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Momentum vs. Value Investing: A Comparative Analysis of the S&P 500 and Nifty 50

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Abstract: This study looks at how momentum and value investing strategies performed in the U.S. and Indian stock markets from 2018 to 2025. It applies these strategies to stocks in the S&P 500 and Nifty 50 indices. The results show that both strategies did better than the S&P 500, but in the Nifty 50, only value investing beat the benchmark, while momentum investing performed worse. Momentum investing worked well in the U.S. market by taking advantage of rising trends but struggled during market drops. In India, value investing performed better, as it benefited from the market's inefficiencies. These results highlight how market structure influences investment strategy effectiveness. Future research could explore macroeconomic impacts, sector-specific trends, and hybrid approaches that combine momentum and value principles.

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I. INTRODUCTION

People invest in stocks in different ways to make money. Investing in financial markets has always involved different strategies aimed at maximizing returns while managing risks. Momentum and value investing are two widely used approaches, each based on different market behaviors. Momentum investing focuses on stocks with recent strong performance, while value investing targets undervalued stocks with growth potential. Previous studies have shown that these strategies can outperform the market, but their effectiveness often varies across different market conditions and regions.

The research question this paper seeks to address is which of these strategies generates superior returns and offers greater safety for investors. To investigate this, I analyzed stock price data from 2018 to 2025 for a selection of companies from both the U.S. and Indian stock markets. For the S&P 500 index, I chose ten major companies: Apple, Amazon, Google (Alphabet), Meta (Facebook), Microsoft, Nvidia, Tesla, JPMorgan Chase, Bank of America, and Goldman Sachs. Additionally, I included the Nifty 50 index, representing the top 50 companies in India, with stocks like HDFC Bank, Tata Steel, Kotak Mahindra, Cipla, Infosys, Reliance Industries, Tech Mahindra, Tata Motors, Adani Ports, and Maruti Suzuki.

The findings of this study provides insights into which strategy might be more advantageous for investors. This study is significant because it compares the effectiveness of momentum and value investing across two major markets: the U.S. and India. By analyzing the performance of these strategies, the research offers practical insights that can help investors make more informed decisions about where and how to allocate their funds.

This study focuses on testing momentum and value investing strategies using stock data from 2018 to 2025. It includes ten companies from the S&P 500 and ten from the Nifty 50, providing a cross-market comparison. The analysis measures performance based on returns, volatility, and risk-adjusted metrics. However, the study is limited to large-cap stocks, which may not reflect the performance of smaller or mid-sized companies. Additionally, factors like transaction costs, taxes, and market liquidity are not fully considered, which could impact real-world results. The following sections of the paper start with a literature review, and then it explains the methodology used to test these strategies. Next, the paper presents the results of the analysis and concludes with recommendations based on the findings.

II. LITERATURE REVIEW

The debate between momentum and value investing has been widely explored in financial research, with various studies examining their effectiveness and underlying causes. Jegadeesh and Titman (1993) demonstrated that stocks with strong past performance tend to continue their upward trend in the short term, forming the basis of momentum investing. Fama and French (1992) argued that value stocks, which appear underpriced based on financial metrics, generate higher long-term returns due to inherent risk premiums. Carhart (1997) extended this idea by incorporating momentum as a key factor influencing stock returns.

Further research has examined the conditions under which these strategies succeed. Asness, Moskowitz, and Pedersen (2013) found that value and momentum investing often perform well in different market environments, suggesting that their effectiveness depends on broader economic trends. Green, Hand, and Zhang (2017) emphasized that while both strategies generate excess returns,

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transaction costs and liquidity constraints can significantly impact their practical implementation.

Other studies have highlighted risk factors associated with these approaches. Baker, Bradley, and Wurgler (2011) observed that lower-volatility stocks tend to outperform, supporting the idea that value investing, which is generally associated with lower risk, can be a more stable investment strategy. Similarly, Lo and MacKinlay (1999) showed that stock price trends provide meaningful signals for future returns, reinforcing the principles behind momentum investing. This study builds on existing research by applying momentum and value investing strategies to both the U.S. and Indian stock markets, offering insights into their effectiveness across different economic environments.

III. METHODOLOGY

A. Data Collection

This study looks at how momentum and value investing strategies perform using past stock prices from Yahoo Finance. I use daily data that covers the period from January 1, 2018, to January 15, 2025, capturing different market conditions. The study focuses on ten major companies from the U.S. stock market, mainly in the technology and finance sectors. The selected tech companies are Apple (AAPL), Amazon (AMZN), Google (GOOGL), Meta (META), Microsoft (MSFT), NVIDIA (NVDA), and Tesla (TSLA). From the finance sector, JPMorgan Chase (JPM) and Bank of America (BAC) are included. Their performance is compared to the S&P 500 index (SPY), which represents the overall market.

