

# Charts of the Month

October 2024

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# Month in review: October 2024

**Three short-term and long-term developments that investors should consider:**

## **The great debate: value vs growth**

In this fast-changing world, allocators are looking to position their equity exposures to get the best out of the risk-reward propositions available. Should they look at value stocks or growth stocks? Or both?

## **Coal vs the rest**

Common thought is that the world is moving toward a greener future. But how much progress has been made so far? What is the current energy mix of the world? The hard data is worth studying.

## **U.S. politics overshadow everything**

Investors can pretend this isn't the case, but U.S. politics remain the dominant factor driving many global markets. Just as the Federal Reserve is the "core" central bank of the world, so the "Leader of the Free World" remains the "head" of the global political order.



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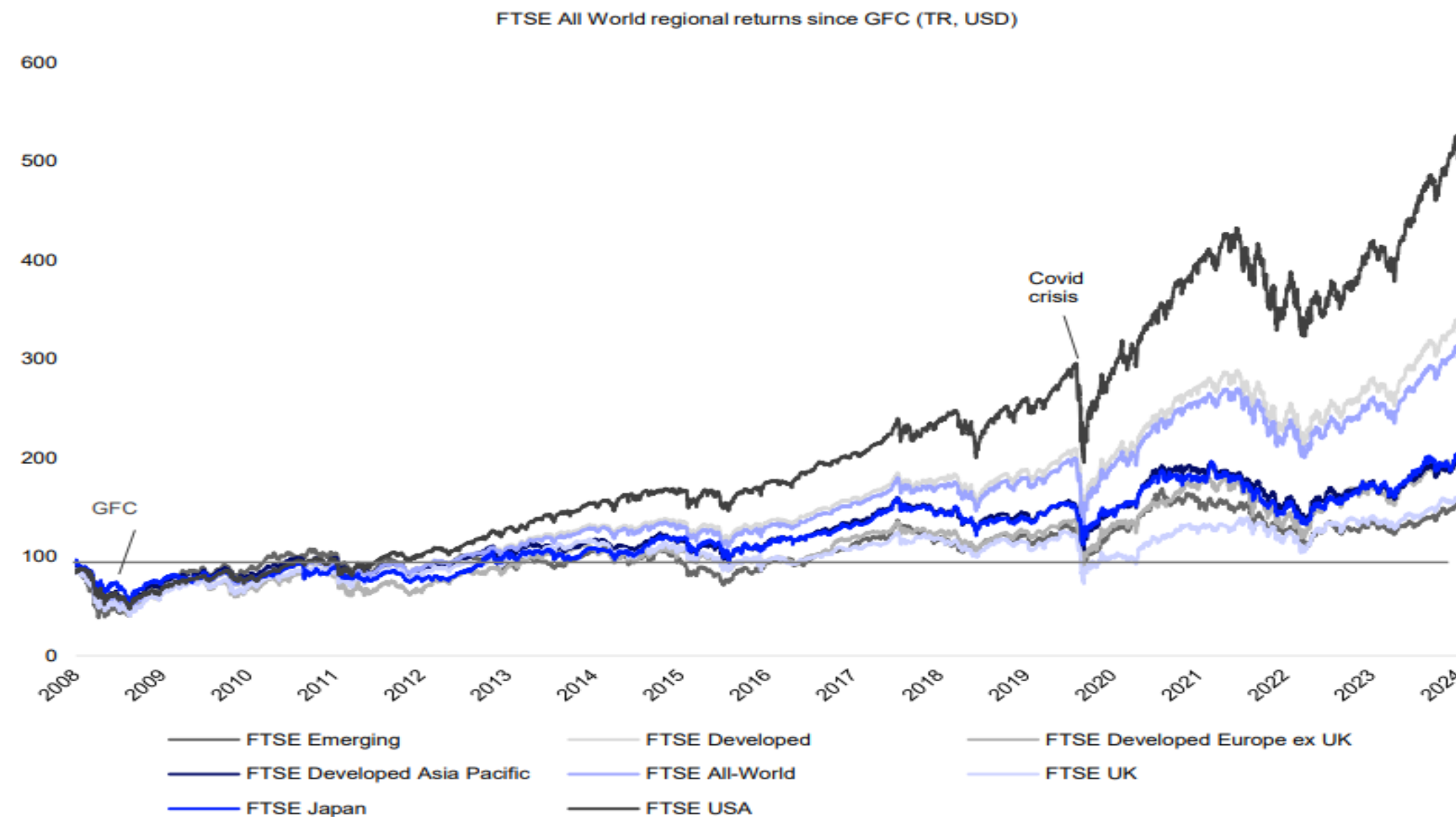
# Value vs growth in equities

Find the right opportunities.  
Or at least avoid the biggest risks



# The U.S. equity universe appears very expensive relative to other markets

U.S. equities have led the FTSE All World performance since the GFC



“

As a result of the strong market performance, the US equity weight has significantly increased over the last 16 years. From 41% in 2008, the US today represents more than three fifth of the market weight in the FTSE All World.”

