

Market Monitor

- The S&P 500 roared back nearly 11% in November, widely erasing its 6.4% prior two-month loss (-2.7% in October).
- The Dow Industrials surged 12.1% for its best monthly gain since Jan 1987. Before paring stronger gains late in the month, on Nov 24 the Dow posted a milestone finish above 30,000 for the first time ever, ending the month up 6.1% YTD.
- The tech-heavy Nasdaq Composite rallied 11.9% last month, finishing near several all-time highs set during the month and extending its YTD gain to 37.1%.
- Among major asset classes since the March 23 bear market low, the S&P 500 has risen 63.9%, the Bloomberg Barclays U.S. Aggregate Bond Index gained 6.3%, and the Bloomberg Commodities Index rose 19.9%.
- The U.S. Dollar spot index tumbled 2.3% in November, its largest percentage loss since July, ending near a 2- 1/2 year low. On a brighter note, a weak dollar (-4.7% YTD) makes U.S. goods more attractive to foreign buyers.

U.S. equities posted strong gains in November, driven by breakthrough coronavirus vaccine progress that may win FDA emergency use approval by mid-December. Topping 30,000 for the first time, the Dow Industrials clinched its best November performance within a presidential election year since 1928. Remarkably, the broader S&P 500 increased the most since April's 13% rally when equities initially rebounded from the selloff in the spring. With trial vaccine prevention rates as high as 95%, together with increased election clarity for a divided Congress, bullish investors unleashed a powerful November rotation into small caps and cyclical-based sectors in which Value outperformed Growth by nearly 3.30%.

Also supportive to investor sentiment, the third quarter earnings reporting cycle is virtually complete, with final consensus estimates pointing to an 8.5% 3Q Y/Y decline, widely surpassing the 24.1% EPS decline projected on the Sept 30 start of the reporting season. All 11 S&P 500 sectors have seen higher reported profits over analysts' initial 3Q profit estimates, as did 86% of its subindustries. S&P 500 company earnings are now expected to decline 16.3% in the full-year 2020, but profits are forecasted to climb 21.2% in 2021.

As mentioned, small and mid cap stocks continued to outperform large caps last month. The Russell 2000 small cap-focused index surged the most on record, while the Russell Mid Cap Index trailed, up 13.82%. Large cap Value stocks also outperformed in November, gaining 13.45% whereas their Growth counterparts rose 10.24%. However, Growth-oriented large cap equities are still far outpacing Value for the year, up 32.40% YTD while Value was down 1.00% YTD. Value stocks in all market caps have outpaced Growth stocks for the past three months, [a feat not seen since the 4Q 2016](#).

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As the performance table illustrates below, all 11 major S&P 500 equity sectors ended positive last month, led by an outsized 28% rebound in Energy, followed by Financials and Industrials. In a major reversal, Energy was the worst performing sector in October and still retains the designation on a YTD basis. Technology and Consumer Discretionary remain this year's best YTD performers, up in excess of 30% each.

Foreign equity markets had mixed returns in November with EAFE developed markets outside of the U.S. and Canada exceeding American gains by 4.5%. Emerging markets underperformed U.S. returns by a 1.7% differential. Globally, the MSCI All-Country World Index finished a record-setting month, up 12.33%, while the same index excluding the USA gained 13.45%.

Surprisingly, U.S. Treasury safer-haven yields dipped in November after it became clear that Republicans would likely keep Senate control (pending the two runoffs in Georgia). The yield on benchmark 10-year notes slipped just one basis points to end the month at 0.84%. Treasuries of all maturities, as measured by the Bloomberg Barclays U.S. Government Index rose 0.34%, while the longer-term government bond index advanced 1.20%. Bond yield prices move in opposite direction to yields, so when bond yields decline, bond prices rise. Investment-grade bonds of all types gained nearly 1%. Meanwhile, municipal bonds climbed 1.51%. Lastly, higher-risk, non-investment grade high-yield corporate bonds performed best, with November returns of nearly 4%.

U.S. WTI crude oil gained \$9.55 (+26.7%) in November to finish at \$45.34/barrel as global demand prospects brightened. In metals, copper prices reached a seven-year high, while gold fell more than 5% in November, the most since Nov 2016 as its inherent risk premium eased. The Bloomberg Commodities Index gained 3.51% last month, trimming its YTD loss to 7.71%.

Top Performers – November	Top Performers – YTD ¹
Energy (+28.03%)	Technology (+36.08%)
Financials (+16.90%)	Consumer Discretionary (+30.01%)
Industrials (+15.97%)	Communication Services (+19.92%)
Bottom Performers – November	Bottom Performers – YTD ¹
Consumer Staples (+7.52%)	Real Estate (-3.62%)
Real Estate (+6.95%)	Financials (-7.50%)
Utilities (+0.72%)	Energy (-36.47%)

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

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Glossary

The Bloomberg Barclays Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBs (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973. The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.