

By any measure, November has been a stellar month for equity returns. The Dow Jones Industrial Average is on pace for its best month since 1987. It is noteworthy that recent gains have been broad-based, and not led by a handful of mega-cap technology stocks. While under the hammer for most of the year, value and small cap stocks have done remarkably well for the month. The S&P 500 Value Index and S&P 600 Small Cap Index are up roughly 14% and 19% month-to-date, respectively. Likewise, dividend-paying stocks, as measured by the S&P Dividend Aristocrats Index, is higher by roughly 15% for the month.

- It seems that investors now see relative value in sectors and industries that have been under immense pressure from the COVID pandemic. In the past, we have mentioned the tendency of stock valuations to revert to the mean in terms of relative performance (extreme overbought to extreme oversold). For the month, value, small caps and dividend payers have not only outpaced the broader S&P 500, but have also outpaced the technology sector.
- Perhaps this trend will continue as we work our way through the pandemic. Considering that valuations in certain sectors have been somewhat stretched, it is not unreasonable to assume that investors in general will continue to rotate their equity positions.

