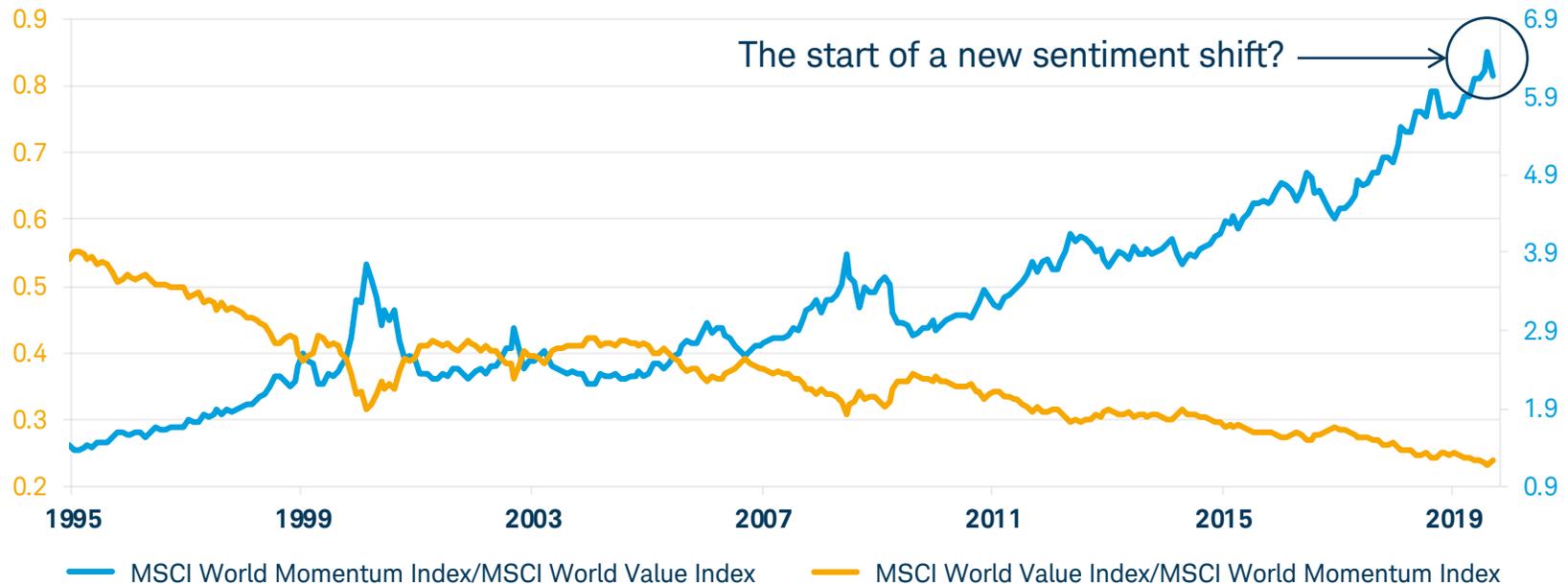


Will momentum take a break in 2020?

After more than a decade of outperformance, global momentum stocks underperformed in late 2019.

MSCI World Momentum Index vs. MSCI World Value Index



Global momentum stocks outperformed global value stocks over the past decade, potentially fueled by investors affected by the fear of missing out (FOMO).

However, investors who believed that momentum stock prices had risen too much and ignored their FOMO in late 2019 were likely rewarded as global momentum stocks underperformed.

Whether or not global momentum stocks will continue to underperform is unknowable, but select non-momentum-based international stock strategies may be worth a closer look.

Sources: Charles Schwab Investment Management, Inc.; Bloomberg. Data as of 10/31/19. The right vertical axis and blue line represent the MSCI World Momentum Price Index divided by the MSCI World Value Price Index. The left vertical axis and orange line represent the MSCI World Value Price Index divided by the MSCI World Momentum Price Index.

What does this mean for investors?

Ask your advisor about the potential benefits of non-momentum-based overseas stock strategies like international strategic beta.

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The MSCI World Index captures large- and mid-cap representation across 23 developed markets (DM) countries. With 1,650 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across 23 DM countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI World Momentum Index is based on MSCI World Index, its parent index, which includes large- and mid-cap stocks across 23 DM countries. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

Indexes are unmanaged, do not incur fees, and are unavailable for direct investment.

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