



The Month in Review

November Takeaways

- *We have many things to be thankful for over the past month.* The election is winding down (we hope) and the progress happening on the medical front in the ongoing fight against COVID-19 shows promise. As investors, we are especially thankful for the outstanding performance in the equity markets. As I have mentioned previously, November marks the start of the six-month period that mostly favors the bulls. We are off to a good start!
- *The Russell 2000 deserves a special shout-out for its November comeback.* After an uncomfortably long period of under-performance, the laggards are starting to become leaders. Why, you may ask? One good answer is progress on the vaccine front. During the worst of the pandemic and ensuing recession, investors flocked to large caps at the expense of smaller companies, creating a two-tiered market.
- *When Pfizer and Moderna announced that they expected to roll out vaccines in the near future, people's perceptions changed.* Investors are growing more optimistic about an improving economy in 2021 and as I have mentioned in the past, as we emerge from recession, the historical data suggests that small caps lead the way. This should be especially true moving forward for two reasons.
- *The first reason involves valuations.* Due to their out-performance, large cap stocks are looking pricey compared to small and mid-caps. However, that may flatten out when and if the rally accelerates with one notable exception. If, as I believe, we are seeing the beginnings of a broadening recovery, small and mid-caps are poised to widen the spread! When we examine the valuations on larger companies, our proprietary model [Relative Value](#) suggests they are fairly valued at current levels.
- *The second reason is investor's perceptions.* If the economy continues to improve and if investors sense they are late to the party, we may see an acceleration of the rotation out of large caps into this previously beleaguered segment of the market. This has been at times a brutal and frustrating trade for us, but it is currently paying off nicely!
- *There are still challenges to face.* We continue to face pressures in certain sectors and industries and we continue to keep a close eye on inflation (could return next year) but overall, I think the market may be turning the corner. In closing, we should also be thankful that 2020 is almost over! More next time. *Stay tuned!*

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