Read FTSE Russell’s full paper:

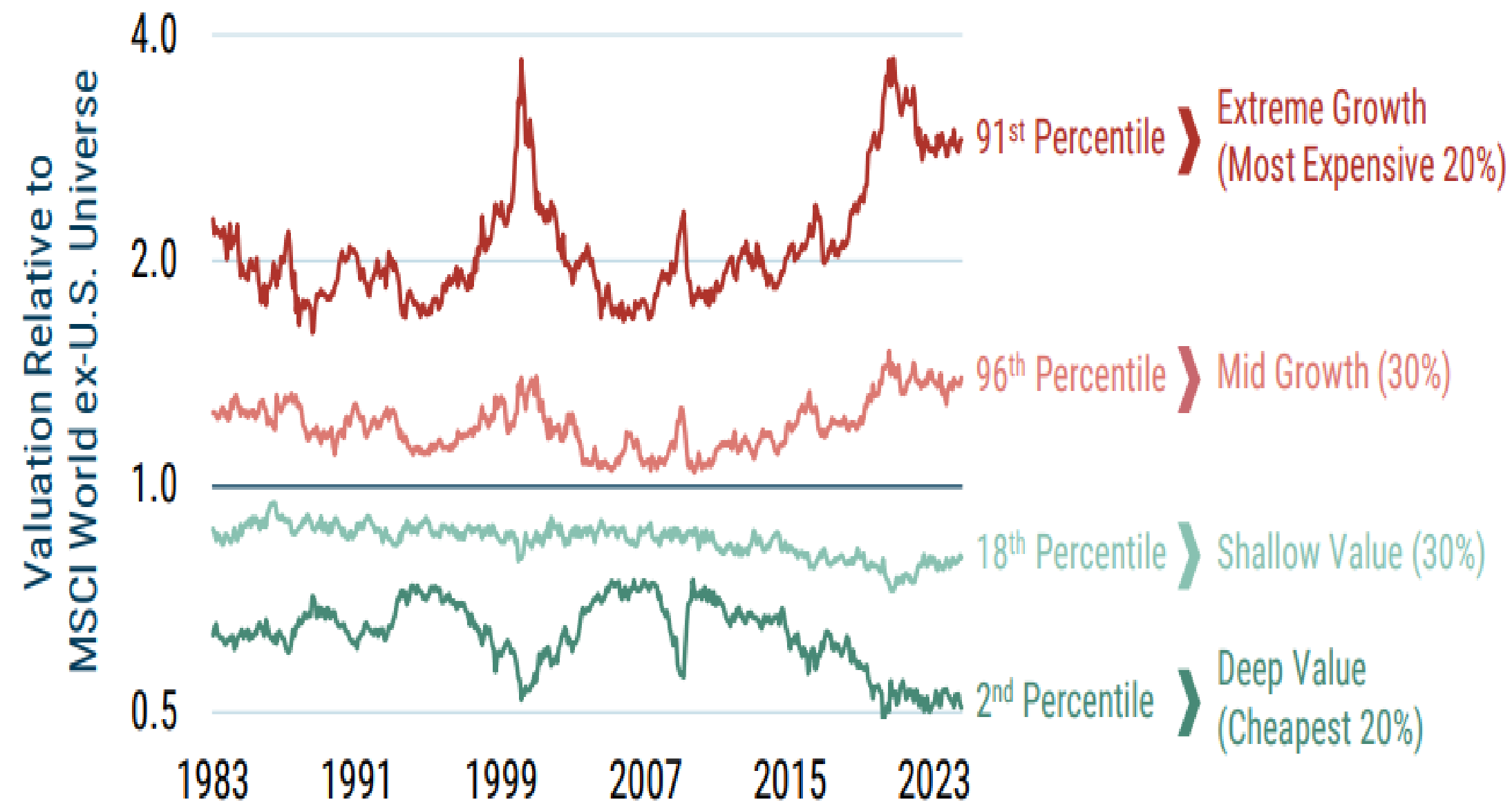
[16 Years in Global Equity Markets since the Global Financial Crisis \(FTSE Russell\), Oct 24](#)

Source: FTSE Russell

Note: This paper is geo-targeted. Only members in certain geographies can access it.

# Outside the U.S. universe, value stocks offer attractive valuations

## Valuation groups in MSCI World ex-U.S. universe



“

In a world with some markets sitting at or near all-time highs with elevated valuations, deep value offers compelling opportunities across regions. Deep value stocks are trading extremely cheaply relative to broad markets and their own history. [...]

