

EXPANDING INTO VALUE

We expect market leadership to broaden beyond mega-cap tech in U.S. equity markets. For growth heavy portfolios, the narrowing gap between growth and value signals a potential need to add value investments to reduce concentration risk and improve diversification.

A Turning Point

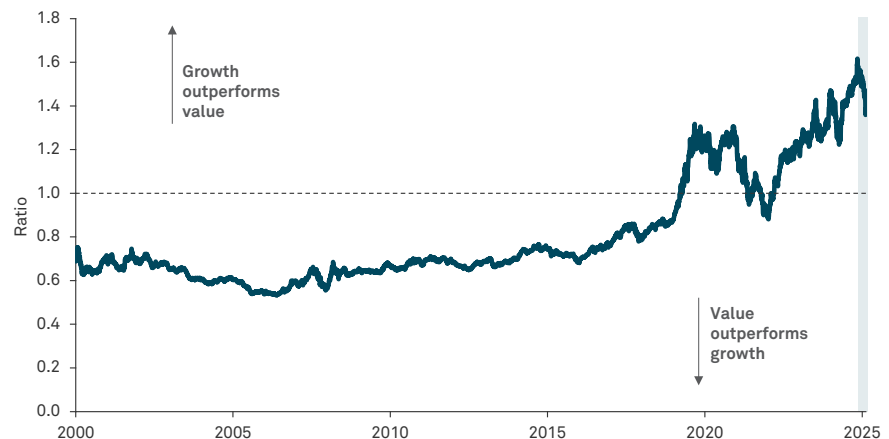
Since November 2025, growth's momentum has started to slow, and value has begun to outperform, suggesting a shift in market leadership after years of growth dominance. The recent decline in the growth-to-value ratio reinforces that this rotation into value may already be underway.

In January alone, mega-cap tech, as represented by the Magnificent 7, was highly dispersed and no longer moving in lockstep, raising both volatility and return risk. For example, Meta advanced by more than 9% while Microsoft declined by 11% during this period.

Given this backdrop, we believe it's increasingly important to broaden exposure to value while being more selective within growth.

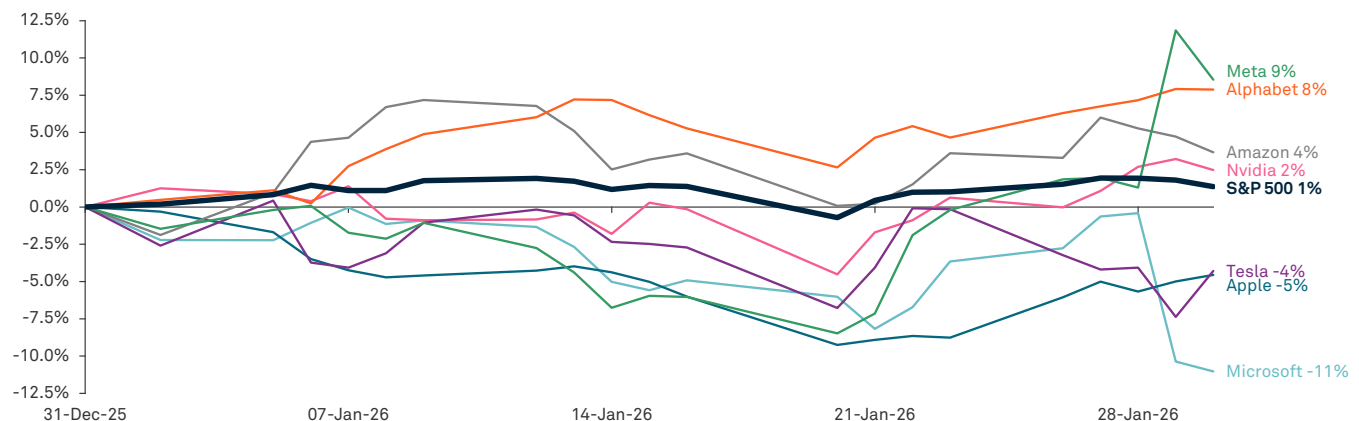
U.S. Growth vs Value

The ratio below 1.0 indicates value outperformance; above 1.0 indicates growth outperformance.



Source: BNY Investment Strategy & Research Group, Macrobond. Data as of January 31, 2026.

Magnificent 7 Year-to-Date Performance



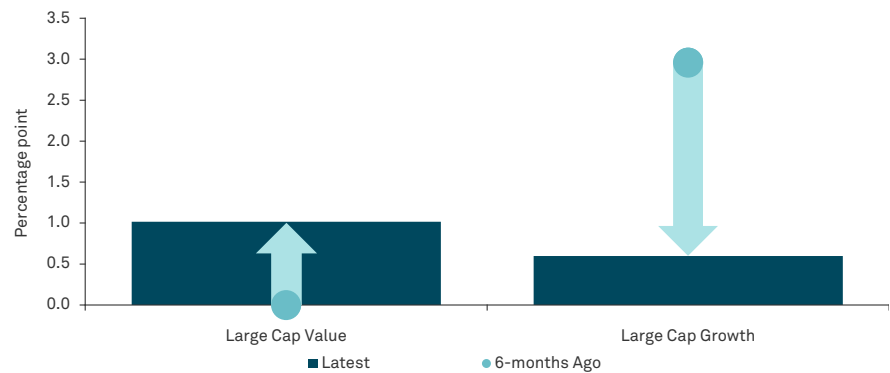
Source: BNY Investment Strategy & Research Group, Macrobond. Data as of January 31, 2026.

Momentum for Value

We believe the shift toward value is driven by improving fundamentals in the large cap value asset class. Looking at profit margins, large-cap growth companies have declined 2.5 percentage points in the last six months. Meanwhile, large-cap value companies, such as those in the financial sector, grew from flat to 1.0% over the same time period, signaling a shift toward positive momentum.

We believe the trend into value will continue. Including value stocks alongside growth stocks can help investors navigate a continued rotation toward broader equity leadership while strengthening diversification and return durability.

Yearly Change in Profit Margin



Source: BNY Investment Strategy & Research Group, Macrobond. Data as of January 31, 2026.

This is an extract from [Checkpoints](#), a comprehensive monthly chartbook that provides insights into major themes affecting financial markets. For additional analysis, read the [full report](#).



Glossary

Growth stocks are companies that are expected to grow quickly; investors often pay higher prices relative to current profits.

Large-cap refers to companies with a large total market value (their share price multiplied by the number of shares). “Large-cap value” and “large-cap growth” are style segments within this size group.

Magnificent 7 refers to the following seven stocks: Nvidia, Meta, Tesla, Amazon, Alphabet, Apple, and Microsoft.

Market leadership is the group of stocks or sectors that are driving most of the gains in the stock market over a period of time.

Mega-cap tech refers to very large technology companies with extremely high market values (e.g., the largest, most well-known tech firms). These stocks have often dominated U.S. market performance in recent years.

Value stocks are companies that appear cheaper relative to fundamentals (like earnings or book value), often because they are out of favor or in mature industries.

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