Chart of the Week

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Is it Value's Turn?

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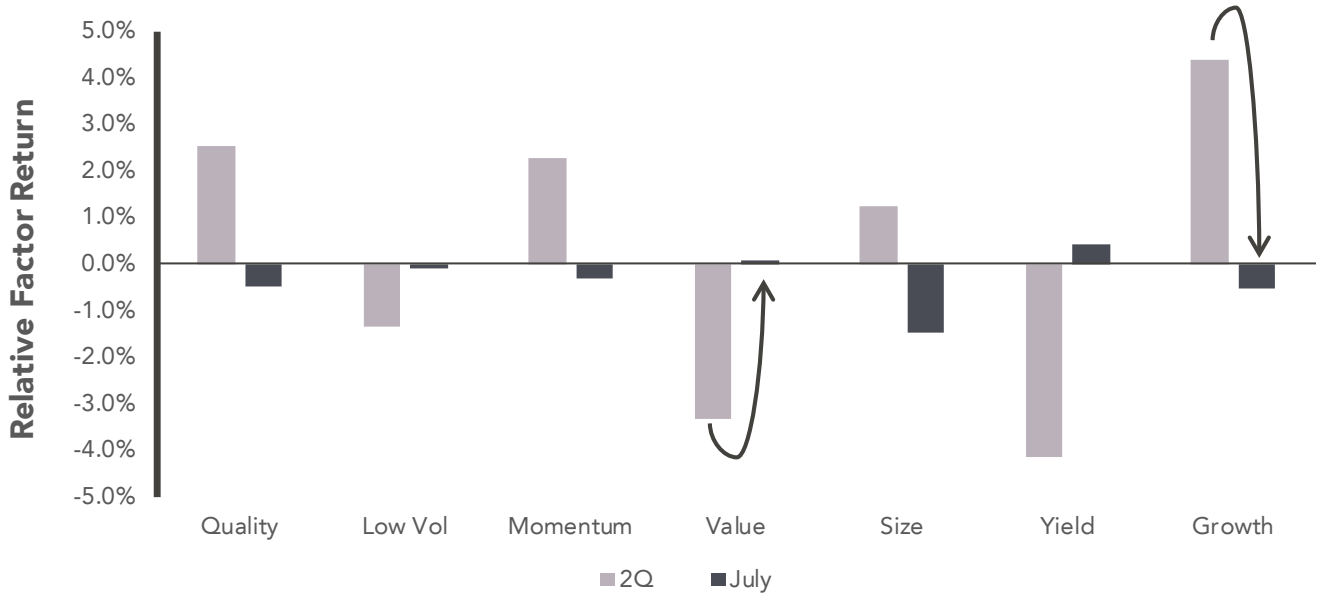
Value outpaces growth in July



Source: Bloomberg

This week we examine factor performance from the Russell 1000, with a focus on the dynamic between growth and value stocks. For the month of July, value finally pulled ahead of growth as a contributor to performance. This is a shift from recent behavior as growth leads on a trailing 7-year basis. Typically, growth and value have operated in a cyclical relationship so value's shift from detractor in 2Q to a positive contributor in July could signal a reversal in relative performance between the two styles.

Financials, particularly banks, did well in July by posting strong earnings; these tend to be value stocks and contributed to the relative outperformance. While tech has been a very strong performer year to date, some of the FANG stocks, namely Facebook and Netflix, hit potholes in July. Facebook encountered more trust and brand issues surrounding privacy and Netflix battled disappointing subscriber growth. These specific company pullbacks likely hurt the growth factor.

Growth has outperformed value since 2011 and the rolling 10-year outperformance is at a high point, now bumping up against two standard deviations from its long-term average. This paired with value's recent edge above growth may indicate that growth's outperformance versus value could be coming to an end.

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