

Macro Roundup Article

Headline: [The Persistence of Value & Growth](#)

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Publication	Verdad
Publication Date	January 02, 2024

Tweet: [.@verdadcap](#) created a value metric on a blend of price vs. cash flow, earnings, book value, and sales, and found that half of equities in the “most expensive” quartile were in the same quartile the following year, while 30% dropped to the next quartile.

Summary: We found that roughly 50% of the most expensive stocks (those in the top quartile) remained in the top quartile one year later. Roughly 30% dropped into the next quartile, while roughly 10% fell to the second-cheapest quartile and the cheapest quartile respectively. Since these companies have the highest valuations for the current fundamentals, we can think of this most expensive quartile as a proxy for the most “growth-y” companies. The picture overall looks slightly different for the lowest quartile of value, which represents the cheapest stocks. On average, 75% of the cheapest quartile of companies in the US remain in the cheapest quartile one year later, while 17% graduate to the second quartile, and 5% and 3% move to the third and fourth quartile respectively. Within the cheapest quartile, we find evidence that valuation multiples tend to mean revert, albeit gradually.

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