Figure 20.7: Dividend Yields on S& P 500 - 1960 to 1994

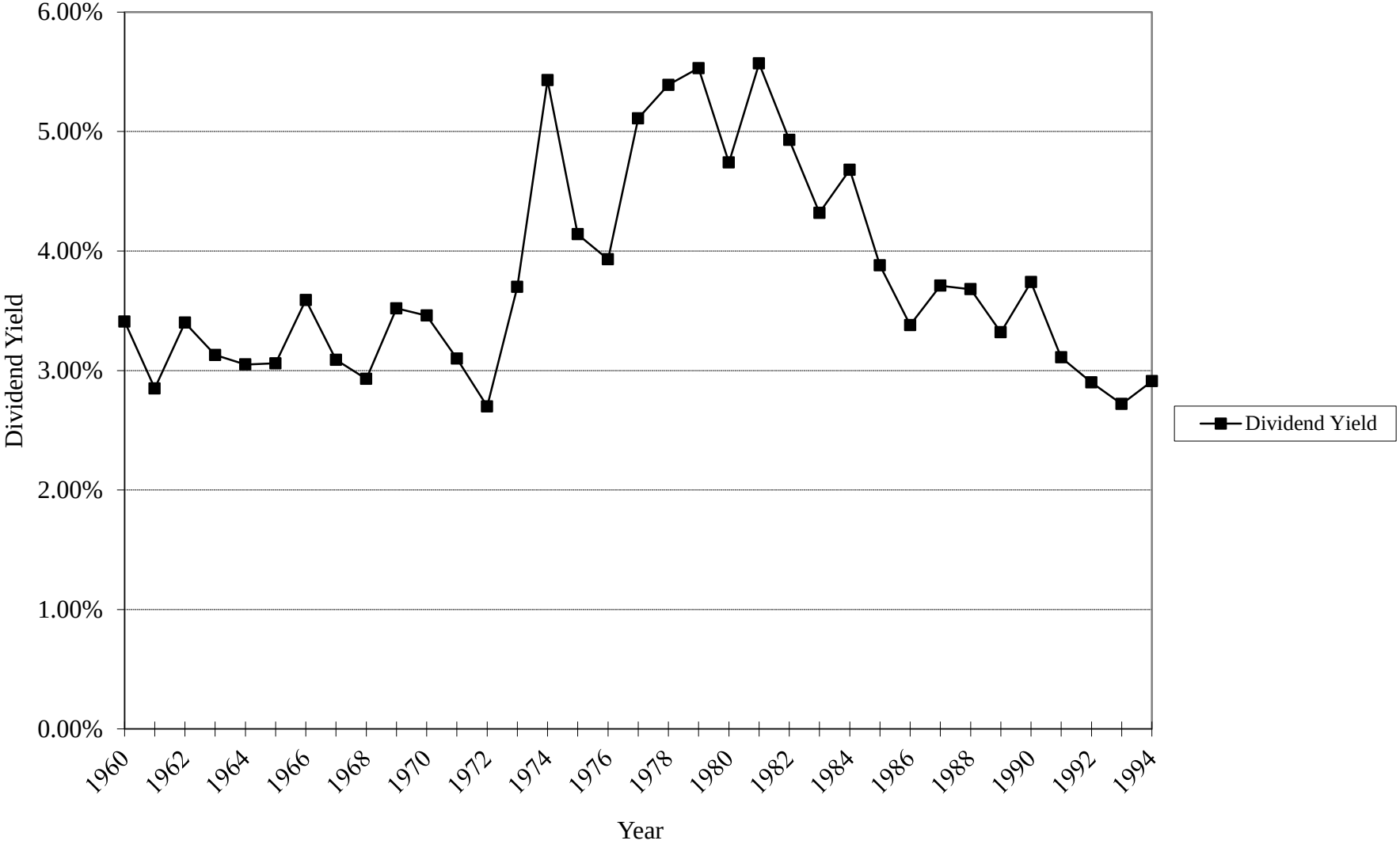
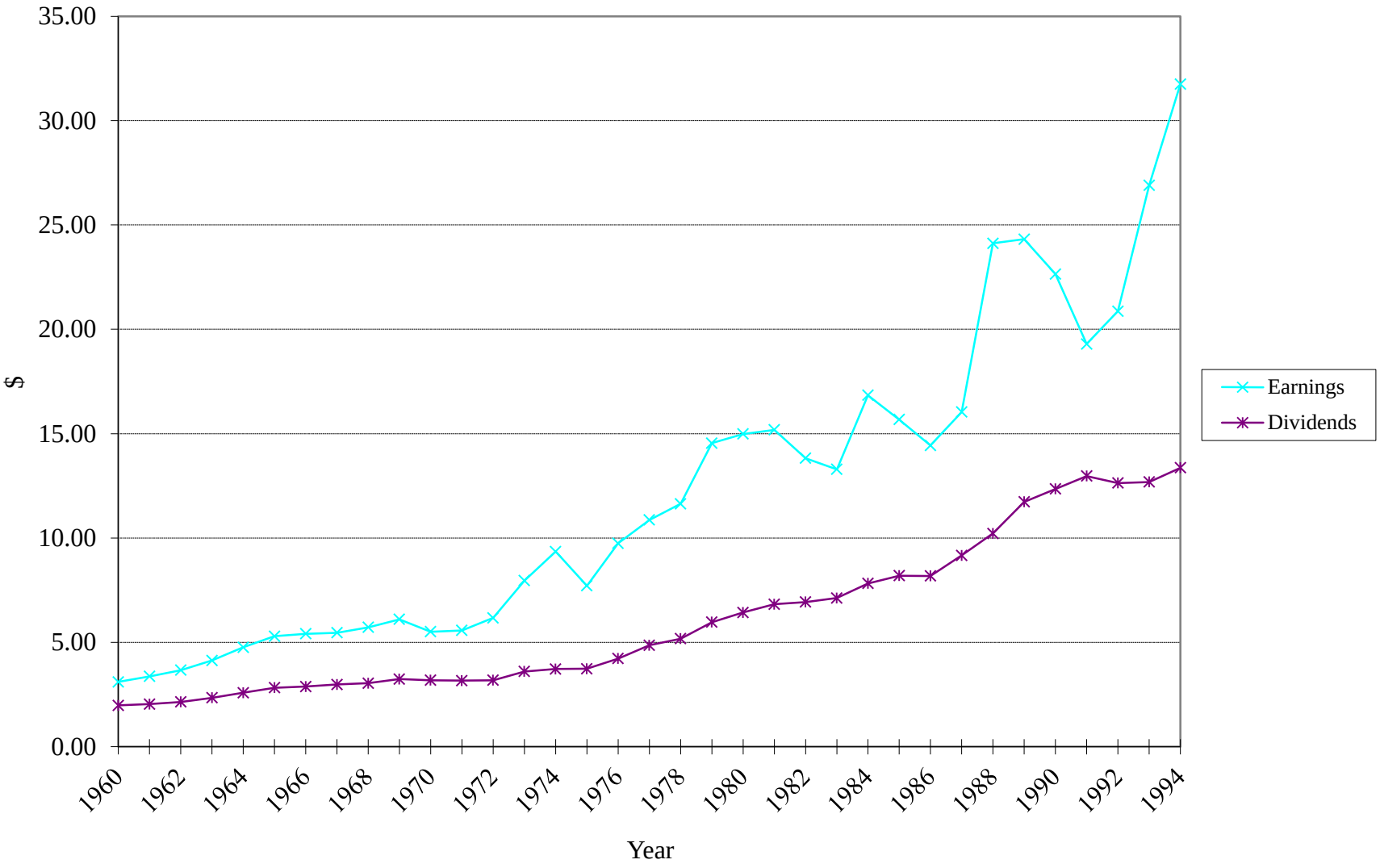
