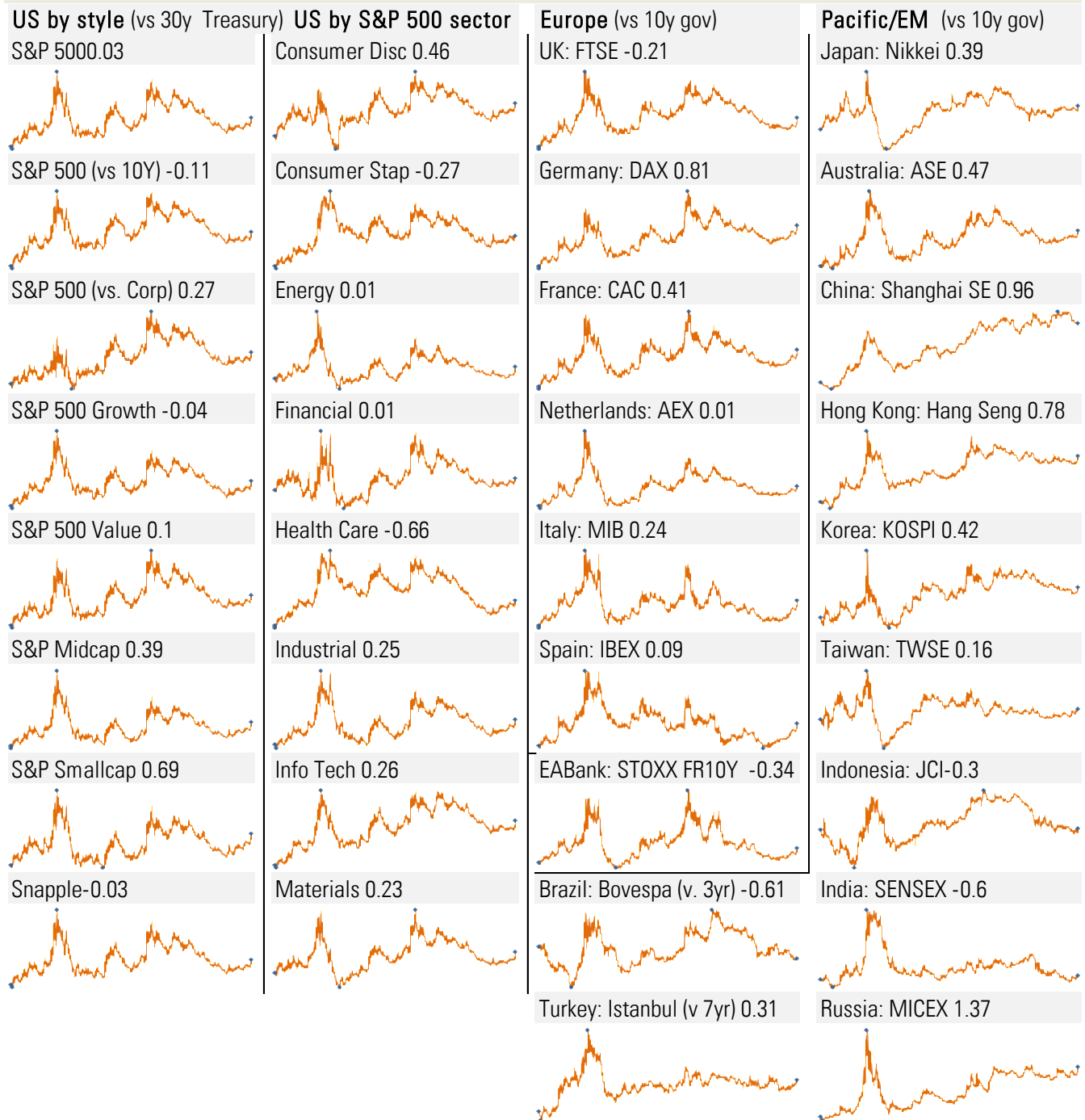
Monday, October 13, 2014

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	Russia: MICEX	+1.38	Russia: MICEX	4.6	Russia: MICEX	+35%	Russia: MICEX	+34%
2	China: Shanghai SE	+0.96	China: Shanghai SE	8.5	India: SENSEX	+29%	UK: FTSE	+19%
3	Germany: DAX	+0.81	Turkey: Istanbul	9.2	Taiwan:TWSA	+22%	Indonesia:JCI	+16%
4	HK: Hang Seng	+0.79	HK: Hang Seng	10.0	Spain: IBEX	+21%	Brazil: Bovespa	+14%
5	Australia: ASE	+0.48	Korea: KOSPI	10.5	Japan: Nikkei	+18%	China: Shanghai SE	+14%
6	Korea: KOSPI	+0.43	Brazil: Bovespa	10.9	Indonesia:JCI	+16%	India: SENSEX	+14%
7	France: CAC	+0.42	Germany: DAX	11.3	Turkey: Istanbul	+14%	HK: Hang Seng	+13%
8	Japan: Nikkei	+0.39	UK: FTSE	12.5	HK: Hang Seng	+14%	France: CAC	+9%
9	Italy: MIB	+0.25	Italy: MIB	12.5	France: CAC	+13%	Australia: ASE	+9%
10	Taiwan:TWSA	+0.22	France: CAC	12.7	Italy: MIB	+12%	Netherlands: AEX	+7%
11	Turkey: Istanbul	+0.20	Netherlands: AEX	12.9	China: Shanghai SE	+10%	Korea: KOSPI	+7%
12	Indonesia:JCI	+0.16	Taiwan:TWSA	13.2	US: S&P 500	+9%	Spain: IBEX	+6%
13	Spain: IBEX	+0.10	Australia: ASE	14.0	Netherlands: AEX	+9%	US: S&P 500	+5%
14	US: S&P 500	+0.03	Spain: IBEX	14.0	UK: FTSE	+8%	Taiwan:TWSA	+5%
15	Netherlands: AEX	+0.01	Indonesia:JCI	14.1	Germany: DAX	+5%	Germany: DAX	+5%
