

# COST OF CAPITAL IN THE CURRENT ENVIRONMENT

COVID-19 Update – April 2021

## U.S. Cost of Capital Inputs

Data as of April 7, 2021

**5.5%**

D&P Recommended  
U.S. Equity Risk Premium

**2.5%**

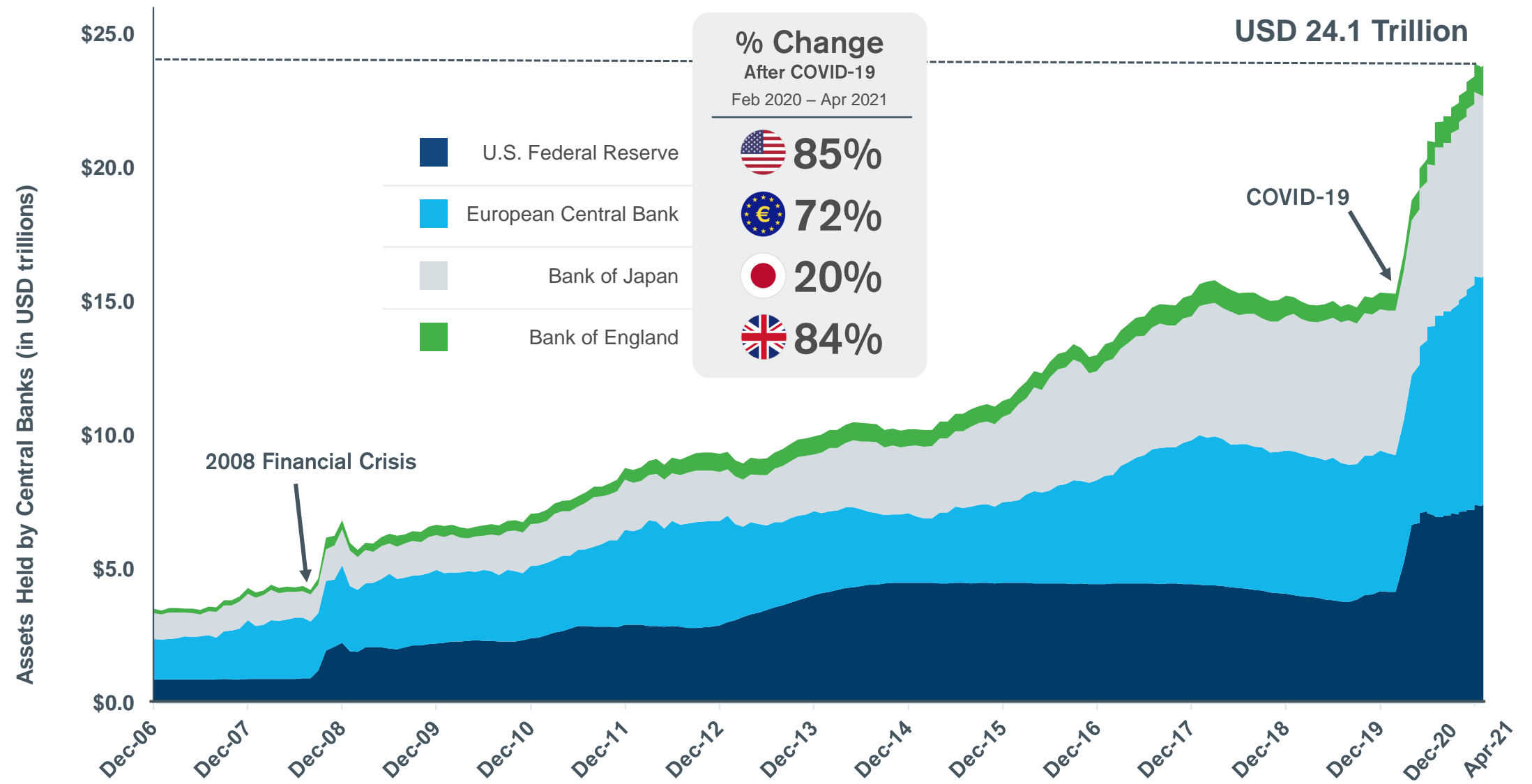
Normalized  
U.S. Risk-Free Rate

Duff & Phelps continues to monitor risk-free rates and other cost of capital inputs very closely. If and when (i) long-term spot yields increase to a level that approaches the Duff & Phelps recommended U.S. normalized risk-free rate (e.g., differences are lower than 50 b.p.), and (ii) there is evidence that this increase in spot yields is not transitory, we will then consider recommending a return to using spot 20-year U.S. Treasury Yields as the basis for the risk-free rate to be used in conjunction with our recommended U.S. ERP.

For more information, visit: <https://www.duffandphelps.com/costofcapital>

## Total Assets Held by Major Central Banks Over Time

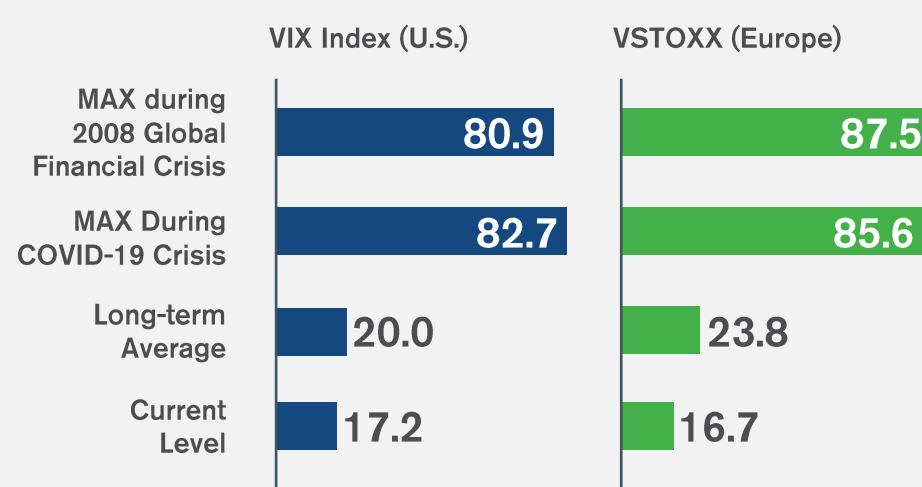
Data as of April 7, 2021



Sources: Capital IQ, FRED® Economic Data, Bank of England, Bank of Japan, European Central Bank