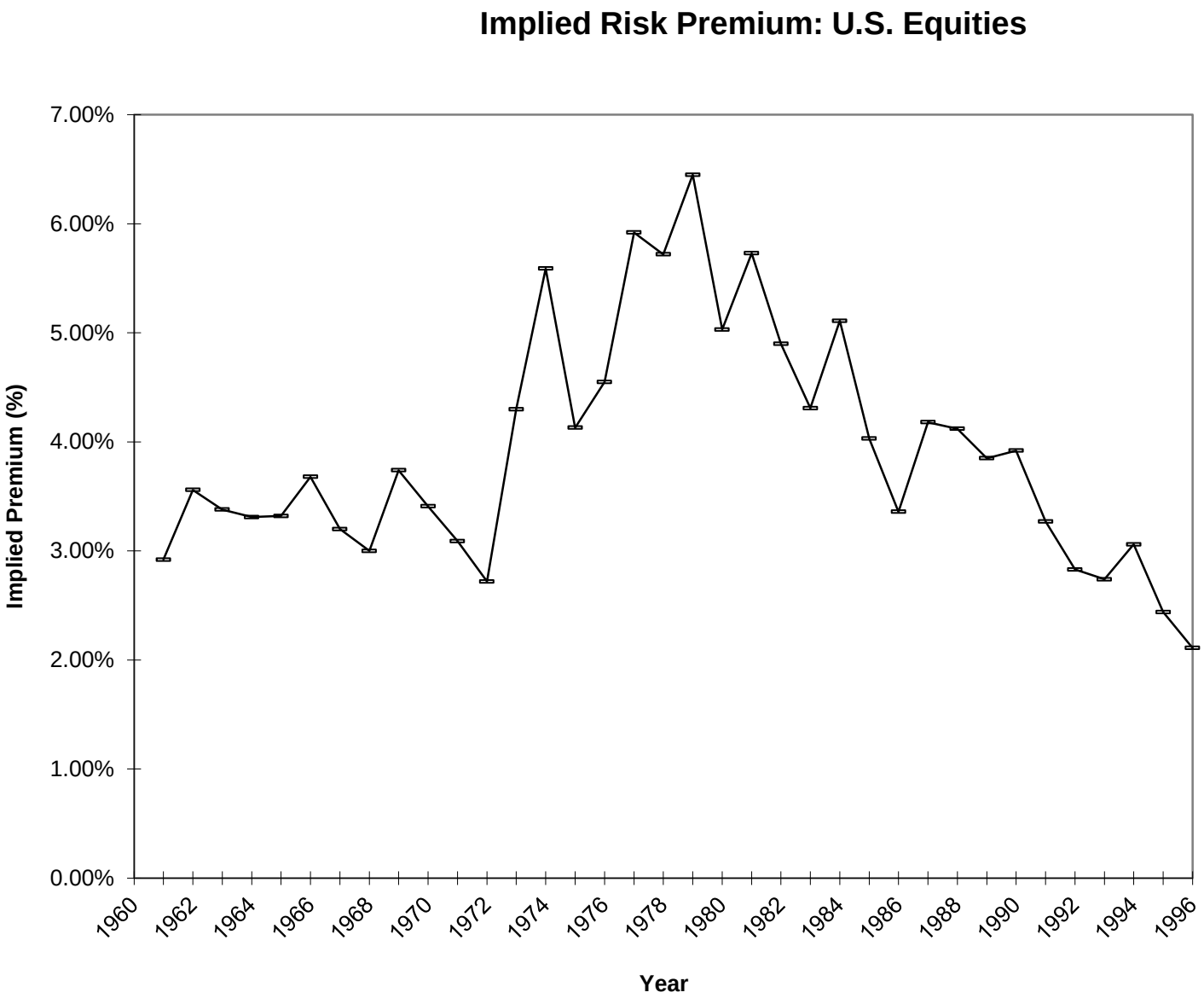