16	UK: FTSE	-0.21	US: S&P 500	14.8	Australia: ASE	+3%	Japan: Nikkei	+5%
17	India: SENSEX	-0.61	India: SENSEX	15.1	Brazil: Bovespa	-1%	Italy: MIB	+3%
18	Brazil: Bovespa	-0.61	Japan: Nikkei	15.9	Korea: KOSPI	-13%	Turkey: Istanbul	-57%
	US, by style		US, by style		US, by style		US, by style	
1	S&P Smallcap	+0.70	S&P 500 Value	13.5	S&P 500 Growth	+15%	S&P Midcap	+12%
2	S&P Midcap	+0.40	S&P 500	14.8	S&P 500	+9%	S&P 500 Growth	+8%
3	S&P 500 Value	+0.11	S&P 500 Growth	16.3	S&P Smallcap	+9%	S&P 500	+5%
4	S&P 500	+0.03	S&P Midcap	16.4	S&P Midcap	+6%	S&P 500 Value	+4%
5	S&P 500 Growth	-0.04	S&P Smallcap	16.7	S&P 500 Value	+5%	S&P Smallcap	+3%
	US, by sector		US, by sector		US, by sector		US, by sector	
1	Telecom	+1.25	Energy	12.6	Health Care	+23%	Health Care	+11%
2	Consumer Disc	+0.47	Telecom	13.1	Materials	+19%	Consumer Stap	+9%
3	Info Tech	+0.26	Financial	13.2	Financial	+13%	Info Tech	+7%
4	Industrial	+0.26	Info Tech	14.5	Info Tech	+13%	Consumer Disc	+7%
5	Materials	+0.24	Industrial	14.7	Industrial	+10%	Financial	+5%
6	Financial	+0.02	Materials	15.1	Consumer Disc	+8%	Telecom	+3%
7	Energy	+0.02	Utilities	16.0	Telecom	+4%	Materials	+3%
8	Utilities	-0.26	Health Care	16.1	Utilities	+3%	Energy	+3%
9	Consumer Stap	-0.27	Consumer Disc	16.6	Consumer Stap	+3%	Utilities	+2%
10	Health Care	-0.66	Consumer Stap	18.0	Energy	-9%	Industrial	+1%

