

The Road to 2021

The uncertainty of COVID saw a 30%+ selloff in the spring as investors attempted to gauge the economic impact of the virus. As we got more data and adapted to living with the virus, markets rallied back. Three positive vaccine announcements in the last month may have contributed to stock markets having one of their best months ever. Uncertainty persists regarding rising COVID cases and political transition, and these issues may see some resolution throughout early 2021.

We can now start to look forward to market movements based less on fear of the unknown and more on economic fundamentals. The economic numbers have seen improvement in the last several weeks. GDP in the 3rd quarter was up 33%. The economy may stall for a bit as we try to reduce the spread of the virus in the next few weeks, but the rollout of vaccines early next year may help data to pick up again. Continued improvements in economic data may contribute to positive market returns in 2021. We will publish our annual Market Outlook in early January with more details.



Market Returns		Source: Morningstar Direct data as of November 30, 2020				
Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	12.46	12.19	15.60	10.80	12.13
Domestic Equities:	S&P 500* (Large Cap)	10.95	14.02	17.46	13.17	13.99
	Russell 2000* (Small Cap)	18.43	10.41	13.59	7.09	10.25
International Equities:	MSCI EAFE (Developed)	15.50	3.03	6.37	3.26	6.19
	MSCI Emerging Markets	9.25	10.20	18.43	4.92	10.72
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	0.50	6.22	6.35	4.64	3.53
	Barclays Muni Short-Interm 1-10 Years	0.68	3.61	3.91	3.68	2.72
	Barclays Global Intermediate	1.44	6.48	7.32	3.03	3.37

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Equity Market Leadership Shift

As seen in the table to the right, small cap and value stocks significantly underperformed for the first 3 quarters of the year. The most dramatic example of this was illustrated by large cap value underperforming large cap growth by over 32%. The fourth quarter, however, has seen a drastic change in equity market performance thus far. Small cap stocks have outperformed large cap stocks by nearly 12% and value have outperformed by over 4% thus far.

Despite the 4th quarter outperformance, small caps still trail large caps year-to-date. However, this shift may be a positive sign. Small cap and value stocks outperforming during a market rally may indicate that market participants are getting more comfortable with assuming risk and view the economic recovery as likely to continue.

1/1/2020 – 9/30/2020	Value	Growth	Value Underperformance
Large Cap	-11.5%	20.6%	-32.1%
Small Cap	-22.9%	-7.9%	-15.0%
SC Underperformance	-11.4%	-28.5%	

10/1/2020 – 11/30/2020	Value	Growth	Value Outperformance
Large Cap	10.7%	5.4%	5.3%
Small Cap	21.7%	17.5%	4.2%
SC Outperformance	11.1%	12.2%	

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Sources:

Bloomberg, Morningstar, FactSet, Crandall Pierce

*Benchmark consists of Russell 3000® (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

Index Definitions:

Barclays Global Intermediate: Index that measures global investment grade debt from over 20 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: measures the performance of U.S. municipal bonds with time to maturity of between one and ten years.

FTSE EPRA/NAREIT Global Index: measures the performance of listed real estate companies and REITS in both developed and emerging markets.

MSCI ACWI ex US: an index that captures large and mid-cap representation across more than 20 Developed Markets (DM) countries (excluding the US) and more than 20 Emerging Markets (EM) countries. With over 2,000 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI® EAFE - Developed International Index: measures the performance of mid- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and contains approximately 900 constituents from 21 developed markets countries in the EAFE.

MSCI® Emerging Markets Index: measures the performance of the large- and mid-cap equity market across over 20 emerging markets countries.

Russell Indices: The Russell 2000® Index: measures the performance of the 2,000 smallest companies in the Russell 3000® index. It is a market-capitalization weighted index. The Russell 3000® is a market-capitalization-weighted equity index that measures the performance of the 3,000 largest publicly traded companies in the U.S., representing the majority of the U.S. investable equity market.

S&P 500® Index: measures the performance of 500 leading publicly traded U.S. companies from a broad range of industries.

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