I'M STILL STANDING

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And did you think this fool could never win
Well look at me, I'm coming back again
I got a taste of love in a simple way
And if you need to know while I'm still standing
You just fade away

Don't you know
I'm still standing better than I ever did
Looking like a true survivor, feeling like a little kid
And I'm still standing after all this time
Picking up the pieces of my life
Without you on my mind…
(From "I'm Still Standing," by Elton John and Bernie Taupin, 1983)

We have asked the question before—whether or not it was time for value investing to come back—and we've also discussed different reasons that may explain its rather lengthy underperformance. As we await the final election results (which we may not know until early December), it seems an appropriate time to revisit this question. Is now the time that value comes back?

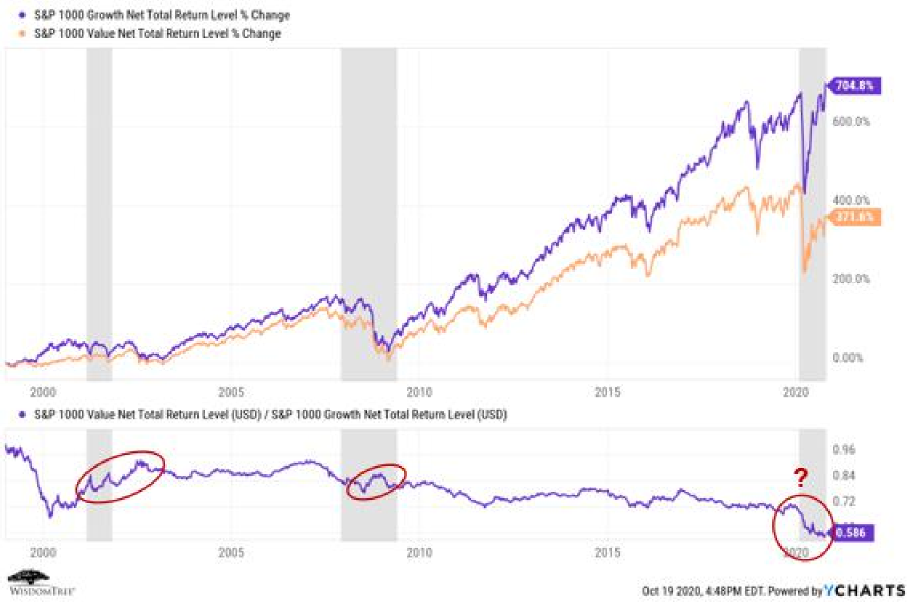
Let's begin by reviewing YTD performance of growth versus value:

Source: YCharts, as of 10/19/20. You cannot invest in an index. Past performance does not guarantee future results.

For definitions of indexes in the chart, please visit our glossary.

It is also important to remember that the growth index has been utterly dominated by a small handful of mega-cap tech stocks (e.g., Facebook, Amazon, Netflix, Alphabet [Google], Apple and Microsoft).

If we accept that the economy is slowly recovering (with uncertainty, given the "thirdwave" spike in the number of new COVID-19 cases), and that the market is expecting an additional massive [fiscal stimulus](#) bill (regardless of the election outcome), then it is worth reviewing again how value stocks have historically performed relative to growth stocks during economic recoveries:



Source: YCharts, as of 10/19/20. You cannot invest in an index. Past performance does not guarantee future results.

Historically, value stocks outperformed during periods of economic recovery (e.g., after the 2000 "tech bubble crash" and the 2008–2009 financial crisis), but we see dramatic underperformance in this most recent period of economic recovery. Again, the dominance of the mega-cap tech stocks in driving recent market performance cannot be overstated, and it distorts the seemingly gaping performance dispersion between growth and value stocks.

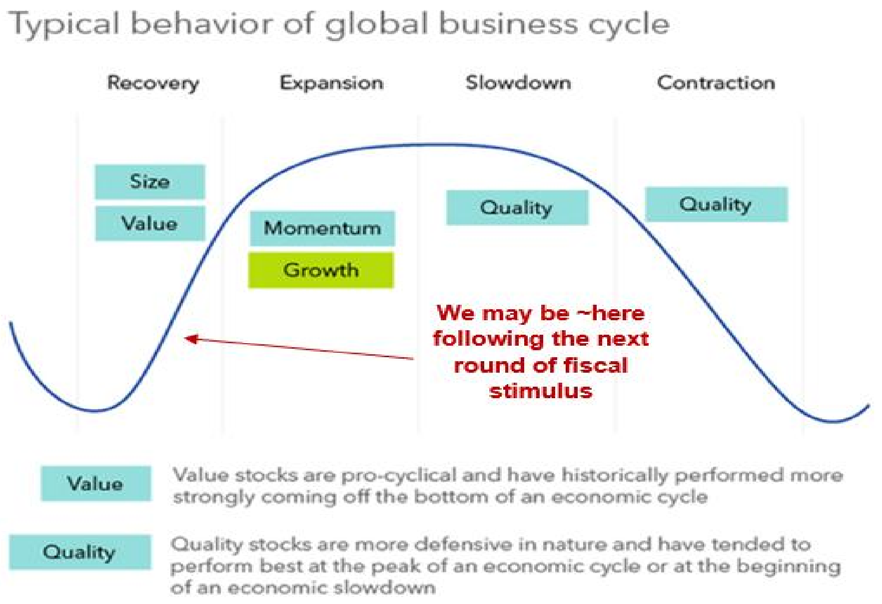
What about valuations? Compare the valuations of the Russell 1000 Growth Index to those of the Russell 1000 Value Index:

Index	Price-to-Earnings	Price-to-Cash Flow	Price-to-Book	Price-to-Sales
Russell 1000 Growth	40.8	25.1	12.5	4.8
Russell 1000 Value	23.5	9.6	2.2	1.7

Sources: WisdomTree, FactSet, as of 10/19/20. You cannot invest in an index. Past performance does not guarantee future results.

By almost any metric you choose, value stocks look dramatically more attractive than growth stocks from a fundamental valuation perspective. Remember, what you earn on an investment over the longer term is very much dependent on how much you pay for it today. Unless "this time it's different" (which it almost never is), then normal market cyclicality suggests that value is due for a comeback.

Finally, let's revisit the economic regimes when value (historically) has done best:



Source: NASDAQ, November 2018. This chart is for illustration purposes only and may not reflect actual market behavior. Past performance does not guarantee future results.

For definitions of terms in the chart, please visit our glossary.

The details of any fiscal stimulus package will be very dependent on the election outcome. But regardless of the outcome, we do expect another round of massive fiscal stimulus, which should give a boost to the economic recovery, at least in the short term. We believe that the stimulus may reset the economic recovery stage back down to where we point to in the chart—historically, a good time for value.

Value may be set up for what we believe is a long-overdue comeback, and many of the WisdomTree product strategies and model portfolios are, in our opinion, well-positioned to capitalize on that value recovery.

Value investing may, once again, prove to be "still standing."

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You cannot invest directly in an index.

DEFINITIONS

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Mega Cap : Market Capitalization over $100 Billion.

Fiscal Stimulus : Using fiscal policy as a tool to provide economic growth.

Tech Bubble : Market collapse between 1999-2001 that was led by technology stock.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Russell 1000 Growth Index : A measure of the large-cap growth segment of the U.S. equity universe, selecting from the Russell 1000 Index.

Russell 1000 Value Index : A measure of the large-cap value segment of the U.S. equity universe, selecting from the Russell 1000 Index.