Source: Bloomberg, TrendMacro calculations

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

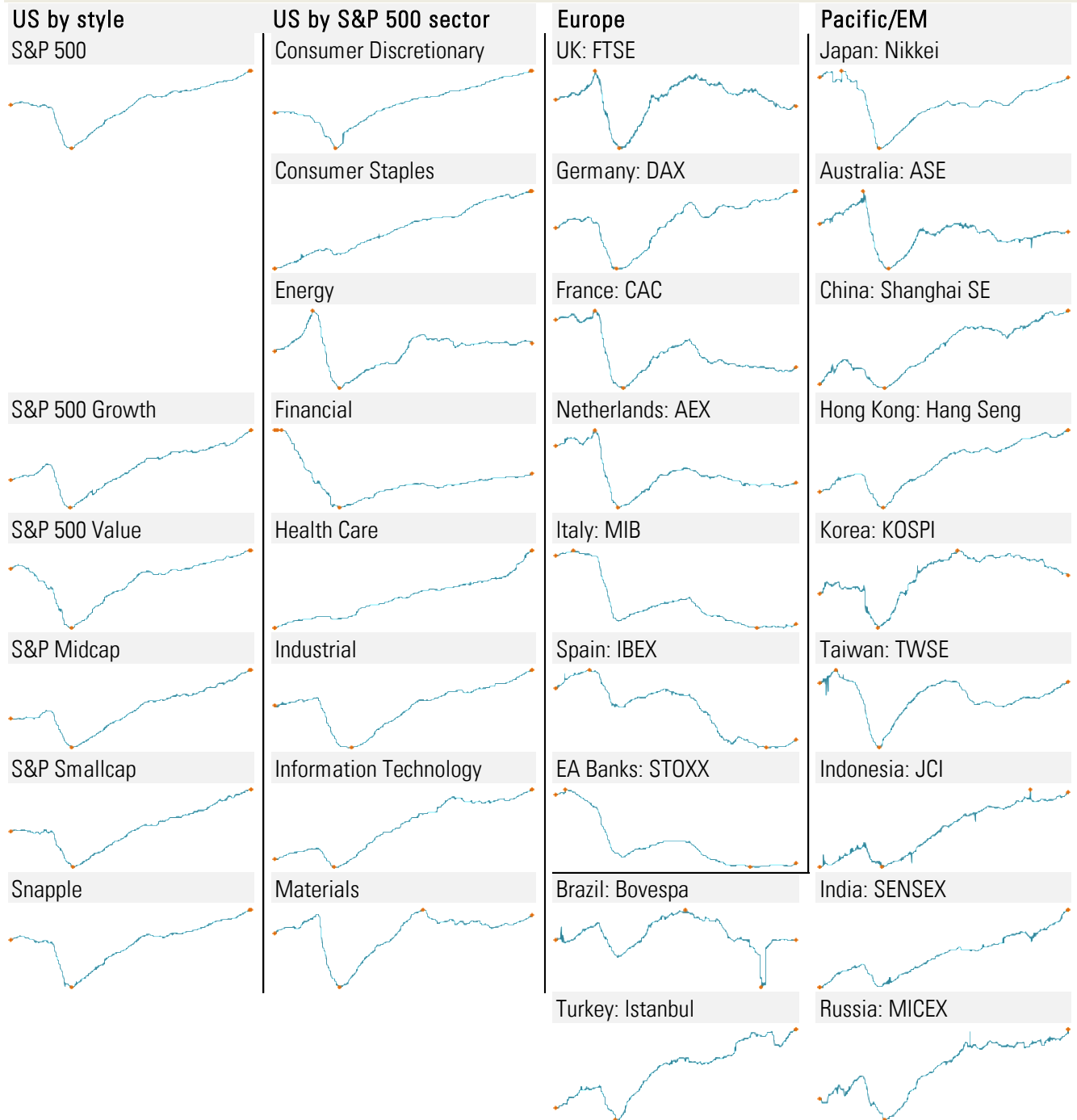
Standard deviations from crisis-era mean • First, High, Low, Last