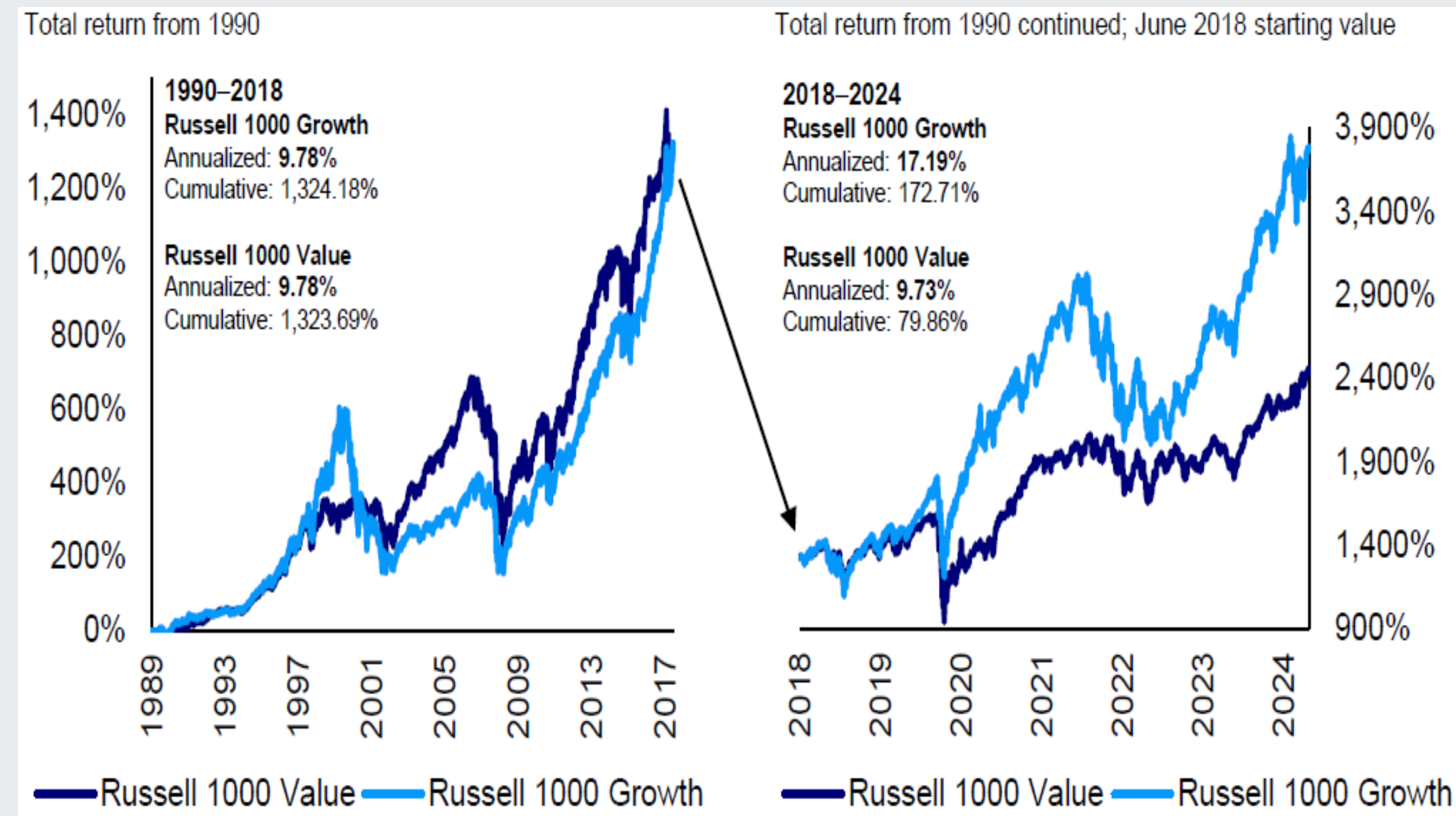
Outside of the U.S. all value is cheap, but deep value is in the 2nd percentile of its history. Within the U.S., deep value is similarly sitting at the 10th percentile of its history, while the rest of value should largely be ignorable at current valuations.”

Read GMO's full paper:  
[Deep Value \(GMO\), Sep 24](#)



# However, on a relative basis, U.S. value equities are cheaper than U.S. growth stocks

## Russell 1000 growth vs value Indexes



From 1990 to 2018, the annualized return of growth and value was nearly equal at 9.78%. Large discrepancies have since emerged between growth's recent performance and long-term return."

Read Invesco's full article:

[Think Value and Growth — not Value or Growth \(Invesco\), Oct 24](#)

Source: Invesco

Note: This paper is geo-targeted. Only members in certain geographies can access it.



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# The global energy mix

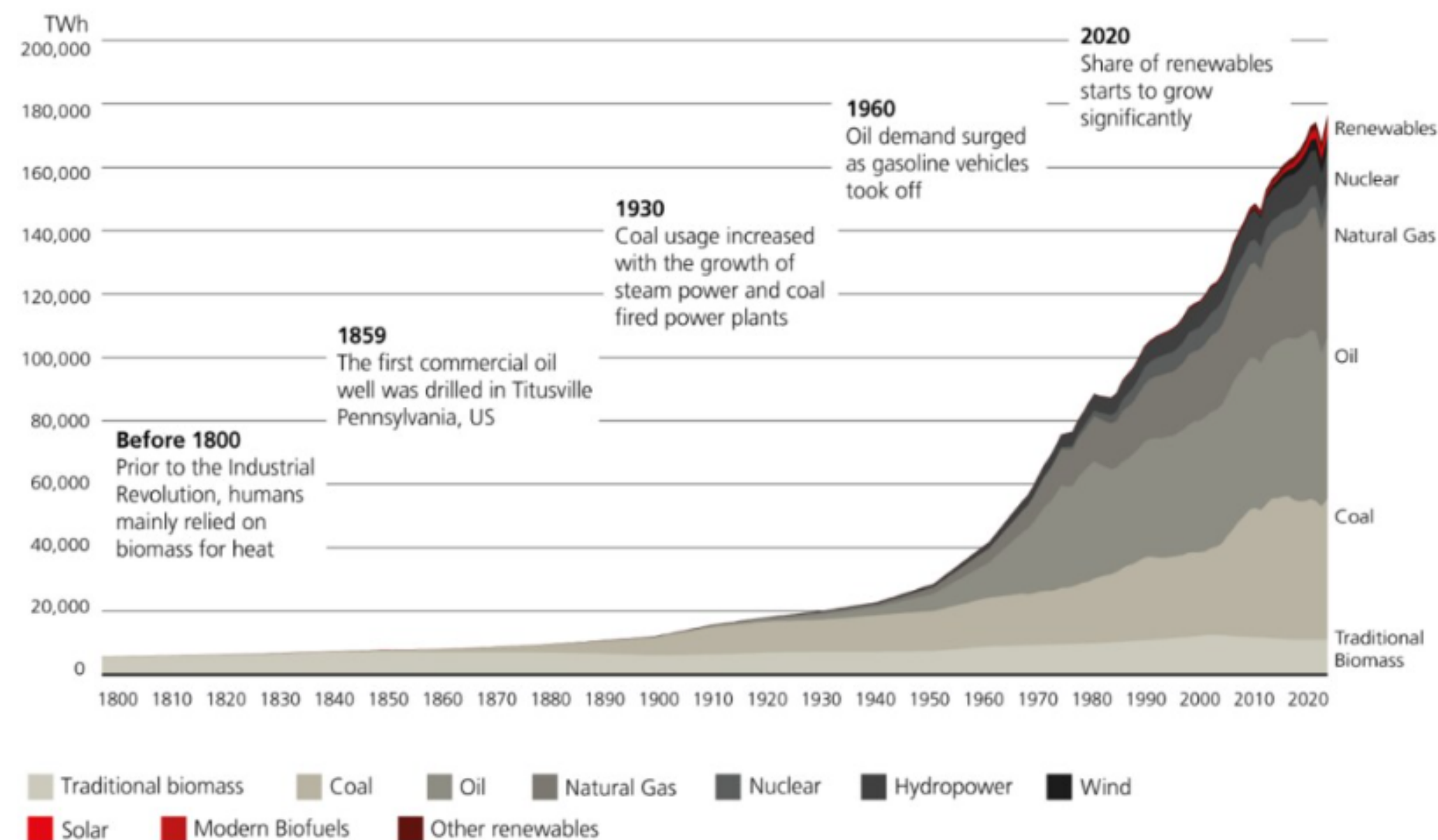
Are we really heading toward a greener future?





