



JOURNAL ARTICLE

Value and Interest Rates: Are Rates to Blame for Value's Torments?

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Value stocks sharply underperformed growth stocks from 2017 to early 2020, exacerbating a longer period of lackluster performance that dates back to the Global Financial Crisis for some value factors. Some have blamed the interest rate environment – the low level of interest rates, falling bond yields or the flattening yield curve. We examine these claims. Theory suggests the link between value and interest rates is ambiguous and complicated. Empirically, we find fairly modest links that change for different specifications. Evidence of a mild relationship between interest rate variables and value's performance is found for some specifications, but not others. Despite some eye-catching patterns in recent data, particularly those related to changes in bond yields or the yield curve slope, the economic significance of any relationship is small and not robust in other samples. We conclude that the performance of value is not easily assessed based on the interest rate environment, and that factor timing strategies based on interest rate-related signals are likely to perform poorly. To read a brief summary of our findings, [click here](#).

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