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

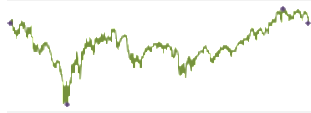
• First, High, Low, Last

US by style

S&P 500



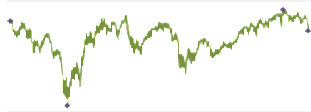
S&P 500 Growth



S&P 500 Value



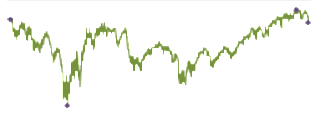
S&P Midcap



S&P Smallcap



Snapple

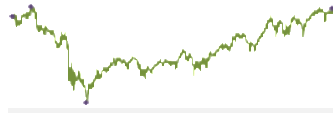


US by S&P 500 sector

Consumer Discretionary



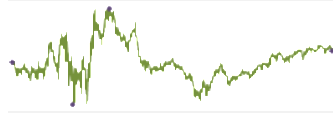
Consumer Staples



Energy



Financial



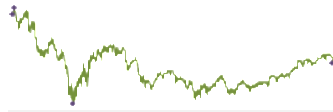
Health Care



Industrial



Information Technology



Materials

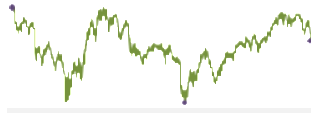


Europe

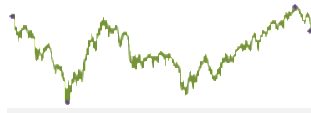
UK: FTSE



Germany: DAX



France: CAC



Netherlands: AEX



Italy: MIB



Spain: IBEX



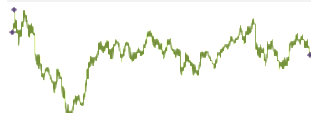
EA Banks: STOXX



Brazil: Bovespa



Turkey: Istanbul



Pacific/EM

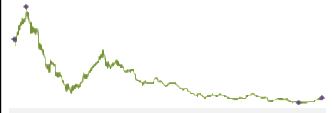
Japan: Nikkei



Australia: ASE



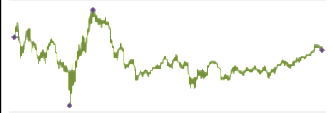
China: Shanghai SE



Hong Kong: Hang Seng



Korea: KOSPI



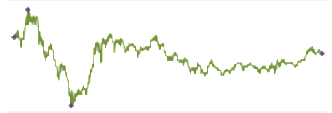
Taiwan: TWSE



Indonesia: JCI



India: SENSEX



Russia: MICEX



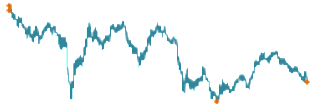
Source: Bloomberg, TrendMacro calculations