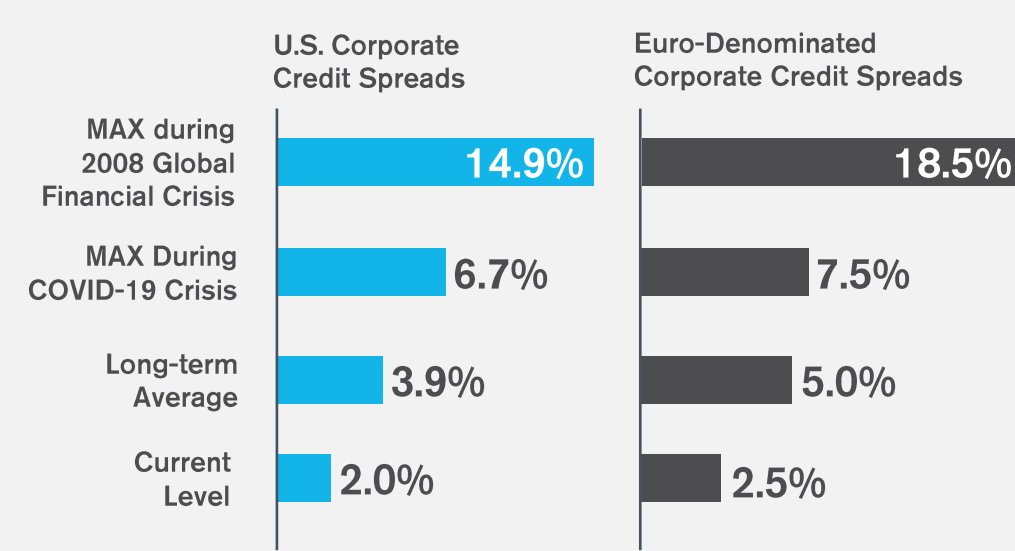
## Global Market Volatility

Data as of April 7, 2021



## Global Credit Spreads

Data as of April 7, 2021

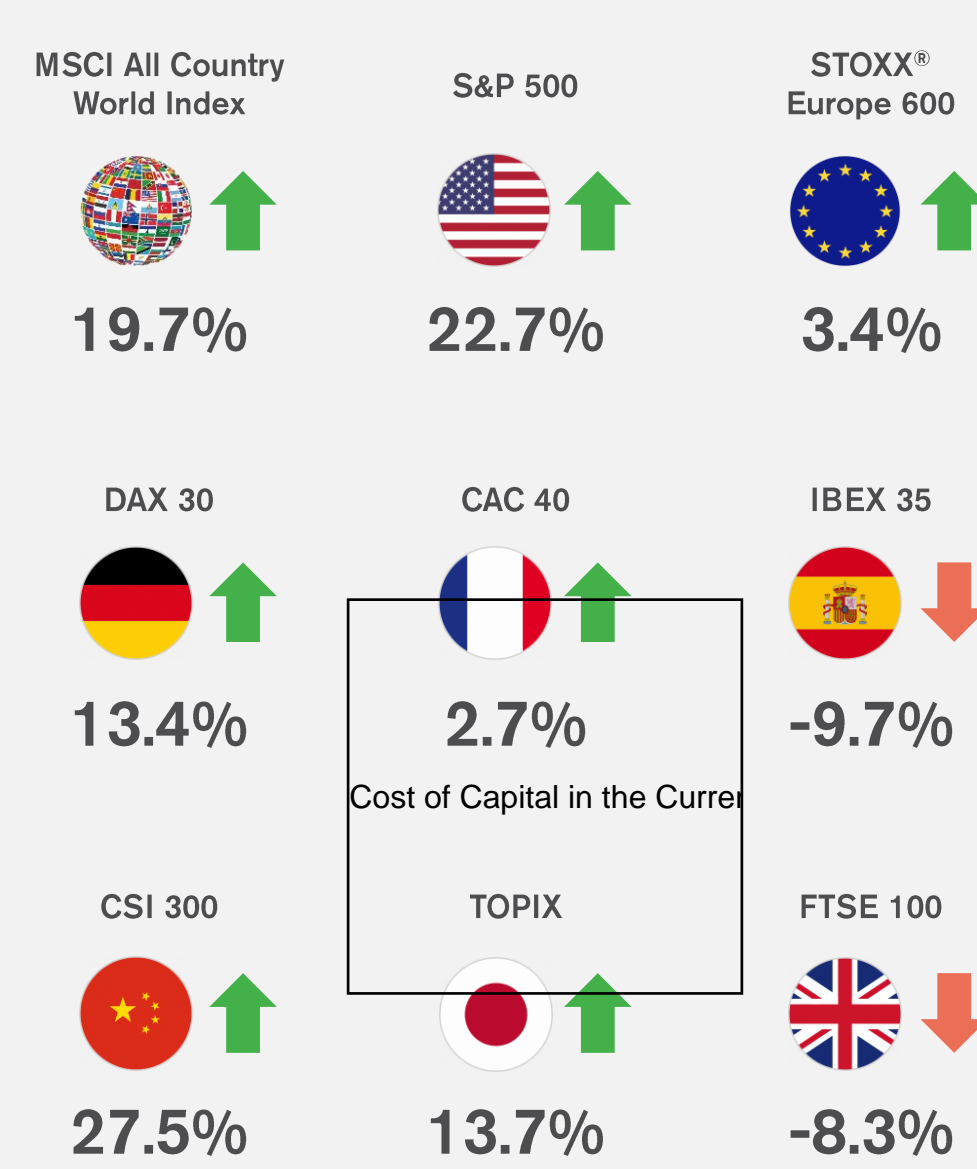


Sources: Capital IQ, FRED® Economic Data, Morningstar Direct

U.S. Corporate Credit Spreads based on the difference in effective yields between the ICE BofA US High Yield Index and the ICE BofA US Corporate Index. Euro-Denominated Corporate Credit Spreads based on the difference in effective yields between the Bloomberg Barclays Pan-European High Yield Index (EUR) and the Bloomberg Barclays Euro Aggregate Corporate Bond Index. Long-term averages based on 1995 to present for VIX daily series, 1999 to present for VSTOXX daily series, 1996 to present for U.S. credit spread daily series, and 1998 to present for EUR-denominated credit spread monthly series.