Figure 20.1: Aggregate Earnings and Dividends: S & P 500 - 1960-1994




Implied Risk Premium: U.S. Equities
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Implied Premium (%)
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
Year

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.70381468
R Square	0.4953551
Adjusted R Sc	0.46567011
Standard Erro	0.00767584
Observations	37

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	0.00196635	0.00098318	16.6870543	8.9281E-06
Residual	34	0.00200323	5.8919E-05		
Total	36	0.00396959			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.02043957	0.00410783	4.97575511	1.8466E-05	0.01209146	0.02878769
X Variable 1	0.28552576	0.05093033	5.60620237	2.7989E-06	0.18202293	0.38902858
X Variable 2	-0.20878349	0.11638756	-1.79386431	0.08173279	-0.44531131	0.02774433

Lower 95.0%	*Upper 95.0%*
0.01209146	0.02878769
0.18202293	0.38902858
-0.44531131	0.02774433

Figure 9: Implied Premium for US Equity Market

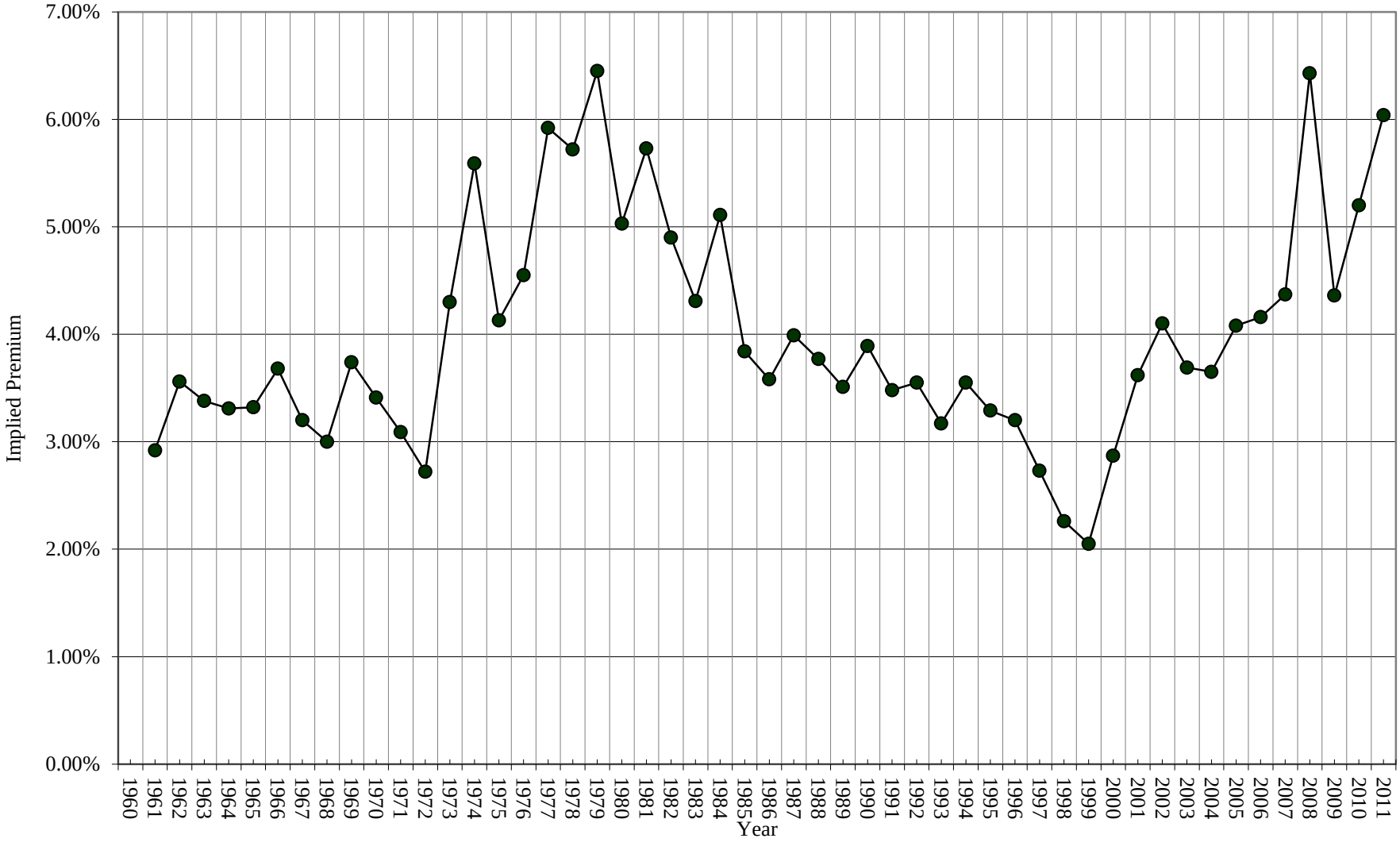
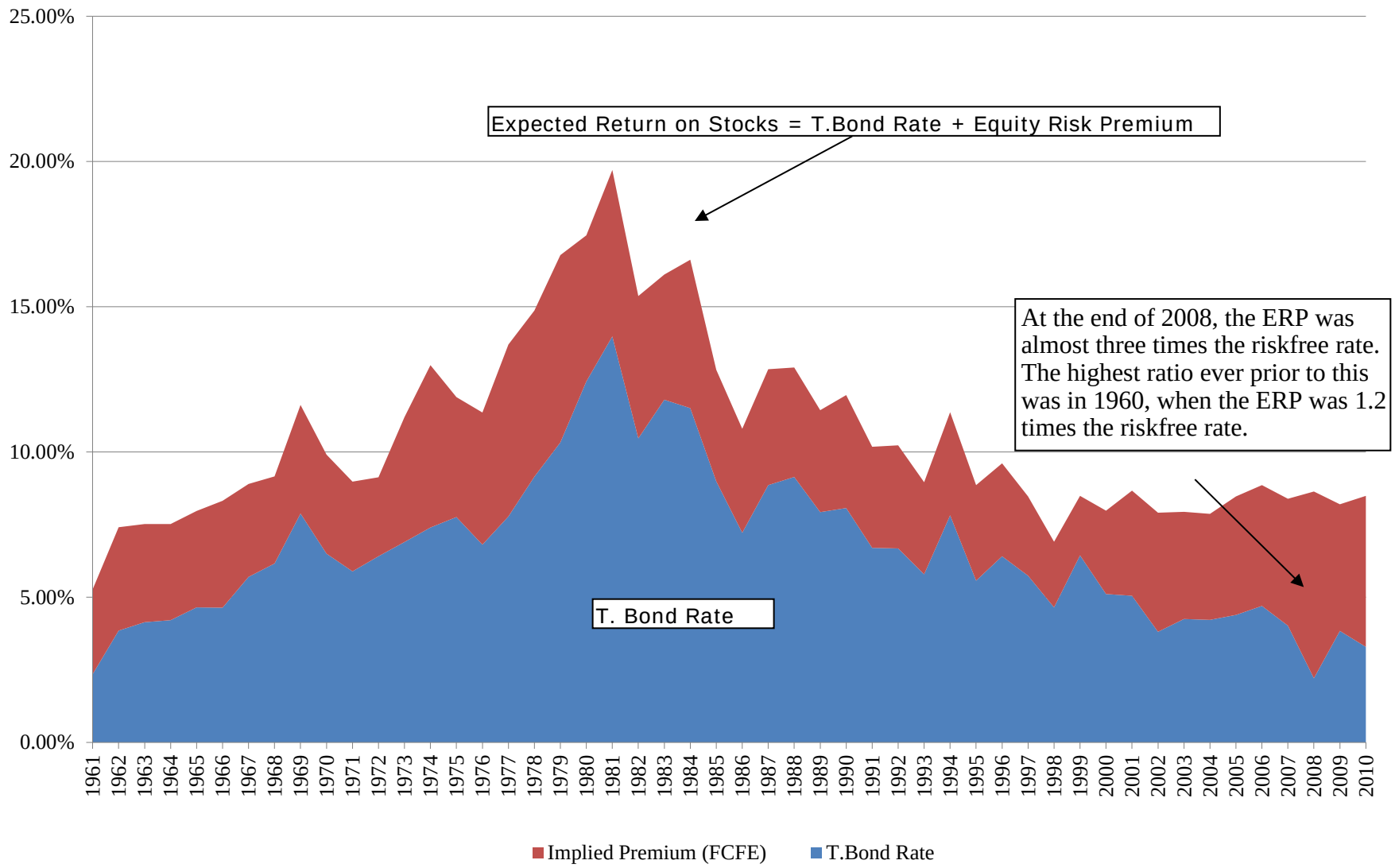


