The 2017 reflation trade

Research Signals

The global economic upturn extended through the end of 2017, as output growth accelerated in both the manufacturing and service sectors, with manufacturing the stronger of the two. The J.P.Morgan Global Manufacturing & Services PMI™ posted at 54.4, the highest level since March 2015, and the IHS Markit Global Sector PMI™ indicated that the technology sector was the fastest-growing sector over 2017 as a whole. With this economic backdrop, we review factor and model performance in 2017 (Table 1).

- US: Growth factors outperformed (reported) value factors, as demonstrated by Reinvestment Rate and Book-to-Market, respectively, and contributed to the Historical Growth model's superior results among our style models

- Developed Europe: Industry-adjusted 12-month Relative Price Strength posted strong performance, suggesting that investors preferred stocks that participated in the best annual stock market gains since 2013

- Developed Pacific: Japanese investors rewarded a broad spectrum of style factors, including Net Operating Asset Turnover, 2-Year Ahead EPS Growth and Forward 12-M EPS-to-Enterprise Value, and this positive trend was captured by the Value Momentum model's multi-style construction

- Emerging markets: 3-M Revision in FY2 EPS Forecasts was one of several Earnings Momentum factors that performed well over the course of 2017, while the corresponding style model consistently outperformed over the past five years with positive montly performance in 82% of months

Heading into 2018, IHS Markit expects sustained solid global growth in the world economy, matching the growth rate of 2017 and well above 2016. The global expansion is now stronger and more synchronized, particularly driven by the US, eurozone and Japanese economies, and with low probability of risks. The reflation trade, that helped push global stocks to lofty heights in 2017, is expected to face three additional US Federal Reserve rate hikes in 2018, followed by three more in 2019. In addition, IHS Markit expects upward pressure on the US dollar as the Fed is well ahead of most other central banks in its tightening cycle.

IHS Markit™

Table 1

Global factor and style model quantile return spread monthly average performance snapshot, Jan 2017 – Dec 2017

Factor	Factor Group	US Large Cap	US Small Cap	Developed Europe	Developed Pacific ex Japan	Japan Standard Cap	Emerging Markets
Book-to-Market	Deep Value	-1.19	-0.48	-0.08	-0.39	-1.52	0.05
Forward 12-M EPS-to-Enterprise Value		1.49	0.67	0.61	-0.28	0.97	0.32
TTM EBITDA-to-Enterprise Value		-0.02	0.50	0.32	0.40	0.88	0.66
TTM Free Cash Flow-to-Enterprise Value		0.72	-0.33	0.07	0.79	0.65	0.52
Industry Relative Leading 4-QTRs EPS to Price	Relative Value	0.71	1.20	0.03	0.37	0.37	0.05
Industry Relative TTM Dividend Yield		-0.41	-0.88	-0.49	-0.02	0.31	-0.53
Fixed Assets Turnover Ratio	Management Quality	1.67	0.95	0.45	0.50	2.02	0.72
Inventory Turnover Ratio		-0.12	-0.15	-0.60	-0.99	0.56	0.21
Net Operating Asset Turnover		0.97	-0.08	0.06	1.01	2.05	0.72
Change in Accruals to Assets	Earnings Quality	-0.06	-0.25	0.08	0.54	-0.33	0.47
Change in TTM COGS vs. Inventory Level		0.37	-0.28	-0.20	0.03	-0.07	0.14
Change in TTM Sales vs. Accounts Receivable		0.54	0.10	0.23	0.37	-0.06	0.27
Working Capital Accruals		-0.28	-0.23	0.82	-1.13	0.54	-0.54
1-yr Growth in TTM Free Cash Flow	Historical Growth	1.00	0.21	0.10	1.02	0.58	0.46
Reinvestment Rate		1.56	1.05	0.61	0.82	0.78	1.00
Average Monthly Trading Volume-to-Market Cap	Liquidity, Risk & Size	-0.98	-0.64	-0.02	-0.32	1.43	0.09
60-Month Beta		-0.27	0.11	-0.18	-0.79	-0.21	-0.96
Asset Quality Index		-0.24	-1.01	0.46	0.54	0.20	-0.26
Operating Leverage		0.18	0.41	-0.12	-0.21	0.29	0.16
Natural Logarithm of Market Capitalization		-0.53	-1.36	0.62	-0.29	0.60	-0.14
2-Year Ahead EPS Growth	Earnings Momentum	-0.16	-0.34	-0.14	0.45	1.30	0.58
3-M Revision in FY2 EPS Forecasts		0.05	0.07	0.61	0.54	0.71	0.43
Real Earnings Surprise		0.38	0.21	-0.21	0.10	0.34	0.29
24-Month Value at Risk	Price Momentum	0.09	0.19	0.21	-0.15	-0.73	-0.66
5-day Industry Relative Return		0.17	0.14	0.64	-0.69	0.04	-0.08
Industry-adjusted 12-month Relative Price Strength		0.71	0.78	0.96	1.28	0.74	1.25
Rational Decay Alpha		-0.86	-1.63	0.00	-0.27	0.37	0.84
Demand Supply Ratio	Short Sentiment	0.89	0.52	0.44	-0.23	0.45	-0.02
Implied Loan Rate		0.45	1.03	0.16	0.52	0.02	0.32
Style model							
Deep Value		1.14	0.53	0.23	1.16	0.86	0.58
Earnings Momentum		0.79	0.39	0.91	0.71	0.71	0.72
Price Momentum		0.79	0.71	0.44	1.28	0.56	0.37
Relative Value		0.92	0.20	0.22	0.01	0.61	0.10
Value Momentum		0.79	0.11	0.25	0.58	1.06	0.44
Historical Growth		2.19	1.07				

