

The Markets & the Economy - What We're Watching

Top Theme of the Week:

- › A historic November in the market, but will it continue?

November marked a historic month in the stock market - the S&P 500 year to date through November 30th was up 14.02%, November alone rose 10.95%. It was a big month for stocks, but particularly Value and cyclical sectors. US equities rallied sharply in November. The Dow posted its biggest monthly gain since 1987 while the S&P gained the most since April. Key drivers in this rise in the markets included positive news that may help drive the economy upward in 2021 including:

- Vaccine optimism remains elevated and regulatory approvals are expected
- A bipartisan agreement on Fiscal Stimulus appears to be headed in the right direction
- As the Biden victory became more clear as the month continued, there was more focus on the new administration's plan to control Covid-19

Some areas that will continue to be monitored which may impact progress of the economic recovery, but that the markets are currently discounting include:

- Fiscal stimulus is back in the headlines, but partisan politics still remains a stumbling block and a fight over spending is expected to heat up under a Biden administration
- Increased talk about the fear of missing out drives US equity markets another leg higher, but also a pickup in worries about stretched valuations and sentiment indicators
- Coronavirus headlines seem to have shifted from vaccine optimism to worsening case counts, worries about a near-term spike in deaths and more restrictions

For most of the year Growth stocks have vastly outperformed Value stocks (a Growth stock is defined as "any share in a company that is anticipated to grow at a rate significantly above the average growth for the market", and a Value stock is defined as "a stock that trades at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors").¹ By the end of November, Growth stocks were up 32.40% YTD and Value stocks were down 1.00%.² This massive disparity was in large part due to the five largest companies in the S&P 500 (Facebook, Apple,

Value vs. Growth

Year-to-date Growth stocks (blue) are up +32%, while Value stocks (green) are down roughly -1%.

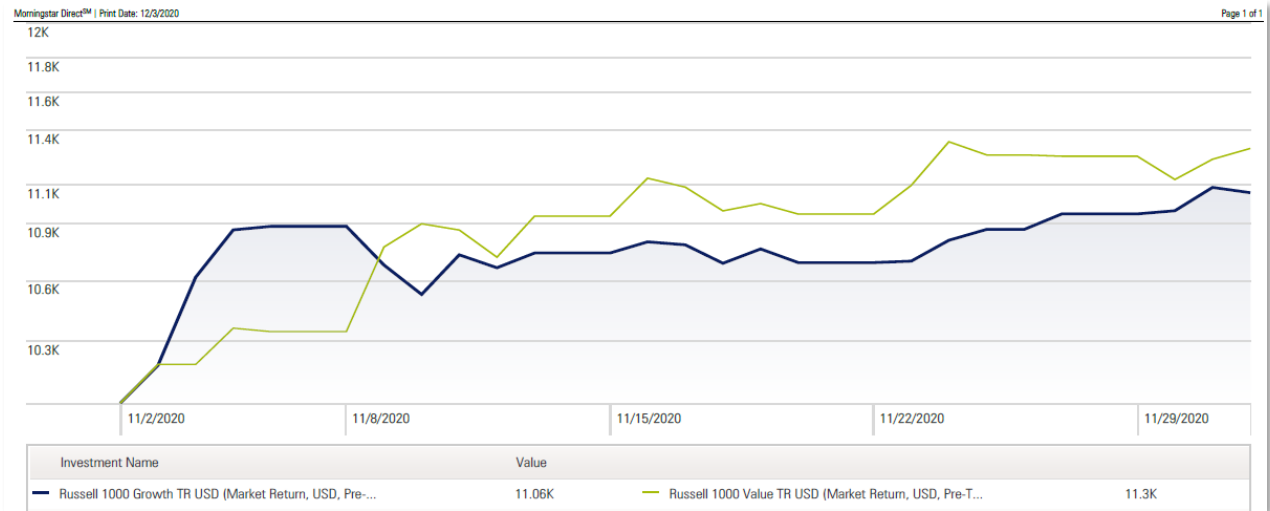


¹ Investopedia

² Chart Source: FactSet, Data as of 11/30/20

Amazon, Microsoft, and Google) having great years and pulling up the performance of the index. The other 495 stocks didn't perform as well.

Then came November and the reversal. With the focus on the three positives listed in the bullets above, the trend upended itself and Value outperformed Growth by 3.21%³.



This strong performance by Value stocks represents positive expectations about a broader swath of the economy as they represent many of the businesses that were hurt most by the financial impact of the pandemic. This also shows us how quickly the market can absorb, react, and change course for good news, just like for bad news. The expectation is that this trend may continue even if the economy struggles in the near term because the markets are focused on a longer term recovery, which bodes well for our investment philosophy focused on long term investing in high quality companies.

For questions or more information, please contact your local IMG professional. For additional insights from IMG experts, please visit our new website's [Insights](#) page and follow us on [LinkedIn](#).

Commentary is reflective as of the close Thursday, December 4, 2020.

³ Chart Source: Morningstar Direct, Data as of 12/3/20

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