Figure 11: Implied ERP and Risk free Rates



Year	*Earnings Yield*	*Dividend Yield*	*S&P 500*	*Earnings*	*Dividends*	*hange in Earning*	*hange in Dividend*	*T.Bill Rate*	*T.Bond Rate*	*Bond-Bil*	*moothed Growt*
1960	5.34%	3.41%	58.11	3.10	1.98			0.0266	2.76%	0.10%	2.45%
1961	4.71%	2.85%	71.55	3.37	2.04	8.60%	2.91%	2.13%	2.35%	0.22%	2.41%
1962	5.81%	3.40%	63.1	3.67	2.15	8.79%	5.21%	2.73%	3.85%	1.12%	4.05%
1963	5.51%	3.13%	75.02	4.13	2.35	12.75%	9.45%	3.12%	4.14%	1.02%	4.96%
1964	5.62%	3.05%	84.75	4.76	2.58	15.23%	10.08%	3.54%	4.21%	0.67%	5.13%
1965	5.73%	3.06%	92.43	5.30	2.83	11.20%	9.42%	3.93%	4.65%	0.72%	5.46%
1966	6.74%	3.59%	80.33	5.41	2.88	2.23%	1.96%	4.76%	4.64%	-0.12%	4.19%
1967	5.66%	3.09%	96.47	5.46	2.98	0.85%	3.37%	4.21%	5.70%	1.49%	5.25%
1968	5.51%	2.93%	103.86	5.72	3.04	4.81%	2.09%	5.21%	6.16%	0.95%	5.32%
1969	6.63%	3.52%	92.06	6.10	3.24	6.66%	6.49%	6.58%	7.88%	1.30%	7.55%
1970	5.98%	3.46%	92.15	5.51	3.19	-9.72%	-1.61%	6.53%	6.50%	-0.03%	4.78%
1971	5.46%	3.10%	102.09	5.57	3.16	1.15%	-0.74%	4.39%	5.89%	1.50%	4.57%
1972	5.23%	2.70%	118.05	6.17	3.19	10.76%	0.71%	3.84%	6.41%	2.57%	5.21%
1973	8.16%	3.70%	97.55	7.96	3.61	28.93%	13.24%	6.93%	6.90%	-0.03%	8.30%
1974	13.64%	5.43%	68.56	9.35	3.72	17.48%	3.14%	8.00%	7.40%	-0.60%	6.42%
1975	8.55%	4.14%	90.19	7.71	3.73	-17.54%	0.30%	5.80%	7.76%	1.96%	5.99%
1976	9.07%	3.93%	107.46	9.75	4.22	26.39%	13.10%	5.08%	6.81%	1.73%	8.19%
1977	11.43%	5.11%	95.1	10.87	4.86	11.53%	15.07%	5.12%	7.78%	2.66%	9.52%
1978	12.11%	5.39%	96.11	11.64	5.18	7.07%	6.60%	7.18%	9.15%	1.97%	8.48%
1979	13.48%	5.53%	107.94	14.55	5.97	25.01%	15.23%	10.38%	10.33%	-0.05%	11.70%
1980	11.04%	4.74%	135.76	14.99	6.44	3.01%	7.81%	11.24%	12.43%	1.19%	11.01%
1981	12.39%	5.57%	122.55	15.18	6.83	1.31%	6.08%	14.71%	13.98%	-0.73%	11.42%
1982	9.83%	4.93%	140.64	13.82	6.93	-8.95%	1.58%	10.54%	10.47%	-0.07%	7.96%
1983	8.06%	4.32%	164.93	13.29	7.12	-3.84%	2.76%	8.80%	11.80%	3.00%	9.09%
1984	10.07%	4.68%	167.24	16.84	7.83	26.69%	9.85%	9.85%	11.51%	1.66%	11.02%
1985	7.42%	3.88%	211.28	15.68	8.20	-6.91%	4.74%	7.72%	8.99%	1.27%	7.89%
1986	5.96%	3.38%	242.17	14.43	8.19	-7.93%	-0.15%	6.16%	7.22%	1.06%	5.54%
1987	6.49%	3.71%	247.08	16.04	9.17	11.10%	11.99%	5.47%	8.86%	3.39%	9.66%
1988	8.20%	3.68%	277.72	24.12	10.22	50.42%	11.49%	6.35%	9.14%	2.79%	9.76%
1989	6.80%	3.32%	353.4	24.32	11.73	0.83%	14.80%	8.37%	7.93%	-0.44%	9.58%
1990	6.58%	3.74%	330.22	22.65	12.35	-6.87%	5.26%	7.81%	8.07%	0.26%	7.39%
1991	4.58%	3.11%	417.09	19.30	12.97	-14.79%	5.03%	7.00%	6.70%	-0.30%	6.34%
1992	4.16%	2.90%	435.71	20.87	12.64	8.13%	-2.59%	5.30%	6.68%	1.38%	4.67%
1993	4.25%	2.72%	466.45	26.90	12.69	28.89%	0.41%	3.50%	5.79%	2.29%	4.73%
1994	5.89%	2.91%	459.27	31.75	13.36	18.03%	5.34%	5.00%	7.82%	2.82%	7.23%
1995	5.74%	2.30%	615.93	37.70	14.17	18.74%	6.00%	3.50%	5.57%	2.07%	5.65%
1996	4.83%	2.01%	740.74	40.63	14.89	7.77%	5.10%	5.00%	6.41%	1.41%	6.13%

