



Weekly Market Review

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The Week Ending November 27, 2020

Just a few months ago, the COVID-19 pandemic was sending the world into lockdowns and dramatically impacting asset prices, sending the Dow Jones Industrial Average to a low approaching 18,000. Last week, that same index crossed above the 30,000 mark for the first time. While the Dow is only 30 stocks and does not tell us much about the economic environment, it still has a symbolic importance. On its own, this milestone may not carry as much weight due to everything else going on in the world; however, the Dow was not the only index to set records. After not seeing a new high since the third quarter of 2018, the Russell 2000 Index has closed at new highs multiple times in the past month, including ending last week in record territory. With just one trading day left in November, the Russell 2000 Index looks to be on pace for one of its best months since its 1984 inception.

The S&P 500 Index has been the star during 2020, but it's not ready to step out of the spotlight for small caps. The S&P 500 Index ended last week at a record high for the 26th time this year. Most of these highs were driven by a handful of technology stocks, but recently leadership has broadened. So far in November, 464 stocks are trading higher; this is the highest since April when the entire market rallied from March's pandemic bottom. For comparison, the S&P 500 was up in October, with 212 stocks contributing to its return. The more cyclical, value side of the market making up ground and outperforming growth is one reason for a greater number of stocks contributing to November's return.

Foreign stocks have been an underperforming part of the market through most of the last decade, but like U.S. small and value stocks, foreign companies beat the S&P 500 Index in November. Europe even posted its best monthly return since its index began in 1986. A weakening U.S. Dollar and positive results from potential COVID vaccines outweigh all other risks as investors sense a resemblance of normalcy in 2021.

While hopes of a vaccine have prompted excitement across the globe, the stock market seems to be overlooking the risks that remain. From Brexit in Europe to politics in the U.S. and the continued COVID pandemic across the world, there are plenty of sources to potentially scare the stock market. Vaccine hopes continue to lead the market higher for the time being. However, as the Wall Street, Main Street divergence widens, will the market focus more on D.C. and the need for additional stimulus? Or is a viable vaccine a few months off enough to keep confidence high amid shorter-term fears?



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