To make the study more comprehensive, stocks from India's Nifty 50 index are also included. The selected Indian stocks are HDFC Bank (HDFCBANK.NS), Tata Steel (TATASTEEL.NS), Kotak Mahindra Bank (KOTAKBANK.NS), Cipla (CIPLA.NS), Infosys (INFY.NS), Reliance Industries (RELIANCE.NS), Tech Mahindra (TECHM.NS), Tata Motors (TATAMOTORS.NS), Adani Ports (ADANIPORTS.NS), and Maruti Suzuki (MARUTI.NS). By including both U.S. and Indian markets, this study gives a broader view of how these strategies perform in different economies.

B. Strategy Definition

- *Momentum Strategy*

Momentum investing is based on the idea that stocks that have gone up recently will continue rising. To measure momentum, we check how much a stock's price has changed over the last 63 trading days (around three months). The top five stocks with the highest momentum scores are selected for the portfolio.

$$Momentum[t] = \frac{Price[t]}{price[t - lookback]} - 1$$

- *Value Strategy*

Value investing looks for stocks that are cheap compared to their real worth. Stocks are ranked based on financial ratios that show if they are undervalued. The five stocks with the best value scores are chosen for the portfolio.

$$value\ score[t] = \frac{MA_{ma\_window[t]}}{price[t]}$$

Where $MA_{ma\_window[t]}$ is the moving average of the price over the past "ma_window" days.

The moving average is a simple yet effective metric for calculating the value score, as it smooths out short-term price fluctuations and highlights a stock's intrinsic value over time. By averaging past prices, it avoids being skewed by temporary market noise and aligns with the principle of mean reversion. Its simplicity makes it accessible and reliable for identifying undervalued stocks, ensuring a stable, data-driven approach to value investing.

C. Portfolio Construction

Each strategy selects five stocks to include in the portfolio. To keep things fair, each stock is given equal weight. A trading cost of 0.1% per trade is deducted to make the results more realistic.

D. Backtesting Process

To test how these strategies would have worked in real life, we use a backtesting method. First, stock data is collected from Yahoo Finance. Then, scores for each strategy (momentum or value) are calculated. Based on these scores, the top five stocks are picked for the portfolio. The portfolio is updated at the end of each month, and all stocks are given equal weight. The returns are tracked and compared to the S&P 500 and Nifty 50 indexes to see if the strategies perform better than the overall market.

E. Performance Metrics

A key performance indicator (KPI) is tracked to measure success. Cumulative return shows how much the portfolio has grown over time. This metric helps compare momentum and value investing to determine which strategy makes more money, carries less risk, and performs better than the overall market.

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IV. RESULTS

Figure 1 shows the cumulative returns of momentum and value strategies compared to the S&P 500 benchmark from 2018 to 2025.

Fig 1 Cumulative Returns for the Investment Strategies in the US stock market and the Benchmark (S&P 500) from January 1, 2018 until January 15, 2025.

From the figure, it is evident that both momentum and value strategies outperformed the S&P 500. Momentum investing delivered the highest overall returns, with a steep increase starting around 2020. However, it also exhibited significant fluctuations, particularly during market downturns. The value strategy, while also performing better than the benchmark, showed a steadier upward trajectory with fewer sharp swings.

Figure 2 presents the cumulative returns of both strategies in comparison to the Nifty 50 benchmark.