1997	4.08%	1.60%	970.43	44.09	15.52	8.52%	4.25%	5.35%	5.74%	0.39%	5.45%
1998	3.11%	1.32%	1229.23	44.27	16.20	0.41%	4.37%	4.33%	4.65%	0.32%	4.60%
1999	3.07%	1.14%	1469.25	51.68	16.71	16.74%	3.16%	5.37%	6.44%	1.07%	5.75%
2000	3.94%	1.23%	1320.28	56.13	16.27	8.61%	-2.65%	5.73%	5.11%	-0.62%	3.71%
2001	3.85%	1.37%	1148.09	38.85	15.74	-30.79%	-3.24%	1.80%	5.05%	3.25%	3.56%
2002	5.23%	1.83%	879.82	46.04	16.08	18.51%	2.15%	1.20%	3.81%	2.61%	3.57%
2003	4.87%	1.61%	1111.91	54.69	17.88	18.79%	11.19%	1.00%	4.25%	3.25%	5.35%
2004	5.58%	1.60%	1211.92	67.68	19.407	23.75%	8.54%	2.18%	4.22%	2.04%	4.90%
2005	5.47%	1.79%	1248.29	76.45	22.38	12.96%	15.32%	4.31%	4.39%	0.08%	6.16%
2006	6.18%	1.77%	1418.3	87.72	25.05	14.74%	11.93%	4.88%	4.70%	-0.18%	5.93%
2007	5.62%	1.89%	1468.36	82.54	27.73	-5.91%	10.70%	3.31%	4.02%	0.71%	5.03%
2008	7.24%	3.11%	903.25	65.39	28.05	-20.78%	1.15%	1.59%	2.21%	0.62%	2.11%
2009	5.35%	2.00%	1115.10	59.65	22.31	-8.78%	-20.46%	0.14%	3.84%	3.70%	0.28%
2010	6.65%	1.84%	1257.64	83.66	23.12	40.25%	3.63%	0.13%	3.29%	3.16%	3.33%
2011	7.72%	2.07%	1257.60	97.05	26.02	16.01%	12.54%	0.03%	1.87%	1.84%	2.74%

plied Premium (DDM	*alyst Growth Estima*	*plied Premium (FCF*	*ERP/Riskfree Rate*	
2.92%		2.92%	1.24	
3.56%		3.56%	0.92	
3.38%		3.38%	0.82	
3.31%		3.31%	0.79	
3.32%		3.32%	0.71	
3.68%		3.68%	0.79	
3.20%		3.20%	0.56	
3.00%		3.00%	0.49	
3.74%		3.74%	0.47	
3.41%		3.41%	0.52	
3.09%		3.09%	0.52	
2.72%		2.72%	0.42	
4.30%		4.30%	0.62	
5.59%		5.59%	0.76	
4.13%		4.13%	0.53	
4.55%		4.55%	0.67	
5.92%		5.92%	0.76	
5.72%		5.72%	0.63	
6.45%		6.45%	0.62	
5.03%		5.03%	0.40	
5.73%		5.73%	0.41	
4.90%		4.90%	0.47	
4.31%		4.31%	0.37	
5.11%		5.11%	0.44	
4.03%	6.75%	3.84%	0.43	
3.36%	6.96%	3.58%	0.50	
4.18%	8.58%	3.99%	0.45	
4.12%	7.67%	3.77%	0.41	
3.85%	7.46%	3.51%	0.44	
3.92%	7.19%	3.89%	0.48	
3.27%	7.81%	3.48%	0.52	
2.83%	9.83%	3.55%	0.53	
2.74%	8.00%	3.17%	0.55	
3.06%	7.17%	3.55%	0.45	
2.44%	6.50%	3.29%	0.59	
2.11%	7.92%	3.20%	0.50	

1.67%	8.00%	2.73%	0.48	
1.38%	7.20%	2.26%	0.49	
1.20%	12.50%	2.05%	0.32	
1.65%	12.00%	2.87%	0.56	
1.73%	10.30%	3.62%	0.72	
2.29%	8.00%	4.10%	1.08	
2.12%	11.00%	3.69%	0.87	
2.02%	8.50%	3.65%	0.86	
2.20%	8.00%	4.08%	0.93	
1.97%	12.50%	4.16%	0.89	
2.06%	5.00%	4.37%	1.09	
4.05%	4.00%	6.43%	2.91	
2.60%	7.20%	4.36%	1.14	
2.24%	6.95%	5.20%	1.58	
2.71%	7.18%	6.04%	3.23	