Source: IHS Markit

United States

US Large Cap

Business confidence among US manufacturers remained robust in December, with the PMI registering at 55.1, up from 53.9 in November, supported by faster increases in output and new orders. However, business activity growth in the services sector softened to a seven-month low in December, with the PMI registering at 53.7, down from 54.5 in November. In equity markets, stocks ended 2017 on a high note, finishing the year with the best annual gains since 2013, with investors optimistic that tax cuts and fiscal stimulus will continue to support business and consumer confidence and drive growth higher. Indeed, IHS Markit's forecast for 2018-20 GDP growth has been revised up modestly to reflect inclusion of the Tax Cuts and Jobs Act, with a pick up beginning in the second quarter of 2018 as consumers and businesses gradually respond to tax cuts.

Looking back at trends in factor performance in 2017, Historical Growth measures were among the most consistent winners (Table 2). Yearly TTM Total Sales Growth Rate (1.98%) and 1-yr Chg in Assets-adj TTM Oper Cash Flow (1.67%) are two such factors with strong average monthly spreads for the year, capturing growth in sales and operating cash flow, respectively. In turn, the Historical Growth model was our top performing style model for the year, recording an average monthly spread of 2.25% and cumulative spread of 28.6% (Figure 1). We remark, however, that the first four months of the year benefitted from a negative active (D1-D10) exposure to the Energy sector, though this active exposure reversed over the remainder of the year.

Likewise, the weakest performing factors for the year included long-term price momentum metrics (Table 3) which were also characterized by active exposures to the Energy sector (in this case postive) which negatively impacted performace. For example, 60-Month Active Return with 1-Month Lag (-2.55%), the weakest performing factor on average for the year, sported a consistent positive active exposure to Energy which averaged 44% over the course of the year.

Table 2

US Large Cap top decile return spread monthly average factor performance, Jan 2017 – Dec 2017		
Factor	**Decile spread (%)**	**Factor group**
60-Month Trading Volume Trend	2.12	Liquidity, Risk & Size
Yearly TTM Total Sales Growth Rate	1.98	Historical Growth
Attention Span Ratio	1.79	Management Quality
1-Year Percentage Growth in Regular Dividend	1.77	Dividend Forecast
Asia-Pacific Sales Exposure	1.68	Macro
3-yr Compound Annual Sales Growth	1.68	Historical Growth
1-yr Chg in Assets-adj TTM Oper Cash Flow	1.67	Historical Growth
Fixed Assets Turnover Ratio	1.67	Management Quality
1-yr Change in Sales	1.65	Historical Growth
Forward Return on Equity	1.63	Management Quality
3-yr Change in Assets-adj TTM Oper Cash Flow	1.62	Historical Growth
Dividend Coverage Ratio	1.57	Liquidity, Risk & Size
Reinvestment Rate	1.56	Historical Growth
3-yr Growth in TTM Earnings per Share	1.55	Historical Growth
FY1 EPS Estimates Dispersion	1.55	Earnings Momentum

