



Weekly Market Review

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The Week Ending November 13, 2020

The S&P 500 Index notched its second consecutive week of gains after the optimism that followed positive results from a potential COVID-19 vaccine. The opportunity for a vaccine to provide consumers a chance to return to a more pre-COVID life sent the often-lagging value stocks into rally mode while questioning some technology stock's durability. Despite the good news on the vaccine front, questions remain over whether the value rotation can be sustained.

Last week began with the announcement that Pfizer and BioNTech's COVID-19 vaccine reported a 90% effective rate in their most recent clinical trials. As one would expect, the stock market took off and even led to the S&P 500 hitting an all-time intraday high. The one main difference from the rest of the year was where these gains were taking place; it was not in the darling technology stocks, which have thrived in 2020. Instead, it was the cyclical, value stocks that are very much dependent on an economic rebound and recovery from the COVID pandemic. Cruise line, airline, and movie theater stocks were just some stocks to experience massive rallies. Investors were encouraged that a vaccine will lead us closer to a more pre-COVID lifestyle with consumers traveling, spending money in the economy's entertainment sectors, and increasing the pace of an economic recovery.

While cyclical sectors did well last week, technology companies, which have been the dominant story of the year, were under pressure as investors rotated out of the 2020 favorites. Work from home technologies have been driving many tech stocks to a strong year. Still, suddenly markets are acting as if a vaccine will result in a quick economic recovery and a return to pre-COVID life. Companies have adapted to remote work and experienced the benefits of using technology; this should not be expected to change back to "normal" once a vaccine is available. Rather, the stock market should look at how technologies benefiting remote work can improve the cyclical companies struggling this year.

Vaccine news brought stock moves we have not seen much recently. Value stocks outperformed their growth counterparts by almost 7% on the week, although growth is still besting value stocks by over 30% this year. The stock market needed a rotation in styles as many value stocks have become too cheap, and many growth stocks are too expensive. However, this may not be the right time to bet on a long-term trend beginning. Last week, the U.S. reported over one million COVID-19 cases in only six days, reminding us this pandemic is far from over.



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