Benchmark bond yields, July 2007 to current

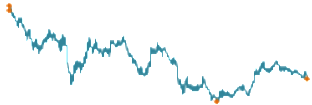
● First, High, Low, Last

US

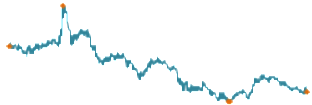
30-year Treasury



10-year Treasury

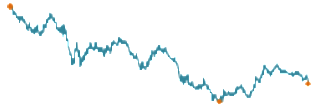


Moody's Corporate Avg

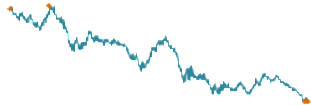


Europe

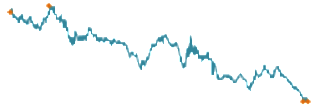
UK: 10-year govt



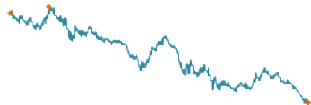
Germany: 10-year govt



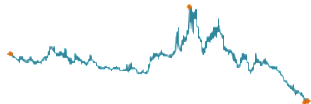
France: 10-year govt



Netherlands: 10-year govt



Italy: 10-year govt



Spain: 10-year govt



Brazil: 3-year govt



Turkey: 7-year govt

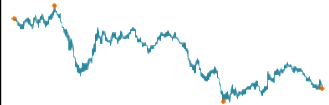


