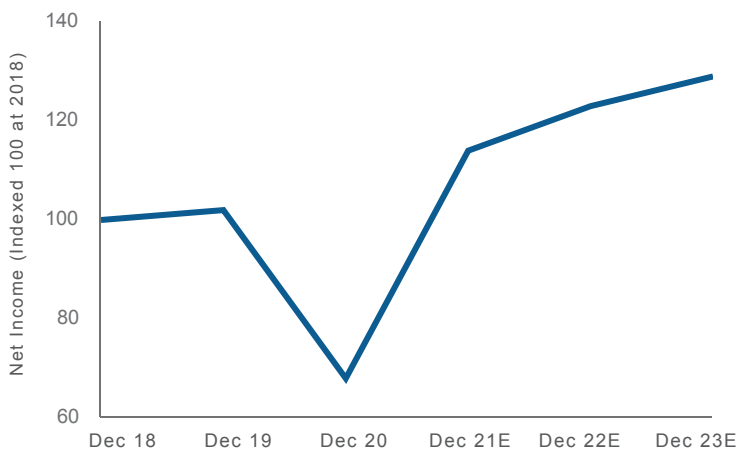


As accelerating vaccine roll-outs and large stimulus measures gave rise to an improving economic outlook, **value has trounced the broader stock market recently.**

Can it continue?

Wall Street analysts project a classic V-shaped rebound for value stocks.

Value Stocks - Net Income¹

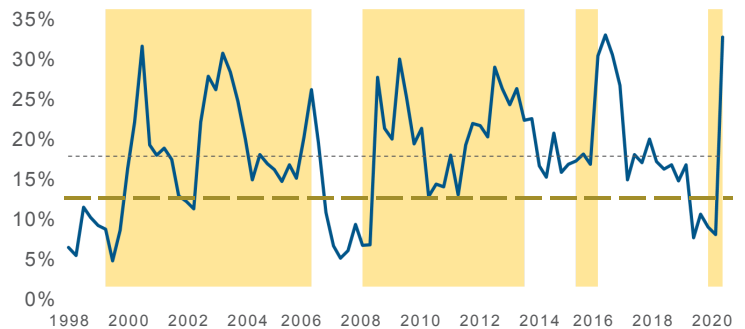


Source: FactSet, Pzena analysis.

Many value stocks, whose earnings were most impacted by the lockdown, have the potential to see the strongest earnings growth.

To many, momentum, tech, and growth stocks seem joined at the hip. That hasn't always been the case.

Percent of Cheap Stocks Among High Momentum Stocks²



Source: FactSet, FTSE Russell, Sanford C. Bernstein & Co., Pzena analysis. Pro-value Cycles. Blue line represents low price-to-book (the cheapest quintile) stocks that also qualify as high momentum stocks within the Russell 1000 Index. Past performance is not indicative of future results.

Value and momentum often converge in economic recoveries, giving rise to a powerful value cycle.

Corporate America navigated the pandemic extremely effectively the past three quarters, and the reopening of the economy continues to move forward. Though that should be good for the stock market broadly, with earnings growth and momentum on value's side, there may be **plenty of support left for the value rally to continue.**



READ MORE: [Recovery math and the history of value stock sentiment](#)

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FURTHER INFORMATION

¹Net income of the cheapest 20% of stocks based on Pzena's estimates of their price-to-normal valuations, measured on an equally weighted basis within the ~1,000 largest US stock universe. 2021 - 2023 earnings based on consensus estimates as of March 31, 2021. Does not represent any specific Pzena product or service.

²Blue solid line represents low price-to-book (the cheapest quintile) stocks that also qualify as high momentum stocks within the Russell 1000 Index. We define high momentum for this analysis as the stocks within the best tertile of stock price performance during the previous 12 months. This analysis was done on a quarterly basis from 12/31/1998 – 3/31/2021. The shaded yellow areas represent pro-value cycles by comparing the cheapest quintile price to book of the ~1,000 largest US stock universe versus its universe. We define a cycle as when the relative performance of value vs. the market from the last peak or trough is at least +/-1500 basis points and has persisted for a minimum of 12 months. Does not represent any specific Pzena product or service.

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