# The world is hungry for new energy sources

## Global primary energy consumption by source



“

Throughout history, humankind has experienced several energy transitions. Societies and economies have moved from burning carbon-heavy fuels in order to provide heat, power, and light, to burning various iterations of less carbon-intensive fuels to heat homes, cook food, power factories, and fuel modes of transportation.

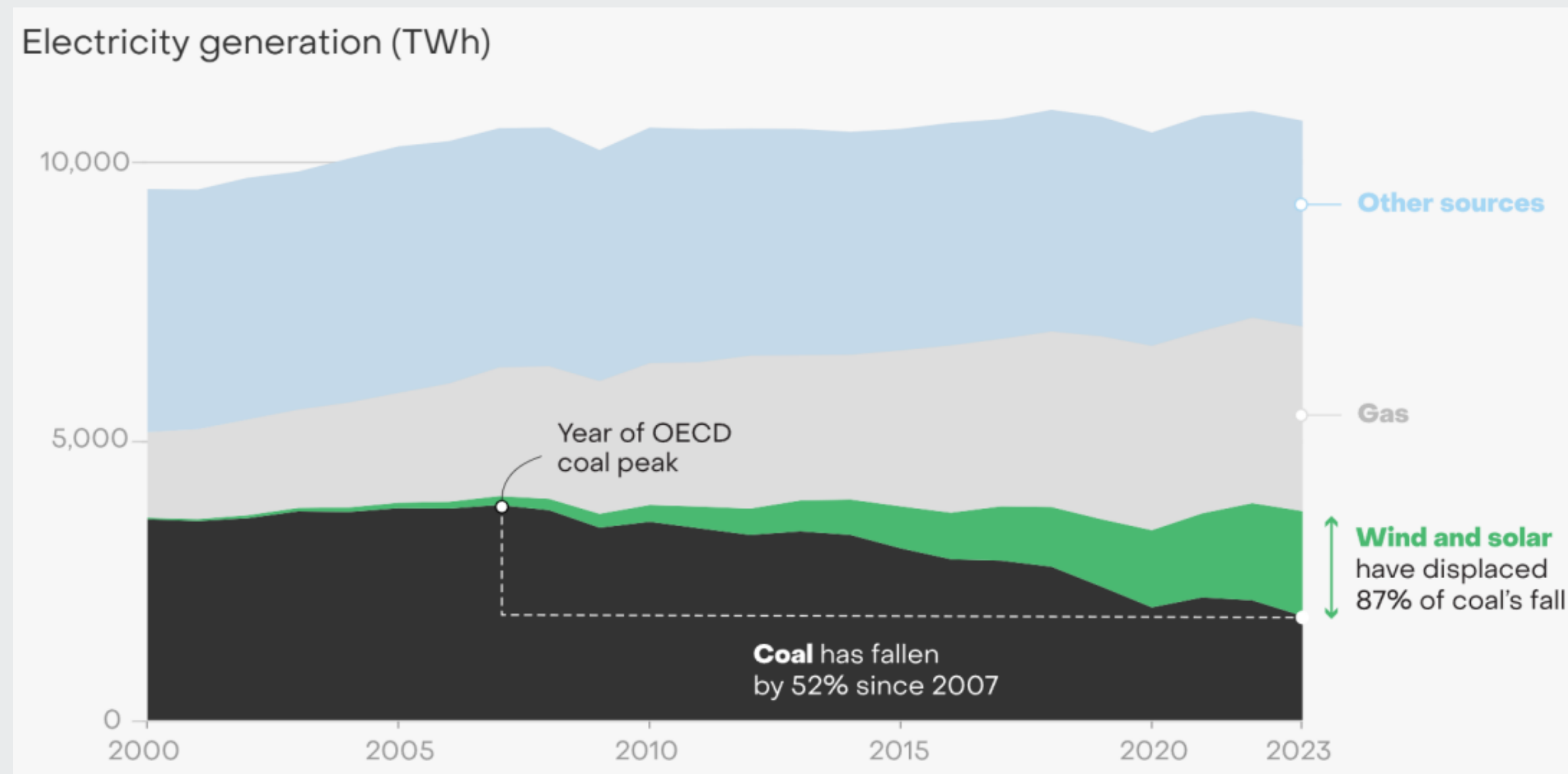
Today, the energy mix consists of coal, oil, and natural gas, with nuclear and hydropower providing a stable baseload of electricity, and renewable energies such as wind and solar power growing rapidly, albeit from a small base.”