Source: IHS Markit © 2018 IHS Markit

Figure 1

US Large Cap Historical Growth model decile return spreads

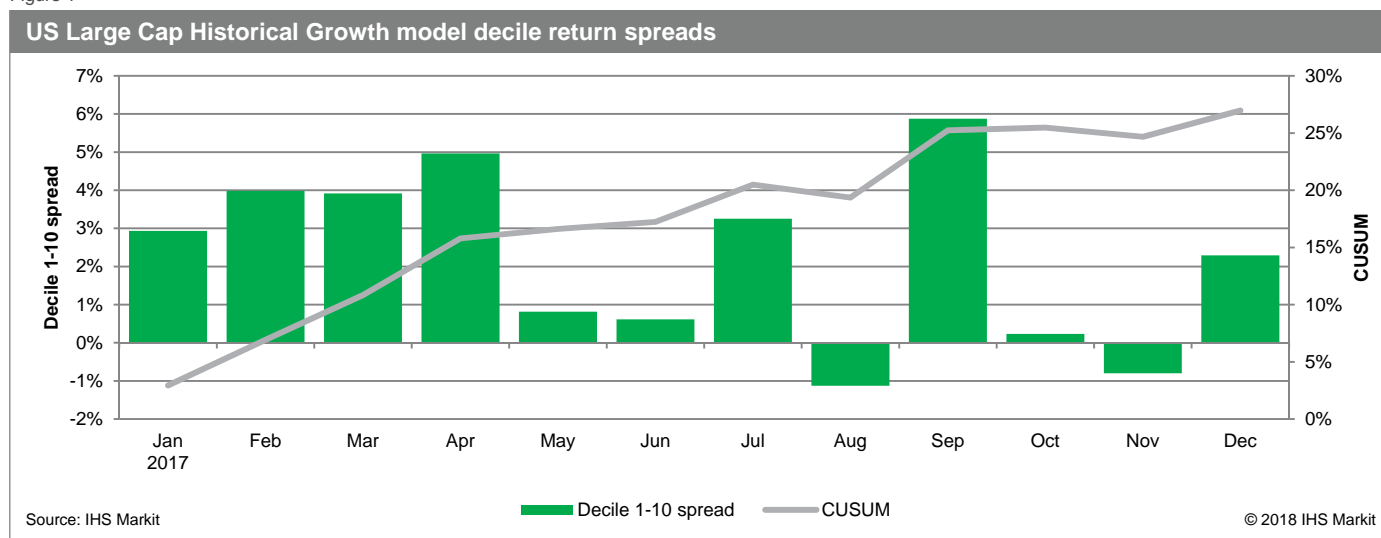Source: IHS Markit

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Table 3

US Large Cap bottom decile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
60-Month Active Return with 1-Month Lag	-2.55	Price Momentum
36-Month Active Return with 1-Month Lag	-2.44	Price Momentum
Net Cash to Equity	-2.16	Liquidity, Risk & Size
Net Current Assets-to-Price	-2.12	Deep Value
60-Month Alpha	-2.03	Price Momentum
Altman Z Score	-1.95	Liquidity, Risk & Size
Asset Composition	-1.94	Liquidity, Risk & Size
Net Debt Ratio	-1.87	Management Quality
1-yr Change in Total Assets	-1.83	Historical Growth
Leading 1-Year Regular Dividend Payout	-1.78	Dividend Forecast

Source: IHS Markit

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US Small Cap

Historical Growth measures also topped the list of best performing factors on average for small caps (Table 4). Sales-based metrics were the most highly rewarded with 1-yr Change in Sales (2.08%) taking the lead. On the other, an interesting differentiating characteristic was seen between purely price-based Price Momentum factors which outperformed on average such as 24-Month Active Return with 1-Month Lag (1.59%) and Rational Decay Alpha (-1.63%) which incorporates a market risk-adjusted component in its construction and was among the weakest performing factors on average for the year (Table 5).

Turning to style models, not surprisingly, the Historical Growth model was the most consistent performer for the year with a cumulative 12.8% spread. Weaker spread performance was posted by Price Momentum (8.47%) and Deep Value (6.31%); however, all three models were similarly successful in identifying underperforming names with cumulative D10 excess returns of -8.75%, -8.22% and -8.30% respectively (Figure 2).

Table 4

US Small Cap top decile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
1-yr Change in Sales	2.08	Historical Growth
Yearly TTM Total Sales Growth Rate	1.86	Historical Growth
3-yr Compound Annual Sales Growth	1.78	Historical Growth
EMEA Sales Exposure	1.70	Macro
3-yr Change in Price-adj TTM EPS	1.62	Historical Growth
24-Month Active Return with 1-Month Lag	1.59	Price Momentum
3 Year Change in Gross Profit Margin	1.34	Management Quality
Yearly Change In Gross Profit Margin	1.29	Management Quality
TTM Growth Flow-to-Price	1.27	Deep Value
Quarterly Change in Gross Profit to Assets	1.27	Management Quality
39-Week Return with 4-week Lag	1.23	Price Momentum
9-Month Active Return with 1-Month Lag	1.23	Price Momentum
26-Week Relative Price Strength	1.23	Price Momentum
Unexpected Change in Accounts Payable	1.20	Earnings Quality
Industry Relative Leading 4-QTRs EPS to Price	1.20	Relative Value

Source: IHS Markit   © 2018 IHS Markit

Table 5

US Small Cap bottom decile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
Leading 12 Month Book Yield	-2.37	Deep Value
36-Month Active Return with 1-Month Lag	-2.11	Price Momentum
Quick Ratio	-1.87	Liquidity, Risk & Size
Asset Composition	-1.77	Liquidity, Risk & Size
Price-to-Total Assets	-1.68	Deep Value
Current Liabilities-to-Price	-1.63	Liquidity, Risk & Size
Rational Decay Alpha	-1.63	Price Momentum
Cash & Equivalents-to-Current Liabilities	-1.60	Liquidity, Risk & Size
Current Ratio	-1.54	Liquidity, Risk & Size
Treynor Index	-1.43	Price Momentum

