

## *Market Sense* – It's Momentum's World. The Rest of Stocks are Just Living in it

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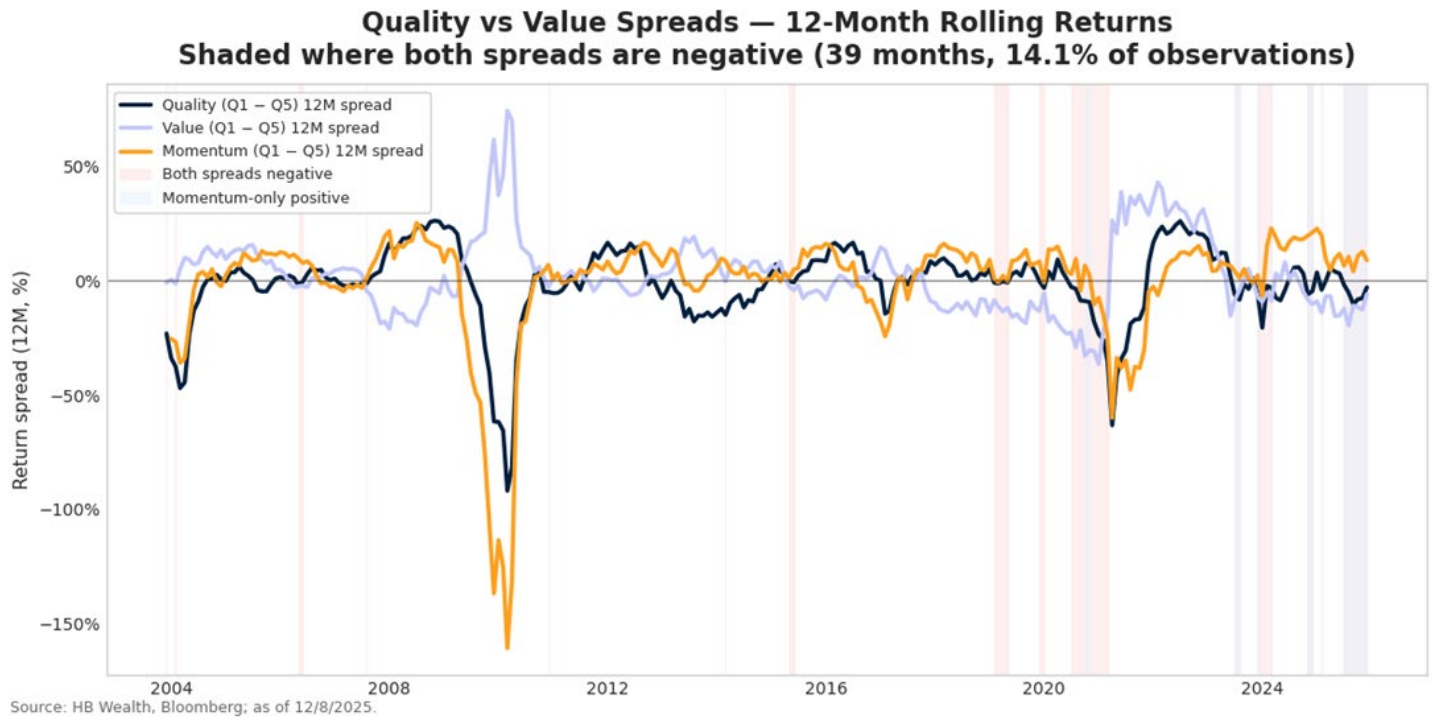
### Russell 1000 Long/Short Sector Neutralized Factor Performance, YTD 2025



Momentum is the only major factor that is working in the U.S. large cap equity market in 2025, as well as in the bull market that began in 2023. The total return spread between high momentum and low momentum stocks is up 9% so far this year, far outpacing all other factors, which are all down at least 5%. Since the start of 2023, long/short momentum has posted a total return of nearly 20%, and the factor is the only one in positive territory.

As momentum soars, high quality and low valuation U.S. large cap stocks are underperforming their “tails” (low quality and expensive stocks) by 655 and 500 basis points, respectively, so far this year. On a rolling 12-month basis, expensive, low-quality stocks have been outperforming cheap and high-quality counterparts since October 2024.

Quality and value factor correlations have shifted materially from pre-pandemic norms. Prior to the pandemic, these two factors were negatively correlated – quality worked when value didn't, and vice versa. That has changed. In momentum's world, quality and value factors' fates have become rather intertwined.



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