



November 2020: Market Review

Global equity markets surged in November as positive news surrounding coronavirus vaccines outweighed concerns of increasing virus infections worldwide. Two major pharmaceutical companies (Pfizer and Moderna) concluded their coronavirus vaccine clinical trials last month, reporting roughly 95% success rates. As such, they have both applied for accelerated authorization of the vaccines in both Europe and the U.S., bringing excitement for investors and hope to all. Despite this positive news, coronavirus infections have rapidly increased, especially in the United States, as Europe's lockdowns have helped keep infections somewhat under control for the time being. U.S. equities underperformed international equities this month as the dollar declined relative to foreign currencies. An additional tailwind for international equities was the signing of the world's largest regional trade agreement involving fifteen countries in the Asia Pacific region, including China, Japan, and South Korea. The S&P 500 Index added +11.0% this month and is up +14.0% year-to-date. The Dow Jones Industrial Average climbed +12.4%, hitting an all-time high mid-month and finishing November with a gain of +6.1% year-to-date. The NASDAQ Composite (+11.9%) also had a strong month, contributing to a substantial appreciation of +37.1% for the year.

In the United States, the number of new daily coronavirus cases hit a record high of approximately 205,600 causing some states to implement restrictions on movement to curb infections. The increase in infections is coupled with record highs of hospitalizations across the country but particularly in midwestern states. Uncertainty regarding the U.S. presidential election faded as Joe Biden has been recognized nationally as the president-elect. However, lawsuits filed by the Trump campaign and the counting of mailed in ballots have delayed official declaration of the winner in some states. The unemployment rate fell to 6.9% in October, but initial unemployment claims rose for two straight weeks in November, a worrying signal that the recovery may be stalling as virus cases rise. Among commodities, WTI crude oil ended the month at \$45 a barrel, down from \$36 in October. Gold ended the month at \$1,776, lower than its close of \$1,877 last month.

Within domestic equities, value outperformed relative to growth across all capitalization sizes for the second consecutive month. The Russell 1000 Value Index added +13.5% while the Russell 1000 Growth Index was up +10.2%. Mid-cap equities were closer in the month with the Russell Midcap Value Index gaining +14.0% versus a +13.4% increase in the Russell Midcap Growth Index. For the second consecutive month, small-cap equities outperformed mid- and large-cap stocks as the Russell 2000 Value Index surged +19.3% while the Russell 2000 Growth Index increased +17.6%. Due to the significant appreciation of equities in November, all equity indices besides the Russell 1000 Value Index (-1.0%) and the Russell 2000 Value Index (-3.1%) are in positive territory for the calendar year.

Similarly, major international indices posted sizable returns for the month due to the positive vaccine news and a weaker U.S. dollar. The MSCI EAFE Index (+15.5%) and the MSCI Europe Index (+17.0%) were two of the largest participants in the rally as multiple companies have applied for coronavirus vaccine approval in Europe. In addition, the MSCI Pacific Index increased +13.2%. The MSCI Emerging Markets Index rose +9.3% but underperformed developed market equities due to weakness in China (+2.8%) and India (+8.5%). Despite a relatively modest gain for emerging market equities in November, the index still outpaces all other international equities in 2020 (+10.2% year-to-date).

U.S. treasury markets also posted gains in November as bond yields declined. The yield on the 10-year Treasury closed at 0.84%, lower than last month's close of 0.88%. The Bloomberg Barclays U.S. Aggregate Bond Index posted gains of +1.0% while the Bloomberg Barclays Treasury 20+ Year Index increased +1.3%. The Bloomberg Barclays U.S. Treasury Index returned +0.4% during the month. Due to the risk-on environment, the Bloomberg Barclays Corporate High Yield Bond Index was the strongest performer, adding +4.0% in November.

The news of successful coronavirus vaccine clinical trials and relative certainty of a winner of the U.S. elections have caused global equities to rise in spite of the recent uptick in virus infections. Apprehensions for U.S. investors going forward are the timing and availability of a coronavirus vaccine in light of increasing virus infections and the uncertainty about further fiscal stimulus as millions of Americans' unemployment benefits are scheduled to conclude at the end of the year without additional intervention from the federal government.