Read UBS AM's full paper:

[Energy Evolution: The Transition from Gray to Green \(UBS AM\), Oct 24](#)

# Coal remains an important part of the energy mix, but its use is declining in OECD countries

Coal power in OECD has halved since its peak—replaced mainly by wind and solar



Good progress is being made to phase out coal power across the OECD, and that will continue throughout this decade. [...] Coal power globally still hit a new record in 2023 as the fall in OECD coal power was outweighed by rising coal power in emerging economies in Asia. But the era of growing coal is coming to a close, as emerging economies switch investment from coal to clean power.”

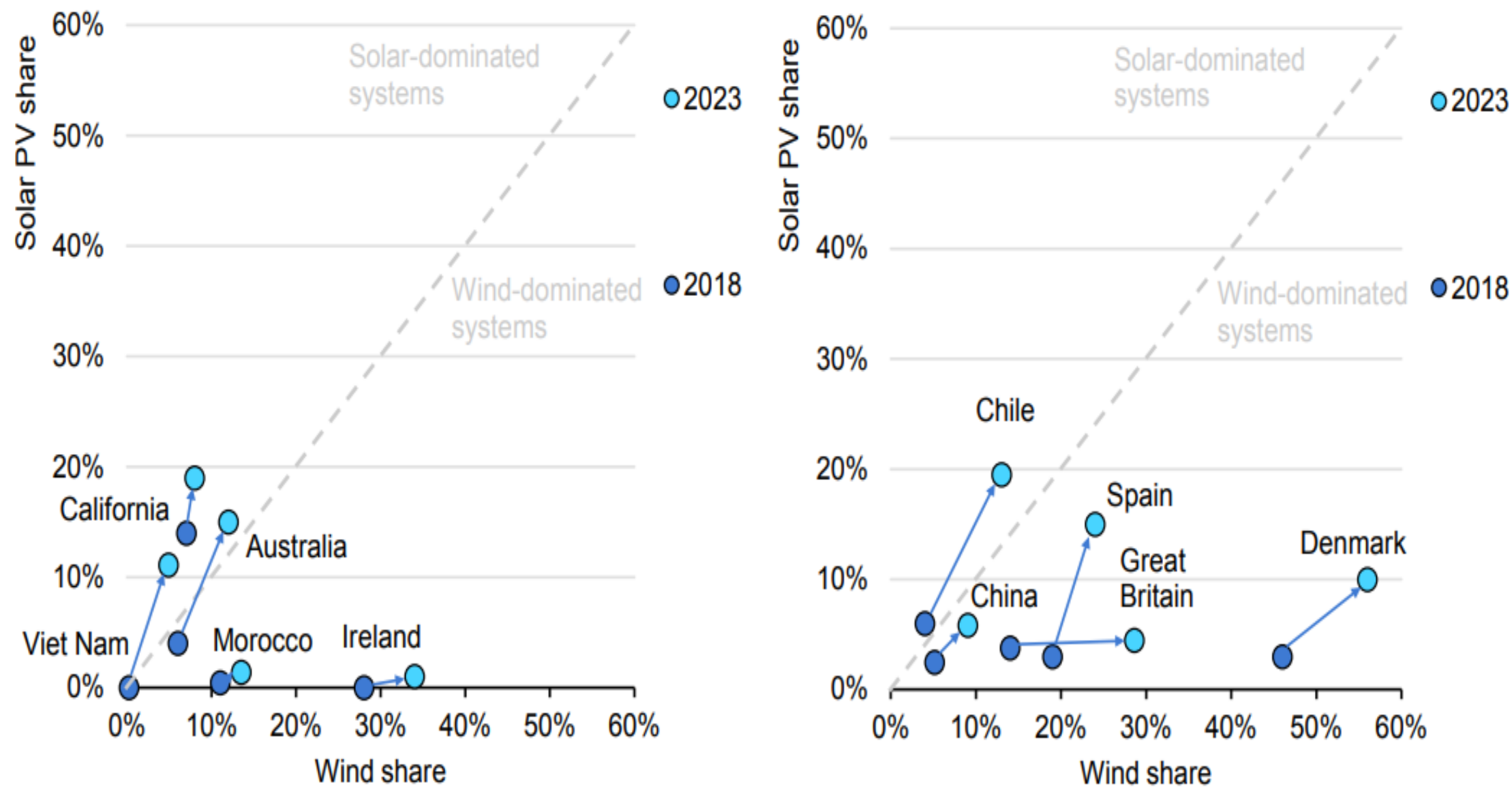
Read Ember's full paper:

[Coal Generation in OECD Countries Falls below Half of Its Peak \(Ember\), Oct 24](#)



# Meanwhile, solar and wind have gained more ground within certain nations

Annual solar and wind generation shares, selected countries and systems, 2018-2023



Reaching high levels of solar and wind penetration in the power sector is no longer a hypothetical case – they are a reality in many countries. Denmark, Texas, South Australia, Ireland, Spain and Chile are among the countries and regions where solar and wind already contributed over 30% of annual generation in 2023.”