Source: IHS Markit   © 2018 IHS Markit

Figure 2

US Small Cap Leading 12 Month EBITDA/EV decile returns, Dec 2017
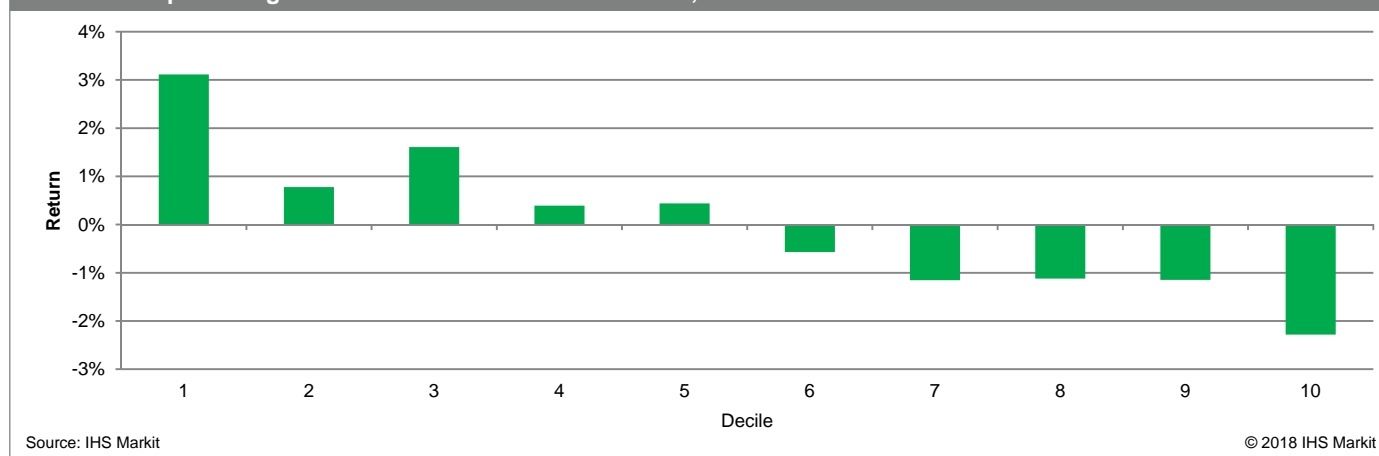
Source: IHS Markit   © 2018 IHS Markit

Europe

Eurozone economic growth ended 2017 at the highest level since early-2011. The IHS Markit Eurozone Composite PMI® posted at 58.1 in December, up from 57.5 in November, spurred on by a near-record expansion of manufacturing production and the steepest increase in service sector activity for over six-and-a-half years. The positive economic environment, which continued to surprise on the upside, led to improved business confidence in the euro area and helped push stocks to their best year since 2013. While the economic growth momentum is poised to carry over into 2018, IHS Markit expects the ECB to proceed gradually with its tapering of bond purchases through the end of the year which could become a mild headwind.

Investors in developed European markets looked favorably on analyst outlook in 2017 (Table 6). Street Consensus Rating (1.37%) was the top performing factor on average for the year, with a cumulative spread of 16.4% and positive results in all but one month, reversing negative trends in the prior year. The Earnings Momentum model was also the top performing style model, with an average monthly spread of 0.91% and 12-month cumulative spread of 10.9% (Figure 3). At the opposite extreme, factors which underperformed on average for the year (Table 7) include long-term price reversal and relative value measures such as 36-Month Active Return with 1-Month Lag (-0.97%) and 5-yr Relative Book-to-Market (-0.95%), respectively, suggesting that investors tended to avoid stocks that did not participate in the stock market rally.

Table 6

Developed Europe top decile return spread monthly average factor performance, Jan 2017 – Dec 2017		
Factor	**Decile spread (%)**	**Factor group**
Street Consensus Rating	1.37	Earnings Momentum
24-Month Active Return with 1-Month Lag	1.23	Price Momentum
30-75 Week Stock Price Ratio	1.11	Price Momentum
Yearly TTM Total Sales Growth Rate	1.10	Historical Growth
18-Month Active Return with 1-Month Lag	1.08	Price Momentum
1-yr Change in Asset Turnover Ratio	1.02	Historical Growth
1-yr Change in Sales	1.01	Historical Growth
Second Preceding 6-month Return	0.97	Price Momentum
Industry-adjusted 12-month Relative Price Strength	0.96	Price Momentum
Unexpected Profitability	0.92	Management Quality
3-M Revision in FY1 EPS Forecasts	0.91	Earnings Momentum
Time Weighted Earnings Yield	0.87	Deep Value
Street Revision Magnitude	0.86	Earnings Momentum
1-yr Chg in QTR Inventory as % of Sales	0.85	Historical Growth
Net # of Revisions for Fiscal Year 2	0.84	Earnings Momentum

