From Relief to Renewal: Why Quality Will Lead the Next Cycle

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Punti chiave

- The post-shutdown relief rally shows markets are regaining discipline—volatility now rotates sectors rather than derailing sentiment.

- In a noisy policy environment, investors are rewarding companies with profitability, resilience, and consistent earnings power.
- Quality companies with strong balance sheets and consistent earnings continue to compound through uncertainty.
- WisdomTree's Quality Growth strategy provides systematic exposure to durable growth leaders beyond traditional indices.

The market has exhaled.

A shutdown resolved, tariffs reconsidered, trade channels reopening — each step easing months of built-up pressure. Risk assets rallied, but without the fever of speculation. It was the sigh of a system finding rhythm again, not the roar of a new bull market.

From relief comes renewal — and it may be led by quality.

From Relief to Renewal

When U.S. senators reached a deal to end the government shutdown, global markets staged a powerful relief rally. The S&P 500 gained 1.5 per cent, the Nasdaq 2.3 per cent and Europe's STOXX 600 1.4 per cent, with Japan's Nikkei 225 up more than 1 per cent. Tech and cyclical stocks led the rebound, while gold climbed nearly 3 per cent as investors hedged residual policy risk.

Yet the headlines that followed were anything but calm. The Supreme Court reopened debate over Trump tariffs; the president promised a $2,000 "tariff dividend". Meanwhile, U.S.–China relations showed tentative improvement, and Washington moved closer to a pragmatic trade framework with Switzerland and India.

Each story pulled sentiment in a different direction, yet together they told a simpler truth: **the age of macro noise is far from over**.

What has changed is how investors respond to it. Volatility no longer shocks markets; it simply rotates them. Policy drama may jolt indices, but it rarely alters the trajectory of the underlying economy. U.S. growth remains steady, consumer spending resilient, and global trade flows gradually normalising. Investors are learning to navigate through uncertainty rather than around it — a mark of a more disciplined market mindset.

Quality at the core of a changing cycle

When **Warren Buffett** - the world's most recognised investor, said in his recent letter to shareholders that he is "going quiet," it marked a pause in decades of championing patient investing and durable businesses. Yet in uncertain markets, his enduring principles remain as relevant as ever.

Periods of policy volatility and economic crosscurrents tend to raise the premium on quality. When the rules of the game shift with each headline, investors gravitate toward companies that can operate through the noise — firms with clean balance sheets, high returns on capital and predictable earnings. These are the businesses that compound through cycles rather than react to them, turning instability into endurance.

Market signals echo that preference. Traders are betting that the 10-year U.S. Treasury yield could fall below 4 per cent as new data are expected to confirm a slowing economy. Historically, when Treasuries rally and yields decline, growth and quality companies tend to outperform — their future earnings streams are valued more generously when discount rates ease.

With fresh trade dialogues under way and the Supreme Court of the United States reopening debate on presidential tariff authority, supply-chain relief is edging into the growth narrative. In this environment, the dominant platform firms (often named the "Magnificent 7") stand to benefit: shorter lead-times, lower working-capital drag and more predictable production cadence — which in turn enhances asset-utilisation and margin potential. While policy shocks, export restrictions and trade disruptions remain meaningful risks, the backdrop of improving trade-logistics dynamics could add an incremental tailwind to companies that combine quality and growth characteristics.