Read IEA's full article:

[Integrating Solar and Wind \(IEA\), Sep 24](#)

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# More U.S. politics

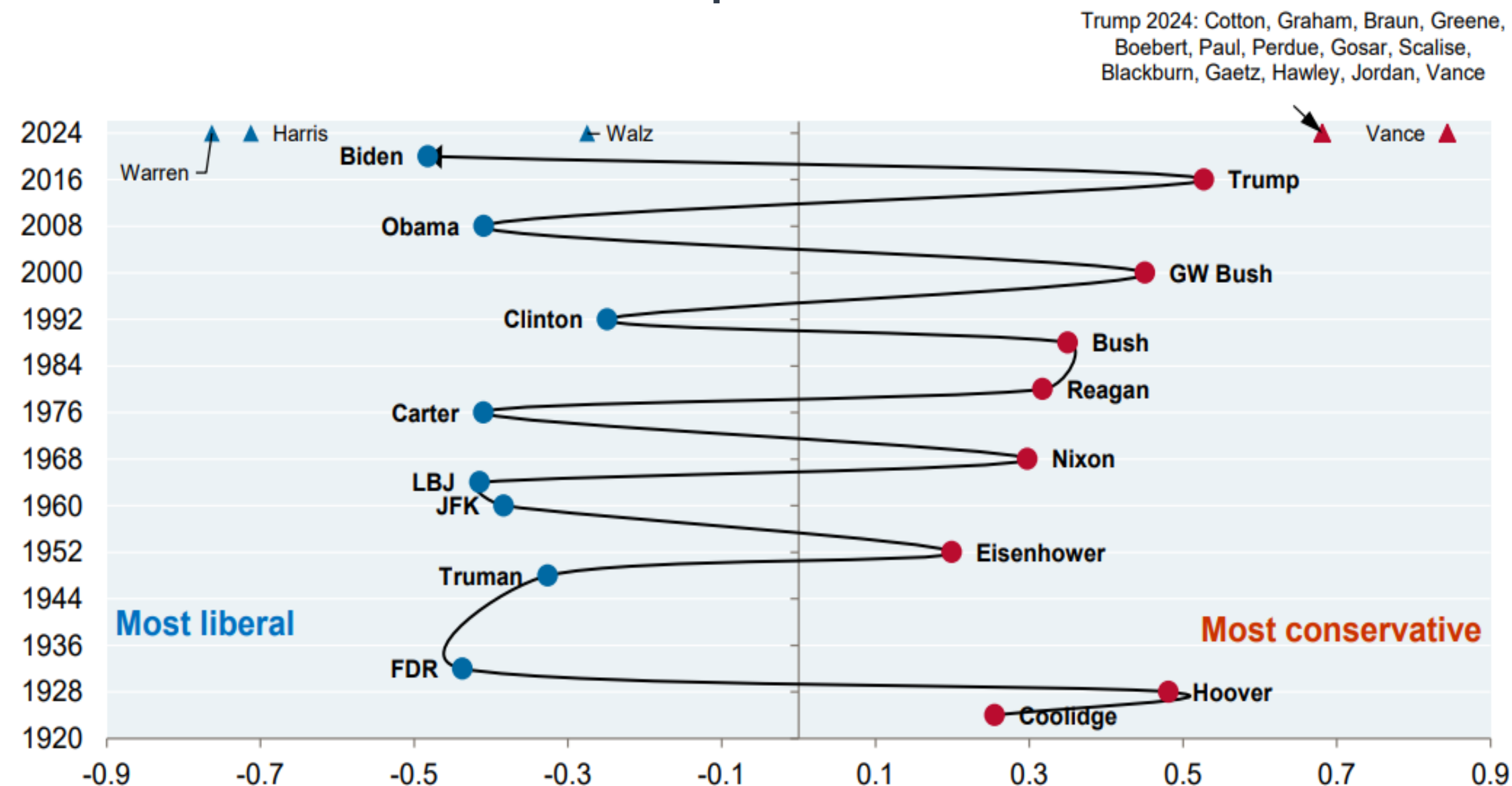
The U.S. election overshadows everything else—here's why





