

# CATALYSTS FOR CHANGE

Interest Rates Don't Need to Rise, They Just Need to Stop Falling

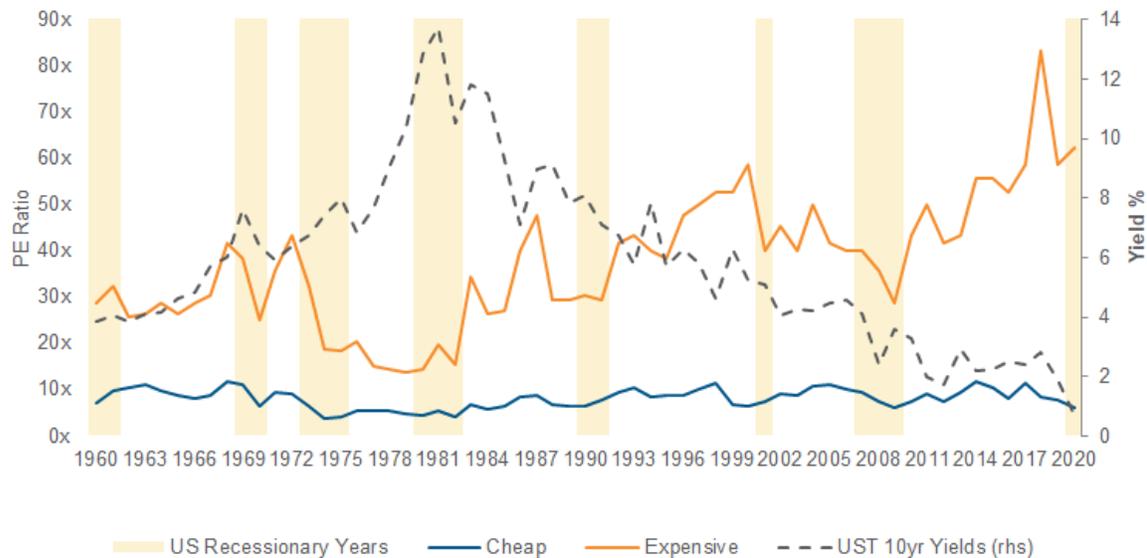
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Growth stocks have been riding high on the long wave of falling bond yields.

## THE TIDE MAY BE TURNING...

Interest rates have been declining for 40 years (down 96% in the US since 1981).



Source: Kenneth R. French, National Bureau of Economic Research, Federal Reserve Bank of St. Louis, Pzena analysis. The horizontal lines show the market-cap weighted trailing P/E ratios for the most expensive and cheapest quintiles of the US market. Data from 1951 through June 2020. Universe is all NYSE, AMEX, and NASDAQ stocks defined by Kenneth R. French data library.

Growth's P/E

Has risen to about **60x**, from below 15x in the early 1980s.

Value's P/E

Has stayed relatively constant at about **8 - 10x**.

## AND IMAGINE

what could happen when rates stop falling.

## FURTHER INFORMATION

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