## Stock Market Performance Since The Wuhan Lockdown\*

Data as of April 7, 2021

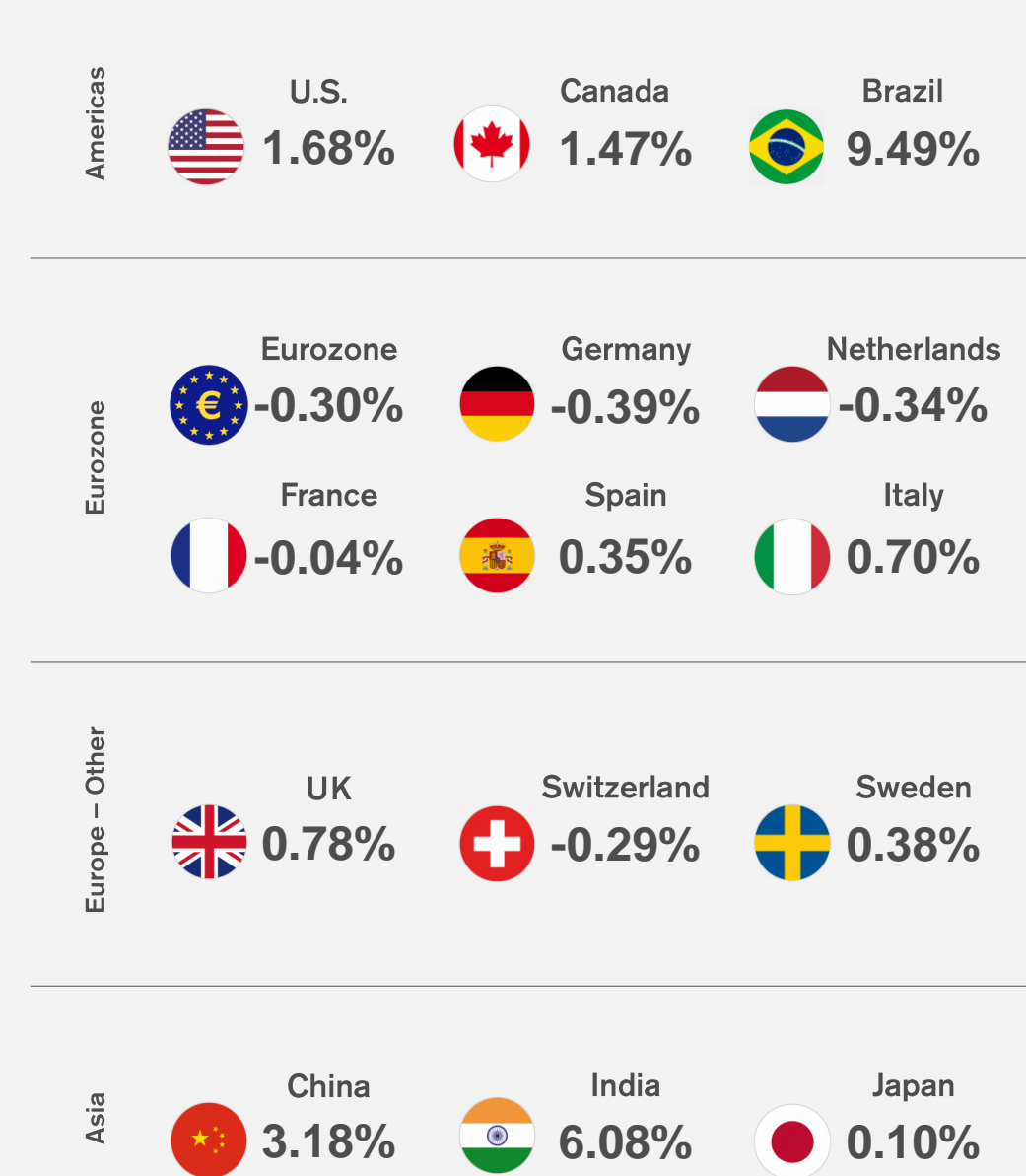


Source: Capital IQ

\*The first lockdown due to COVID-19 began on January 23, 2020 in Wuhan, China.

## Global 10-Year Government Bond Yields

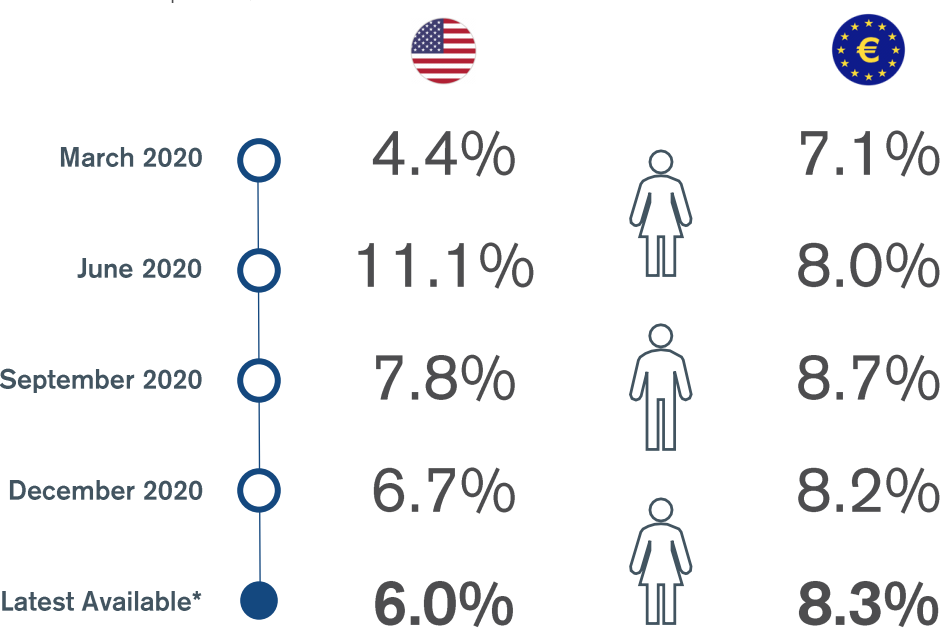
Data as of April 7, 2021



Sources: Bloomberg (Brazil, India), European Central Bank (Eurozone aggregate yield), Capital IQ (other countries)

