

A Vaccine: The Ray of Hope We Needed

We just closed out an epic monthly rally in the broad U.S. equity indices. The Dow, S&P 500 and Nasdaq were all up more than 10% for the month despite yesterday's pullback. On November 15, stocks broke out of a two-month extremely volatile trading range. The previous high reached in early September by the S&P 500 has since been tested by a pullback on November 21 and we are again trading above 3800. If this were even close to an ordinary year, one would think that we are due for a serious pullback in December given how quickly and how far stocks have bounced. This is not an ordinary year. In fact, it is unlike anything we have ever seen.

The drop we saw in early spring (and the rally afterward) topped even the Great Depression in terms of speed and percentage decline from all-time highs. Earnings of all but a few select technology companies fell off a cliff and remain down in a big way year-over-year. Unemployment remains high and businesses are hurting all over the country. Let's not forget COVID-19, which is still ravaging our communities and healthcare system. Hundreds of thousands of people are becoming infected and thousands are dying every day.

So, how can the stock market suddenly take off on one of its greatest monthly runs ever? The answer lies in the fact that the "market" and the collective wisdom of millions of investors is looking ahead. We have hope that this nightmare may soon be over. A vaccine is here - not just one, but several. It is not over yet and the worst may not be behind us, but there is a crack of daylight in the distance. It is this small ray of hope that burst into the dark room of coronavirus on November 15 when Pfizer announced the results of its third stage trial. Early that morning, stocks were up six or seven percent as euphoria overcame sensibility. Things eventually settled back down, but the door had been kicked open. Money flowed out of those few big tech stocks and into the beaten down names of the everyday old word economy. In the days since, that rotation has continued in fits and starts. It is this rotation that reflects the sheer frustration and pent up demand of people worldwide that makes me think stocks just might continue to go higher. We are tired, angry, and ready to live again. I never underestimate the ingenuity of human beings to find a way forward under any conditions. All we need is a chance, a sliver of light in the darkness. In November we got it.

Last week's commentary can be found [here](#).



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