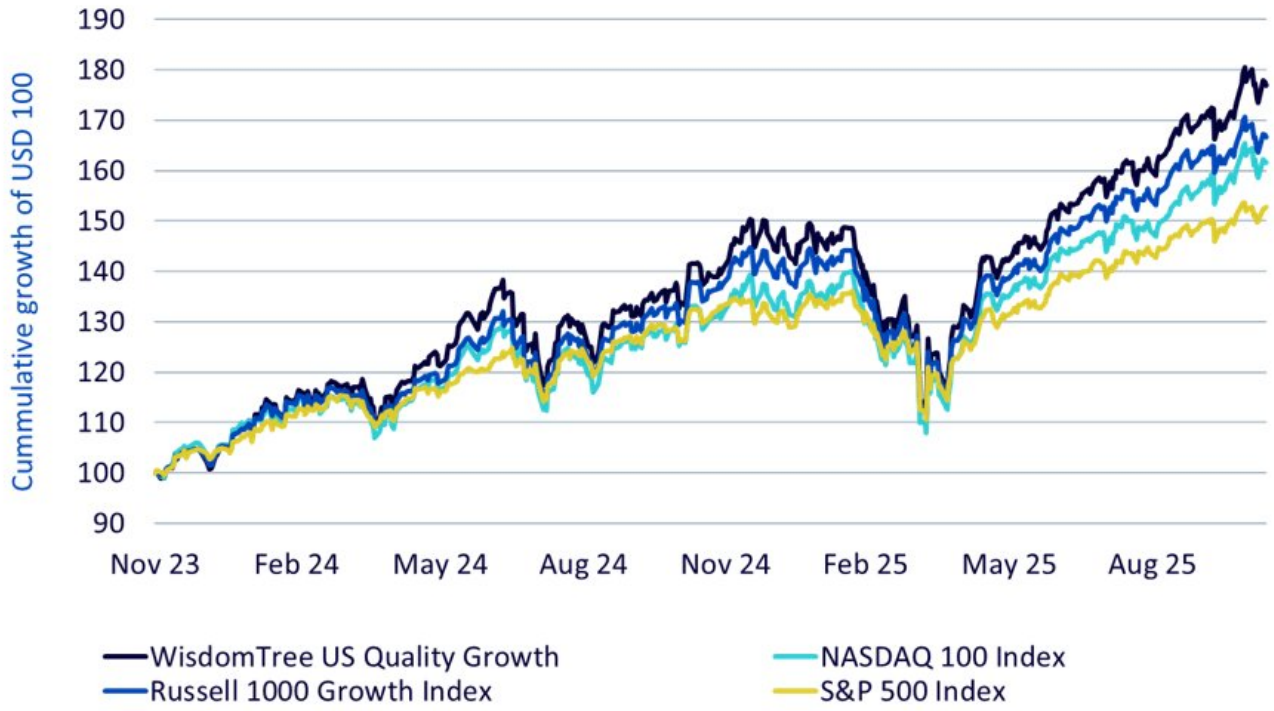
Final Reflection: The Quiet Power of Quality

At WisdomTree, we translate the principles of durable, disciplined growth into systematic strategies that identify companies combining strong profitability with sustainable earnings momentum.

Our **Quality Growth** approach doesn't chase momentum or headlines — it captures the structural growth leaders of every market cycle.

By systematically screening for companies with high returns on equity and return on assets — hallmarks of quality and combining this with a composite growth score built from earnings and sales growth metrics, **WisdomTree's Quality Growth** strategies seek to capture the compounding power of durable growth businesses. These are firms capable of reinvesting their earnings to drive sustained profit expansion over time. Through a disciplined, rules-based process grounded in fundamentals rather than sentiment or speculation, the strategy provides a transparent way to participate in the next phase of market growth — where quality and consistency define performance.

Figure 1: WisdomTree US Quality Growth vs NASDAQ 100, Russell 1000 Growth, and S&P 500



Source: FactSet, Bloomberg. 30 Nov 2023 to 12 Nov 2025. Returns are derived from the Net Total Return series of respective indexes. **Historical performance is not an indication of future performance, and any investment may go down in value.**

The **NASDAQ 100 Index**, a favourite benchmark for U.S. growth investors, follows a straightforward methodology — it includes the top 100 non-financial companies listed on the NASDAQ exchange, weighted by modified market capitalisation. This approach can let mature; slower-growth firms remain dominant purely due to size.

The **WisdomTree US Quality Growth UCITS Index (WTQGRWU)**, on the other hand, selects companies based on fundamentals across all major U.S. exchanges, offering investors purer exposure to growth businesses and the potential for stronger long-term returns compared to traditional market-cap-weighted indices like the NASDAQ 100. Since its inception in November 2023, this refined approach has helped WTQGRWU deliver over 5% higher annualised returns than the NASDAQ 100.

Conclusion

Markets will keep moving to the rhythm of policy, but the real melody belongs to fundamentals. The relief rally may fade, and new uncertainties will arise, yet the companies built on profitability and discipline will keep compounding quietly beneath the noise. Warren Buffett may be going quiet, but his philosophy on quality still echoes loudly — reminding investors that resilience, consistency, and strong fundamentals remain the surest path through uncertain times.

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