Growth or value: What's in style in the second half of 2023

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I think it's important that if we look over the past few years, we can identify periods when growth stocks have performed much more strongly, value stocks of for much more strongly. 2021 was a time for growth. 22 was a time for value. And if we look quite simply, during those particular times, 20 and 21 interest rates were low.

But as we move forward, we have to recognize that with rates now fed funds rate above 5% – that is going to be a very different scenario for some of the companies trying to raise money as to when rates were close to zero. And so consequently, we're going to see more companies with weaker balance sheets that will get into trouble, more companies where we see the slowdown affecting their sales and the strength of their positioning. Again, more challenged as we move forward. Typically, some of those companies would be in the value areas, in the more economy-sensitive areas. So we can see reasons why value may struggle a bit as we move forward.

But then let's look at our core scenario, which is that growth – economic growth that is – does not slow down as much as some people would fear. That actually could be positive for those more economy-sensitive companies, which may be discounting a worse scenario.

So I think as we move forward, it's going to be much more balanced, the relative performance of value versus growth than it has been in recent years, which I think, again, is more constructive for stock pickers and more constructive for the market as a whole.