## U.S. vs. Eurozone Unemployment Rate

Data as of April 13, 2021

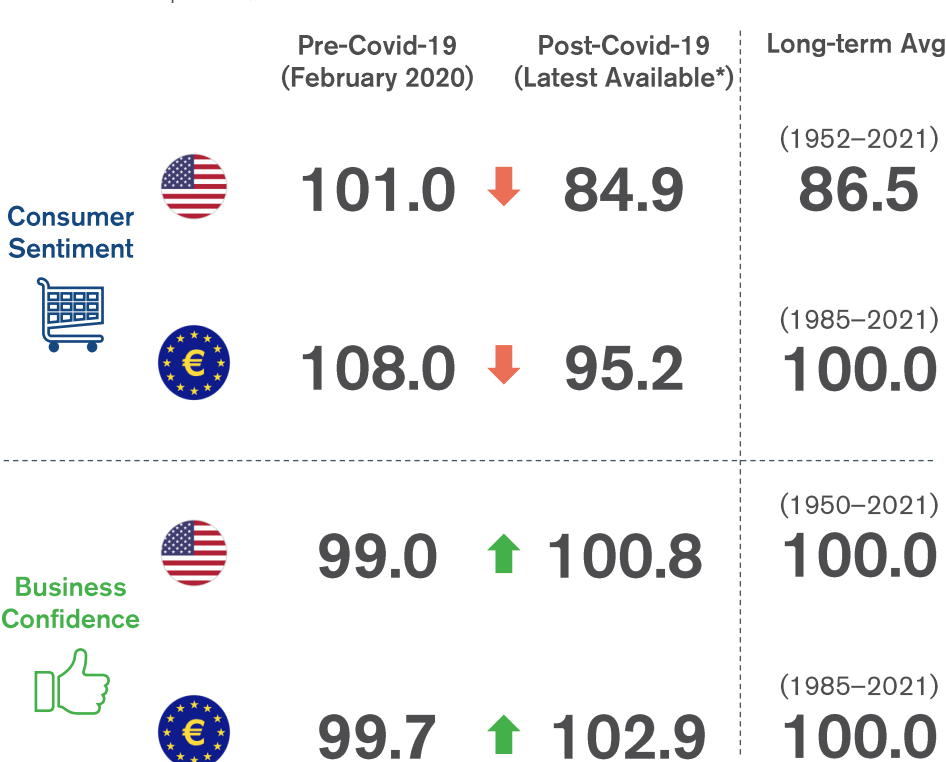


Source: U.S. Bureau of Labor Statistics, Eurostat

\*Data through March 2021 for the United States, and February 2021 for the Eurozone.