Pacific/EM

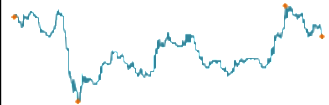
Japan: 10-year govt



Australia: 10-year govt



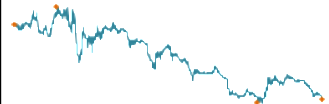
China: 10-year govt



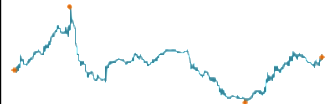
Hong Kong: 10-year govt



Korea: 10-year govt



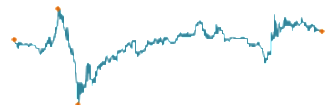
Taiwan: 10-year govt



Indonesia: 10-year govt



India: 10-year govt



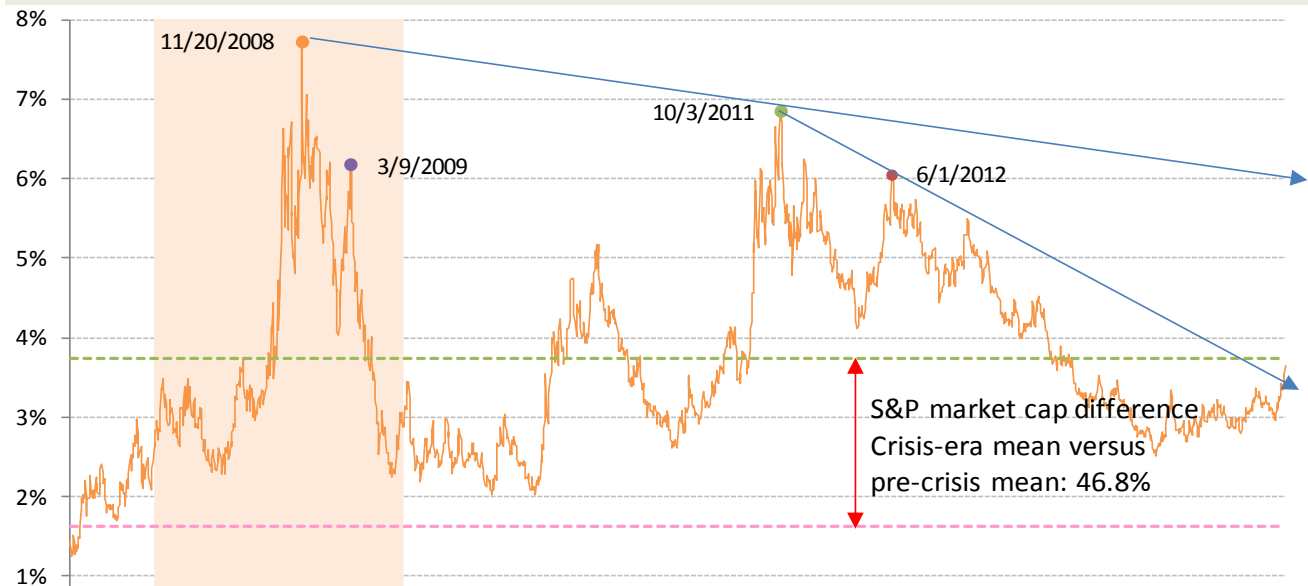
Russia: 10-year govt



Source: Bloomberg, TrendMacro calculations

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

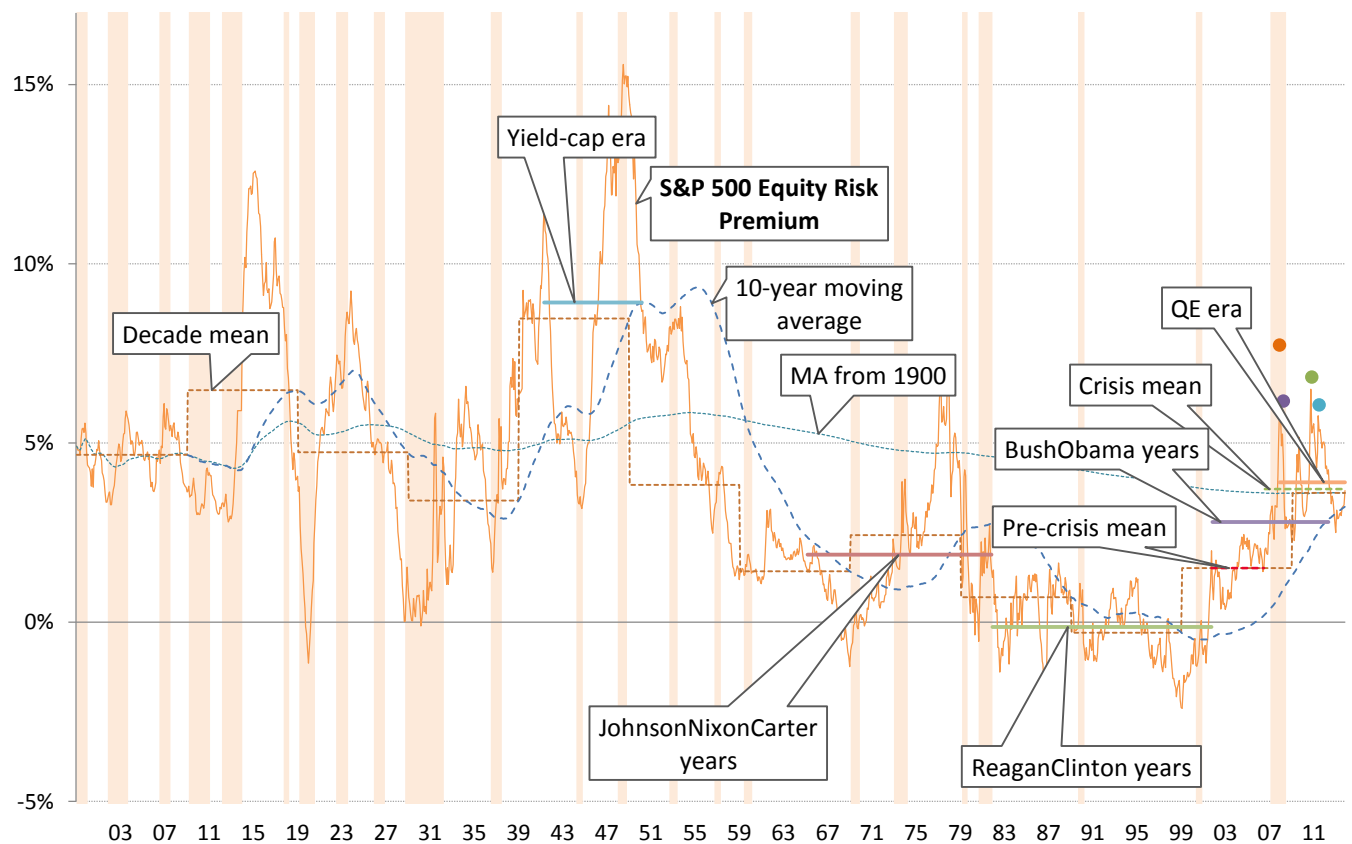
--- Crisis era mean --- Pre-crisis mean ↘ Downtrends ■ Recession