Source: IHS Markit   © 2018 IHS Markit
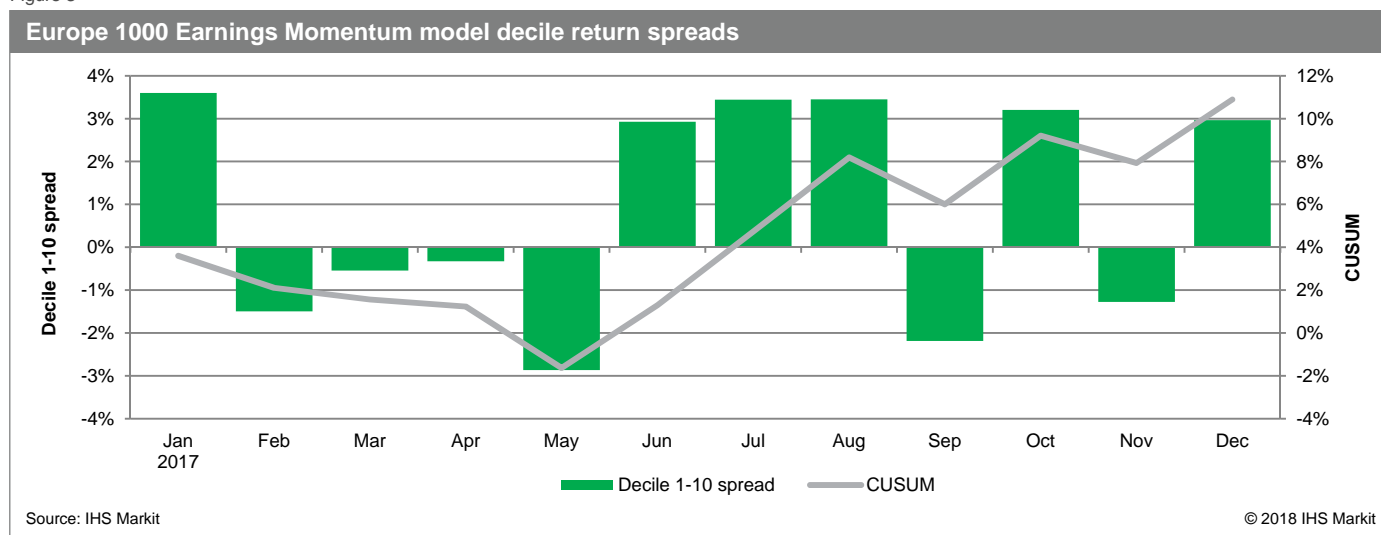
Figure 3

Europe 1000 Earnings Momentum model decile return spreads

Source: IHS Markit

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Table 7

Developed Europe bottom decile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
36-Month Active Return with 1-Month Lag	-0.97	Price Momentum
5-yr Relative Book-to-Market	-0.95	Relative Value
Asset Composition	-0.85	Liquidity, Risk & Size
Shareholder Payout to Gross Profit	-0.77	Management Quality
Natural Logarithm of Total Assets	-0.75	Liquidity, Risk & Size
Cash & Equivalents-to-Current Liabilities	-0.75	Liquidity, Risk & Size
60-Month Alpha	-0.72	Price Momentum
60-Month Active Return with 1-Month Lag	-0.70	Price Momentum
3-Month Active Return	-0.66	Price Momentum
Short Concentration Ratio	-0.65	Short Sentiment

Source: IHS Markit

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Asia-Pacific

Manufacturing operating conditions in the two largest Asian economies ended the year on an uptrend. Japanese economic growth maintained solid momentum, with the December Nikkei Composite PMI™ Output Index holding steady at 52.2, signalling a positive end to the year. Manufacturing activity was buoyed by solid export gains and, while the service sector maintained a modest rate of increase, business conditions were noticeably better in 2017 compared with the previous year. The Caixin China Composite PMI™ Output Index also improved to 53.0 in December, up from 51.6 in November, its highest level for the year, bringing the 2017 average to the highest for seven years. Inflows of new business saw the strongest monthly rise for nearly five years, suggesting a robust start to 2018. A widening gap in expansion in the service sector compared with manufacturing may also extend into the new year. Chinese stocks were the clear winners in 2017, and Japanese shares had their best year since 2013. However, the possibility of a tightening in monetary policy given further signs of improvement in economic activity and rising prices, especially in Japan, may increase risk and give the bull run a rest.

Factor performance in 2017 in the Developed Pacific exJapan universe (Table 8) was led by Price Momentum factors. 6-Month Nominal Change in 36-Month Alpha (2.49%) recorded the highest average monthly spread with positive spreads in 10 months and cumulating to 29.8%. The Price Momentum model was also the top performing style model, with a cumulative spread of 15.4%, particularly driven by identifying underperforming low momentum (D10) names (Figure 4). Factors which underperformed on average for the year (Table 9) include several dispersion-based Earnings Momentum signals such as Std Dev of FY2 EPS Estimates-to-Price (-1.36%), suggesting that investors were willing to take on more uncertainty in terms of earnings outlook.

