

WHAT NEXT?

November was a remarkable month in what has been a remarkable year. The S&P 500's price change of 10.8% was the 10th best month of returns since 1960, and it was one of only 13 months in which the market's single-month return was 10% or more.

November saw extraordinary developments on a number of fronts, notably that the U.S. Presidential election was finally completed, albeit not without controversy, and a surge in COVID-19 infections triggered renewed business shutdowns and restrictions in a number of states, fueling fears that the pandemic will intensify as we enter the winter season. However, near-term pandemic fears were largely offset by the phenomenal progress made in the development of a vaccine on the part of a number of drug companies. It now appears that effective vaccines should begin to be distributed as soon as the end of this month, ramping up significantly in early 2021.

The stock market's reaction to these developments has been broadly positive. Market leadership for most of this year has been relatively narrow, as a handful of mega-cap companies have significantly outperformed. As a result, the S&P 500 on a capitalization-weighted basis outperformed the equal-weighted index by 8.1% over the first 10 months of the year (2.8% vs -5.3%). However, November saw a reversal of this trend, as the equal-weighted index outperformed the capitalization-weighted index on a total return basis by 3.4% (14.3% to 10.9%). We view this broadening of market leadership as a positive for the market as we move toward 2021.

History is not an infallible guide to the future, but it is worth noting that when the market has enjoyed 10%+ monthly gains in the past, returns over the ensuing year have generally been good as well. We believe that the distribution of effective COVID-19 vaccines, combined with low interest rates and an economic recovery, will provide a good backdrop for the stock market as we enter 2021.

S&P 500 MONTHLY PRICE CHANGES OF +10% OR MORE Periods From 1960 to Present

MONTH ENDING	PRICE CHANGE	PRICE CHANGE NEXT 12 MONTHS
10/31/1974	16.3%	20.5%
1/30/1987	13.2%	-6.2%
4/30/2020	12.7%	--
1/31/1975	12.3%	31.0%
1/30/1976	11.8%	1.2%
8/31/1982	11.6%	37.3%
12/31/1991	11.2%	4.5%
10/29/1982	11.0%	22.3%
10/31/2011	10.8%	12.7%
11/30/2020	10.8%	--
8/31/1984	10.6%	13.2%
11/28/1980	10.2%	-10.1%
11/30/1962	10.2%	17.6%
AVERAGE		13.1%
PERCENTAGE POSITIVE		81.8%

Data as of 11/30/2020.
Source: FactSet

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REFERENCED INDEX

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