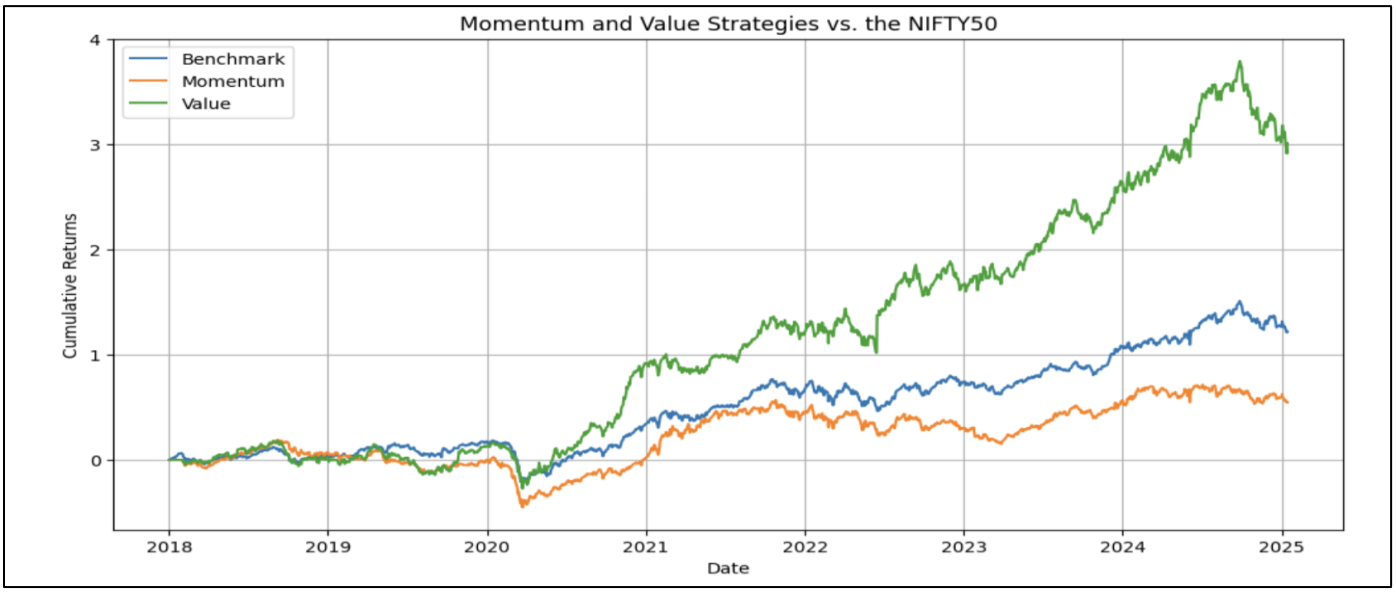

Fig 2 Cumulative Returns for the Investment Strategies in the Indian stock market and the Benchmark (Nifty 50) from January 1, 2018 until January 15, 2025.

In the Nifty 50, value investing clearly outperformed both momentum and the benchmark. Momentum, on the other hand, struggled and even lagged behind the index, suggesting that market swings and volatility made it harder for trends to sustain. This highlights how value stocks in India benefited more from long-term mispricing corrections, while momentum strategies didn't gain as much traction.

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V. ANALYSIS

The results show a clear difference between the two markets—momentum investing performed well in the S&P 500 but actually did worse than the benchmark in the Nifty 50. Meanwhile, value investing delivered the best returns in India, significantly outperforming both momentum and the index. This suggests that undervalued stocks in India had more room to grow as investors slowly recognized their true worth. Since emerging markets tend to have more mispriced stocks, value strategies were better able to take advantage of these opportunities. This aligns with research by Asness, Moskowitz, and Pedersen (2013), which found that value and momentum strategies work best in different market environments depending on broader economic trends.

One big takeaway is that different strategies work better in different markets. In the U.S., momentum investing thrived because big institutional investors reinforced trends, driving prices even higher. But in India, momentum struggled, likely because the market is more unpredictable, with frequent price swings that made it harder for trends to hold. Value stocks, on the other hand, seemed to benefit from these ups and downs, gradually attracting investor attention and delivering steady gains.

Even though momentum investing underperformed in the Nifty 50, value investing's success shows that active strategies can still beat passive index investing—if they fit the market. Momentum works best in strong, stable uptrends, but India's choppier environment made it harder for the strategy to succeed. This supports past research showing that momentum strategies are more vulnerable when markets shift suddenly. Value investing, though slower and less exciting, held up better during uncertain times.

Overall, this confirms that momentum investing works best in trend-driven markets like the U.S., while value investing is more effective in emerging markets like India, where inefficiencies create more opportunities. The results make it clear that choosing the right strategy depends on the market—what works well in one place won't necessarily succeed in another.

VI. CONCLUSION

This study looked at how momentum and value investing strategies performed in the S&P 500 and Nifty 50 from 2018 to 2025, testing whether they could beat their respective benchmarks. The results showed that while both strategies outperformed the market in the U.S., only value investing did so in India. Momentum investing, which worked well in the S&P 500, failed to beat the Nifty 50 benchmark, showing how market conditions play a big role in determining a strategy's success. In contrast, value investing benefited from long-term price corrections, making it the stronger approach in the Indian market.

These findings support the idea that momentum investing is more effective in developed markets like the U.S., where strong trends and institutional investors drive stock prices. In India, however, momentum struggled because the market is more volatile, with frequent price swings disrupting trends. Value investing, on the other hand, performed well, as undervalued stocks eventually gained recognition. This highlights why investment strategies need to be chosen based on market conditions rather than assuming one approach works everywhere.

Momentum investing can deliver high returns in strong uptrends but is more vulnerable when markets shift. Its underperformance in India suggests that in volatile environments, momentum loses its edge. Value investing, though slower, proved to be more reliable, especially during uncertain times. While momentum may still be attractive in bull markets, value investing appears to be the better option in markets like India, where inefficiencies create long-term opportunities.

Future research could explore how factors like inflation, interest rates, and investor behavior impact these strategies. Another interesting area to study would be combining momentum and value principles into a hybrid approach that balances growth potential with stability.

Ultimately, this study reinforces that while active investing can outperform passive strategies, success depends on understanding the market. Different environments require different approaches, and as markets evolve, refining these strategies will be key to maximizing returns while managing risk effectively.

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