# There is great uncertainty surrounding U.S. politics, with significant differences between candidates

## Political ideology of U.S. presidential administrations, 2024 candidates and select other politicians

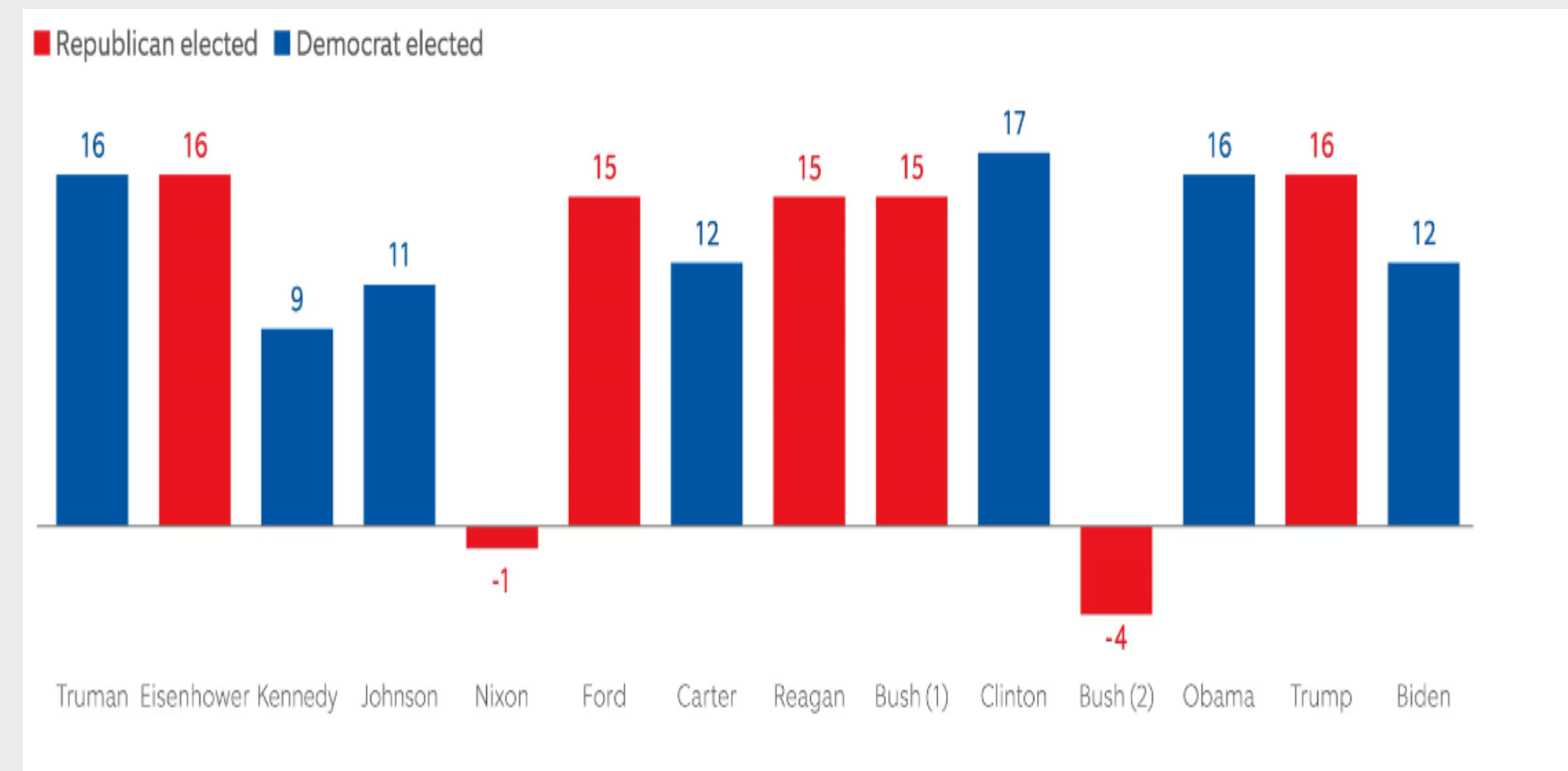


Since WWII, Harris is the 6th most liberal senator and Vance is the 6th most conservative senator. Senators more conservative than Vance since WWII include mostly sitting members (Tuberville-AL, Paul-KY, Lee-UT, Schmitt-MO), while Senators more liberal than Harris are mostly former members with the exception of Warren MA and Sanders-VT (when measuring his voting record in the Senate and not the House)."

Read JP Morgan Private Bank's full article:  
[Mind the Gap: A Historically Polarized U.S. Election](#)  
(JP Morgan Private Bank), Oct 24

# Importantly, the U.S. administration matters for equity investors, history shows

## Annualised S&P 500 total returns by administration (%)



[...] market movement is determined by a complex interplay of the economy, corporate fundamentals (revenues, profit margins, innovation), valuation and sentiment. Certainly, there is a relationship between policy and these variables, but it can be difficult to attribute the impact when looking at market performance.”