## U.S. and Eurozone Consumer Sentiment vs. Business Confidence

Data as of April 13, 2021

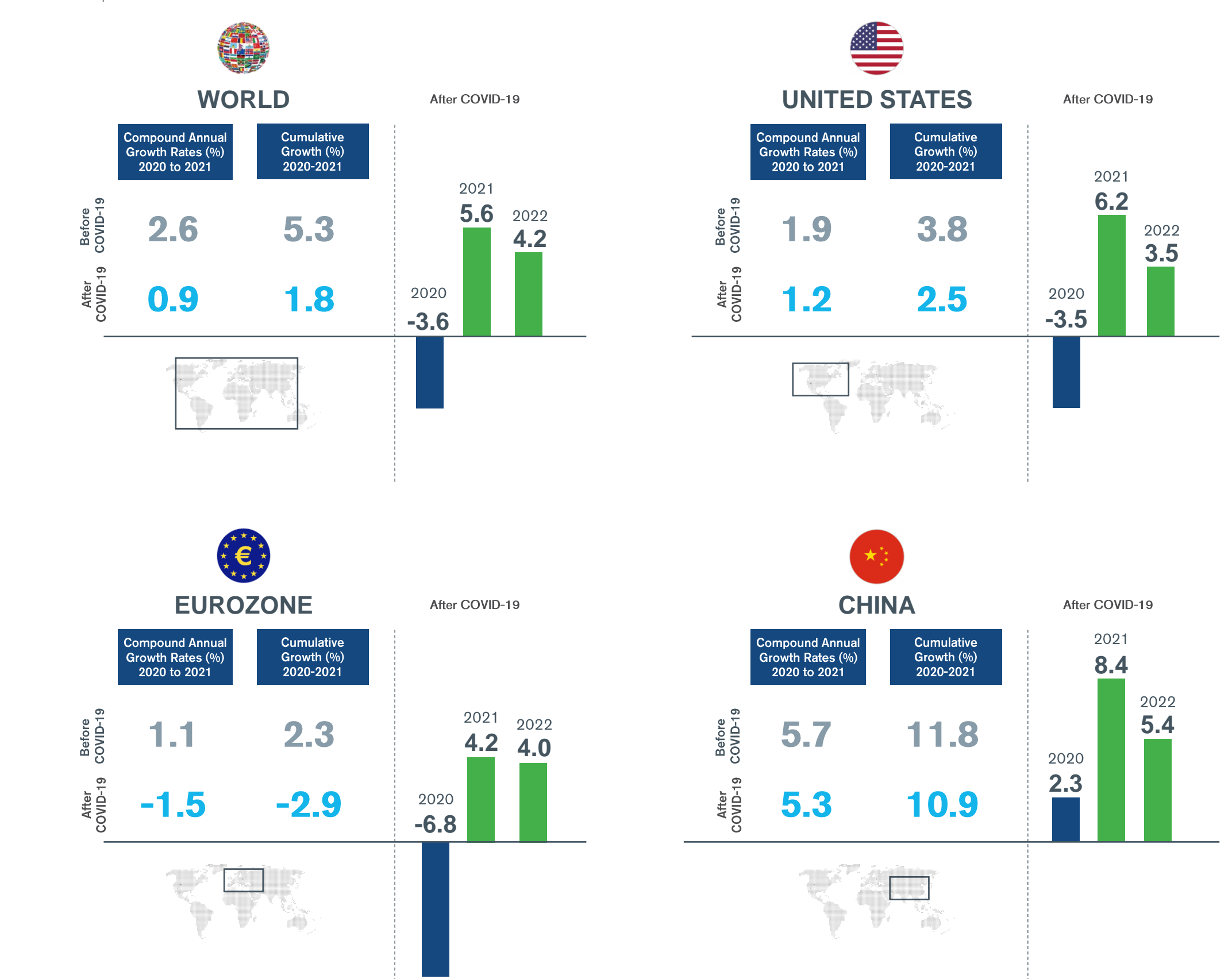


Sources: Michigan University's Index of Consumer Sentiment, OECD's Business Confidence Index, European Commission business and consumer surveys [The same methodology that the European Commission uses to standardize its Economic Sentiment Indicator (ESI) was applied to the Eurozone Consumer Confidence and Business Climate Indicator series.]

\*Data through March 2021 for Consumer Sentiment, Business Confidence through February 2021 and March 2021 in U.S. and Eurozone respectively.

## Real GDP Growth (%) Estimates (Median)

Data as of April 13, 2021



Sources: OECD, IMF, World Bank, Blue Chip Economic Indicators, Consensus Economics, EIU, Fitch Ratings, IHS Markit, Moody's Analytics, Oxford Economics, S&P Global Ratings

Before COVID-19 median estimates based on data released in December 2019 and early January of 2020. After COVID-19 median estimates based on data available as of the date noted above.

Compound annual growth rate (CAGR) is calculated as the annualized rate of return of median real GDP growth rate estimates from the end of 2019 through the end of 2021:  $[(1 + 2020 \text{ Real GDP Growth Rate}) * (1 + 2021 \text{ Real GDP Growth Rate})]^{1/2} - 1$ . Cumulative growth is calculated as the total (cumulative) growth rates of median real GDP estimates from the end of 2019 through the end of 2021:  $(1 + 2020 \text{ Real GDP Growth Rate}) * (1 + 2021 \text{ Real GDP Growth Rate}) - 1$ . These metrics show the annualized and cumulative real GDP growth rates that were expected at the end of 2019 (Before COVID-19) for the 2020–2021 period versus what the expectations are currently (After COVID-19).