Versus 30-year Treasury

Source: Bloomberg, NBER, TrendMacro calculations

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



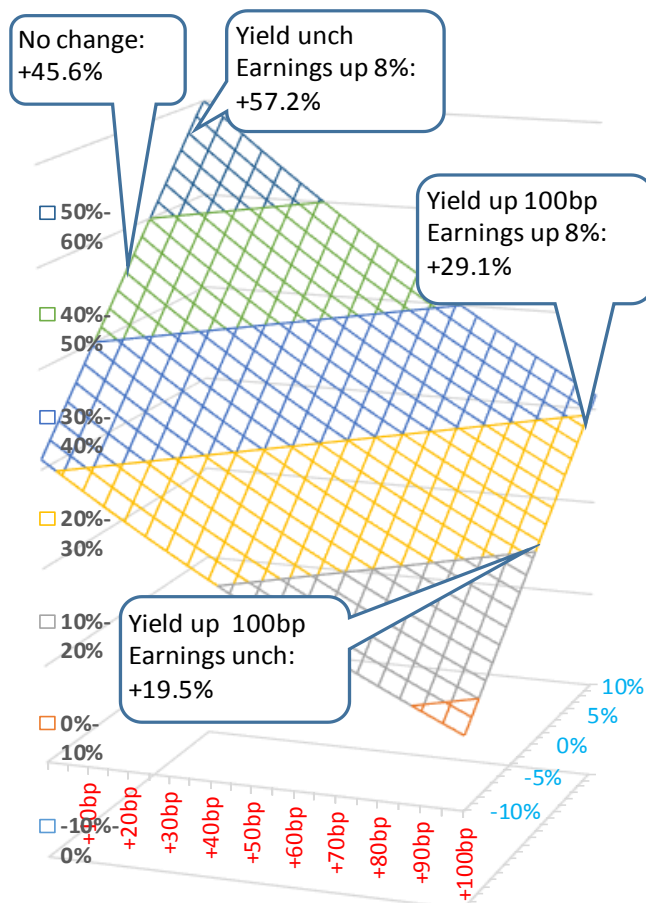
Versus 30-year Treasury

Source: Various, TrendMacro calculations

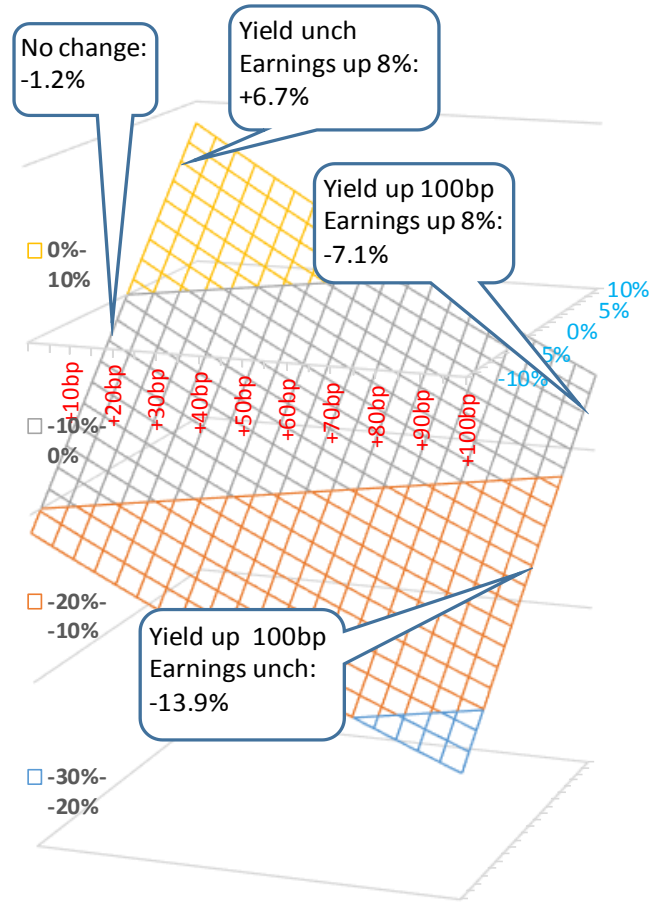
S&P 500 factor-sensitivity surfaces

— 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				Sensitivity			
S&P 500	1906.13	+45.57%	2774.82	S&P 500	1906.13	-100.00%	0.00
Forward earnings	128.77	-32.02%	87.54	Forward earnings	128.77	0.19%	129.01
Earnings yield	6.76%			Earnings yield	6.76%		
30-year yield	3.03%	+2.09%	5.12%	30-year yield	3.03%	-0.08%	2.95%
Equity risk premium	3.73%			Equity risk premium	3.73%		

Source: Various, TrendMacro calculations