In the Japan Standard Cap universe, the top performing factors on average in 2017 spanned a broad spectrum of styles (Table 10), represented by Assets Turnover Ratio (2.58%), TTM Sales-to-Enterprise Value (1.85%), Profitability Ratio (1.57%) and 12-Month Active Return with 1-month Lag (1.47%). Perhaps not surprisingly, the Value Momentum model, a comprehensive approach including factors that span value, quality and price and earnings momentum, was the top performing style model, extending a string of strong performance since July 2016 cumulating to 41.2% (Figure 5). Lastly, while Deep Value factors were weak performers on average for the year (Table 11), the multi-factor combination of factors in the Deep Value model provided the second highest 12-month cumulative spread of 10.3%.

Table 8

Developed Pacific exJapan top decile return spread monthly average factor performance, Jan 2017 – Dec 2017		
Factor	Decile spread (%)	Factor group
6-Month Nominal Change in 36-Month Alpha	2.49	Price Momentum
26-Week Relative Price Strength	1.79	Price Momentum
Cash Earnings Return On Equity	1.57	Management Quality
Number of Analyst Coverage	1.49	Liquidity, Risk & Size
Reciprocal of Dividend Yield-adjusted PEG	1.48	Earnings Momentum
Cyclically Adjusted Earnings-to-Price	1.39	Deep Value
Inverse of PEG Ratio	1.35	Earnings Momentum
Change in QTR SG&A Expenses vs. Sales	1.31	Earnings Quality
Short Concentration Ratio	1.30	Short Sentiment
Industry-adjusted 12-month Relative Price Strength	1.28	Price Momentum
Flow Ratio	1.27	Liquidity, Risk & Size
Yearly TTM Total Sales Growth Rate	1.27	Historical Growth
1-yr Growth in TTM Cash Flow	1.22	Historical Growth
50-200 Day Stock Price Ratio	1.21	Price Momentum
The Visibility Ratio	1.21	Price Momentum

Source: IHS Markit © 2018 IHS Markit

Figure 4

Developed Pacific exJapan Price Momentum model decile excess returns
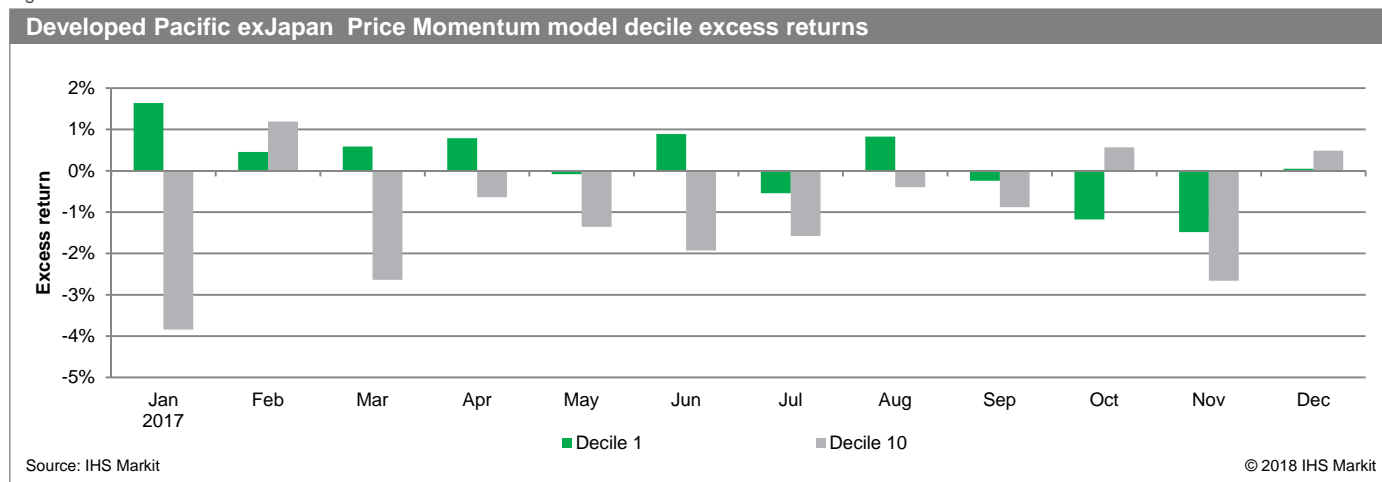
Source: IHS Markit © 2018 IHS Markit

Table 9

Developed Pacific exJapan bottom decile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
Std Dev of FY2 EPS Estimates-to-Price	-1.36	Earnings Momentum
FY1 EPS Estimates Dispersion	-1.34	Earnings Momentum
3-yr Compound Annual FCF Growth	-1.33	Historical Growth
FY2 EPS Forecast Dispersion	-1.31	Earnings Momentum
3-Month Active Return	-1.30	Price Momentum
Natural Logarithm of Closing Price	-1.29	Liquidity, Risk & Size
Average Trading Volume in Preceding 6-month	-1.22	Price Momentum
2-Month Active Return	-1.16	Price Momentum
Working Capital Accruals	-1.13	Earnings Quality
1-yr Change in Total Assets	-1.13	Historical Growth

Source: IHS Markit

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Table 10

Japan Standard Cap top decile return spread monthly average factor performance, Jan 2017 – Dec 2017

