November was a momentous month as investors, emboldened by the results of the U.S. elections and the potential success of multiple COVID-19 vaccines, bid up equities. The twin prospects of a divided government resulting in the likelihood of a diminished agenda for President-elect Biden, and the imminent implementation and distribution of the coronavirus vaccines fueled gains of 10.9% for the S&P 500 Index; not to be outdone, the Russell 2000 Index returned 18.4% last month. Value stocks largely drove performance, especially buoyed by the news of the vaccines given that these companies have been some of the hardest hit by the restrictions and lockdowns imposed by the pandemic. Outside the U.S., weakness in the dollar boosted local-currency returns, with the MSCI EAFE and MSCI Emerging Markets indexes up 15.3% and 9.2%, respectively.

In fixed income, yields were relatively flat during the month with 10- and 30-year Treasury yields falling one and six basis points, respectively. While nominal yields were mostly unchanged, the 10-year Treasury breakeven rate increased 10 basis points to 1.77%, underscoring an increase in inflation expectations due to the potential for further fiscal stimulus. In credit, spreads—especially of lower-quality issues—tightened. The option-adjusted spread on the Barclays U.S. Corporate High Yield Index fell 97 basis points in November, fueling returns of 4% for the index.