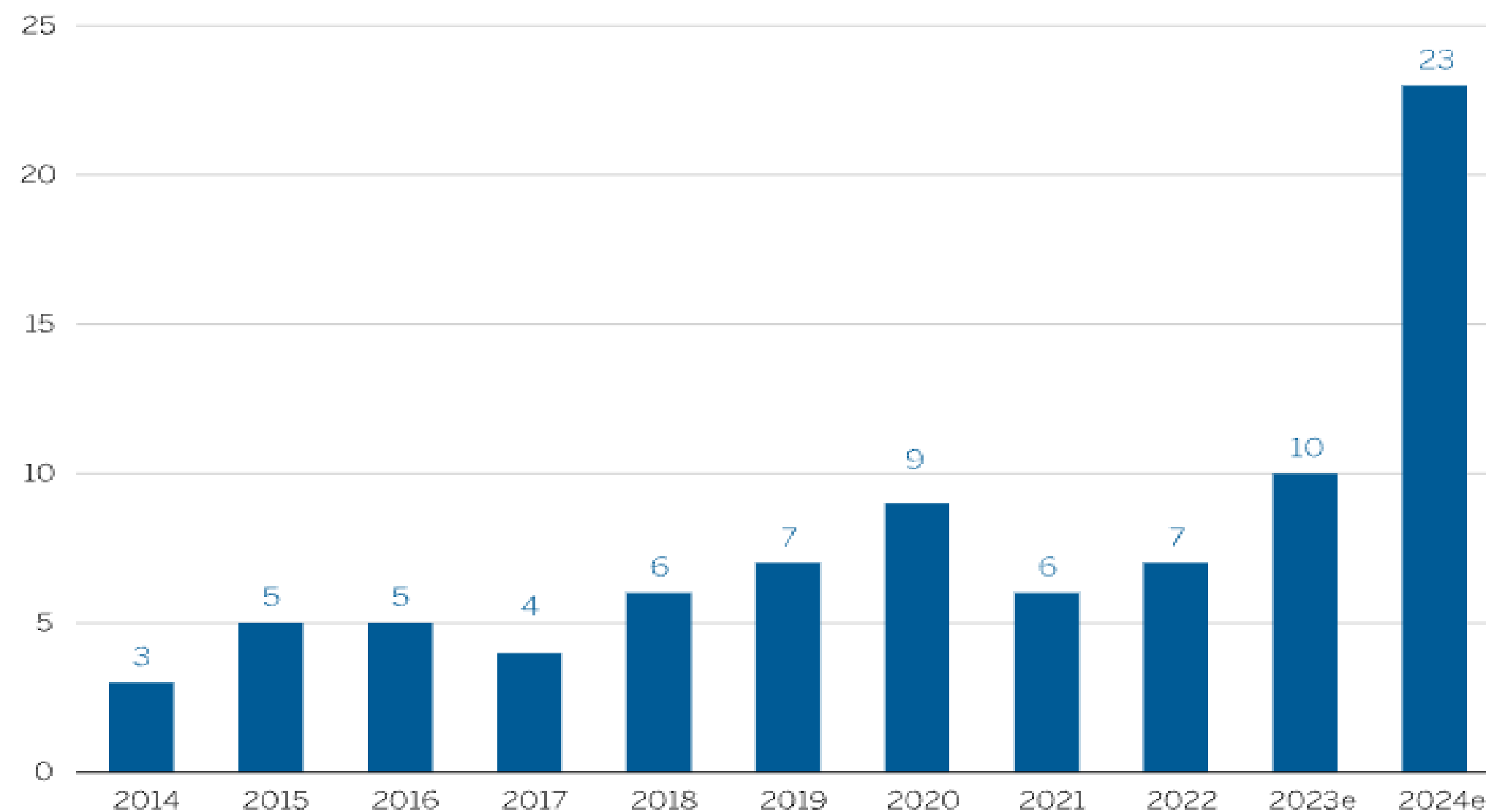
Read Northern Trust AM’s full paper:

[U.S. Election 2024: What Can Investors Expect with So Much at Stake? \(Northern Trust Asset Management\), Oct 24](#)



# However, the U.S. election has much broader implications on the geopolitical scene

In 2024, 23 NATO Allies are expected to meet or exceed the target of investing at least 2% of GDP in defence



Whether Republicans or Democrats win at the polls, Global Industry Analyst Claude Staehly sees the defence budget remaining well supported but with a different spending mix. [...] Globally, Claude expects continued pressure on non-US NATO countries to increase their defence spending and sees non-US defence spending continuing to increase regardless of the outcome of the US election.”

Read Wellington Management's full paper:  
[U.S. Election Special: Which Investment Themes Win at the Polls? \(Wellington Management\), Oct 24](#)

# Further reading

## Value vs. growth in equities

[A Valuation-Aware, Dynamic Approach to Strategic Allocation \(GMO\)](#)

The historically wide spread between value and growth sets up a compelling long/short opportunity.

[Measuring Macro Event Risks to Active Equity Portfolios \(Acadian\)](#)

The tight U.S. presidential race offers a timely reminder of the risk that macro events can pose to active equity strategies.

Unfortunately, conventional risk modeling tools don't offer investors much insight into portfolio-level exposures to such catalysts.

## Global energy mix

[The Economic Impacts of Clean Power \(Brookings Institution\)](#)

Transitioning to an electrical grid powered by the sun and the wind instead of oil, natural gas, and coal will produce substantial economic benefits, especially in rural and manufacturing areas.

[The Energy Transition: Roadblocks, Solutions, and Investment Opportunities \(CFA Institute Research & Policy Center\)](#)

In this episode of the Sustainability Story, host Deborah Kidd, CFA, talks with Dr Aniket Shah, Managing Director and Global Head of Sustainability and Transition Strategy at Jefferies Group, LLC. Aniket leverages his work across academia, public policy, and financial markets to provide unique insights into the energy transition roadblocks and the three keys to overcoming them.

## More U.S. politics

[The Impact of the U.S. Election on the Muni Market \(PGIM Fixed Income\)](#)

This blog post covers key questions about the potential impact of the U.S. elections on the municipal bond market.

[Quick Thoughts: U.S. Election Update - Uncertainty Reigns \(Franklin Templeton\)](#)

Franklin Templeton Institute's Stephen Dover believes that a divided government in Washington, D.C., with no single party controlling the White House, Senate and House of Representatives, is likely.

*Note: This paper is geo-targeted. Only members in certain geographies can access it.*



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