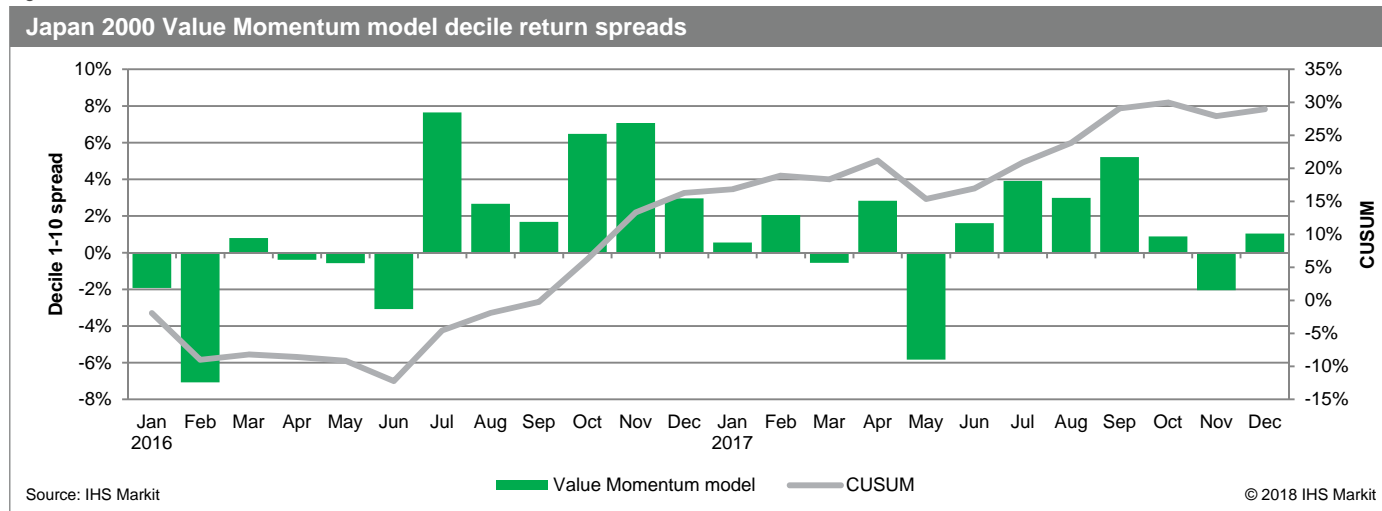| Factor	Decile spread (%)	Factor group
Assets Turnover Ratio	2.58	Management Quality
Equity Turnover Ratio	2.19	Management Quality
Net Operating Asset Turnover	2.05	Management Quality
Fixed Assets Turnover Ratio	2.02	Management Quality
TTM Capital Expenditures-to-Sales	1.99	Management Quality
TTM Gross Profit to Assets	1.93	Management Quality
Retained Earnings-to-Total Assets	1.89	Management Quality
TTM Sales-to-Enterprise Value	1.85	Deep Value
1-Year Price Momentum Indicator	1.76	Price Momentum
30-75 Week Stock Price Ratio	1.72	Price Momentum
Net Debt to EBITDA	1.67	Management Quality
EBITDA-to-Debt	1.60	Liquidity, Risk & Size
Profitability Ratio	1.57	Management Quality
12-Month Active Return with 1-month Lag	1.47	Price Momentum
Industry Relative TTM Sales-to-Price	1.45	Relative Value

Source: IHS Markit

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Figure 5

Japan 2000 Value Momentum model decile return spreads

Source: IHS Markit

Value Momentum model   CUSUM

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Table 11

Factor	Decile spread (%)	Factor group
Japan Standard Cap bottom decile return spread monthly average factor performance, Jan 2017 – Dec 2017		
Price-to-Total Assets	-1.98	Deep Value
Net Asset Value to Price	-1.83	Deep Value
Tobin q	-1.82	Liquidity, Risk & Size
Market Cap per Analyst	-1.79	Liquidity, Risk & Size
Financial Leverage	-1.69	Liquidity, Risk & Size
24-Month Residual Return Variance	-1.63	Price Momentum
Inventory-to-Total Assets	-1.56	Management Quality
Operating Cash Flow Profit Margin	-1.56	Management Quality
Book-to-Market	-1.52	Deep Value
Price Above Last 260-day Lowest Trading Price	-1.51	Price Momentum

Source: IHS Markit   © 2018 IHS Markit

Emerging Markets

We round out our report with a review of emerging markets. Economic growth in 2016 was the weakest since the financial crisis; however, since then, external factors such as the considerable pick up in developed market economic growth and commodity price inceases in excess of 60% have contributed to a rebound in emerging mareket growth, and IHS Markit expects this growth rate will be sustained in 2018.

