

# More Momentum for Large Cap Growth?

## AOR Insights

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After a series of hot inflation prints to start 2024, last week's softer CPI and PPI releases suggest inflation continues trending toward the Fed's 2% target. With inflation back on track and a soft landing coming into view, rate cuts are back in focus, with an initial cut likely in September.

Historically, investors have been rewarded for allocating from cash into U.S. equities when the Fed embarks upon an easing cycle that results in a soft landing. Large cap growth equities have historically performed best in these scenarios. Growth outperforming value by 2.9% last week following the May CPI release may provide a preview of what's to come, extending a mega-cap-led momentum run for growth stocks.

### Equity Leadership Following the Cut

#### Subsequent 12-Month Price Return

Initial Rate Cut	Economic Outcome	Cash (3M T-Bills)	Russell 1000 Growth	Russell 1000 Value	Russell Mid Cap	Russell 2000
Apr. 1980	Recession	13.5%	39.0%	30.1%	51.41%	66.3%
June 1981	Recession	15.9%	-18.4%	-15.2%	-18.35%	-20.5%
Oct. 1984	Soft Landing	8.9%	9.5%	10.8%	11.96%	8.5%
June 1989	Recession	8.7%	17.5%	4.2%	4.50%	-1.5%
July 1995	Soft Landing	5.5%	22.5%	18.2%	17.26%	19.1%
Jan. 2001	Recession	4.4%	-15.6%	-5.7%	-3.08%	5.3%
Sept. 2007	Recession	3.2%	-17.6%	-25.4%	-19.29%	-12.8%
July 2019	Recession	1.5%	24.9%	-9.2%	-0.71%	-5.7%
Average		<b>7.7%</b>	<b>7.7%</b>	<b>1.0%</b>	5.5%	7.3%
Recessionary Average		<b>7.8%</b>	5.0%	<b>-3.5%</b>	2.4%	5.2%
Soft Landing Average		<b>7.2%</b>	<b>16.0%</b>	14.5%	14.6%	13.8%

Note: Rate cut cycles of at least 75 bps. Data as of March 31, 2024. Sources: FactSet, Bloomberg, S&P, Russell, ICE BofA, NBER.

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