Investors in turn took on an optimistic stance, consistently rewarding Price Momentum factors for the year (Table 12). Fama-French Momentum (1.89%) posted the top average spread with positive performance in all but one month of the year. Investors also moved out on the risk curve (Table 13), as demonstrated by underperformance to 24-Month Residual Return Variance (-1.24%) in 10 of the past 12 months. However, the strongest performing style model in 2017 was Earnings Momentum (Figure 6), with a cumulative quintile spread of 8.6% and 75% hit rate (percent of months with positive spreads), indicating that investors were attuned to analyst outlook. In fact, over the past five years, the model has posted an average monthly spread of 0.98% and 82% hit rate.

Table 12

Factor	Decile spread (%)	Factor group
Emerging Markets top quintile return spread monthly average factor performance, Jan 2017 – Dec 2017		
Fama-French Momentum	1.89	Price Momentum
Cash Earnings Return On Equity	1.85	Management Quality
1-Year Price Momentum Indicator	1.85	Price Momentum
30-75 Week Stock Price Ratio	1.80	Price Momentum
Slope of 52 Week Price Trend Line	1.78	Price Momentum
39-Week Return with 4-week Lag	1.70	Price Momentum
Unexpected Profitability	1.68	Management Quality
9-Month Active Return with 1-Month Lag	1.65	Price Momentum
Slope of 66 Week Price Trend Line	1.56	Price Momentum
50-200 Day Stock Price Ratio	1.52	Price Momentum
Second Preceding 6-month Return	1.50	Price Momentum
12-Month Active Return with 1-month Lag	1.36	Price Momentum
3-M Revision in FY1 EPS Forecasts: Dispersion Relative	1.36	Earnings Momentum
26-Week Relative Price Strength	1.33	Price Momentum
15/36 Week Stock Price Ratio	1.26	Price Momentum

Source: IHS Markit   © 2018 IHS Markit

Table 13

Emerging Markets bottom quintile return spread monthly average factor performance, Jan 2017 – Dec 2017

Factor	Decile spread (%)	Factor group
Price Above Last 260-day Lowest Trading Price	-2.09	Price Momentum
4-Year Change in the Average Trading Volume	-1.33	Price Momentum
24-Month Residual Return Variance	-1.24	Price Momentum
Product of Beta and Sigma	-1.16	Liquidity, Risk & Size
Trading Turnover Ratio	-1.15	Liquidity, Risk & Size
20-Day Volume Volatility to Price Volatility	-1.13	Liquidity, Risk & Size
36-Month Active Return with 1-Month Lag	-1.10	Price Momentum
CV of Prior 90-Day Closing Prices	-1.09	Price Momentum
5-yr Relative Book-to-Market	-1.09	Relative Value
Stock Return Volatility	-1.09	Liquidity, Risk & Size

Source: IHS Markit

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Figure 6

Emerging Markets Earnings Momentum model quintile return spreads
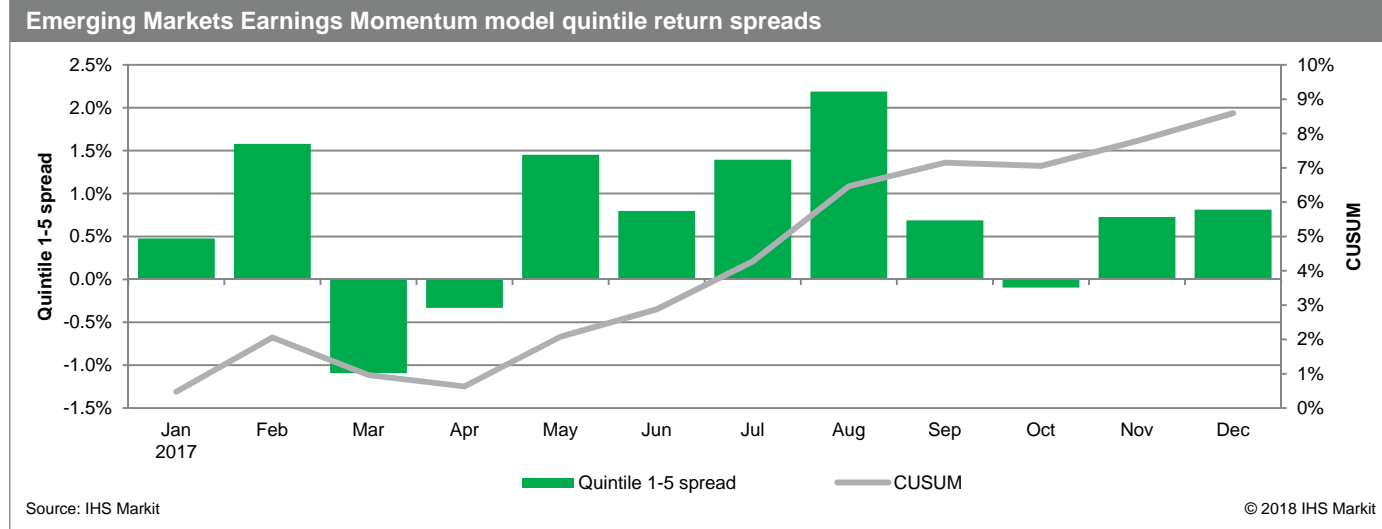
Source: IHS Markit

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