INVESTORS EDGE

Some bargain buys to end a difficult 2020

November was the Dow's best month in 33 years

"Investing requires qualities of temperament way more than it requires qualities of intellect." — Warren Buffett

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Contributing columnist

I want to begin today's column right where I left off last month.

As you may recall, I warned local readers to ignore the upcoming elections, at least as it relates to your hard-earned money, and to stay bullish. I sure hope you listened.

In fact, in November, the Dow Jones Industrial Average had its best month in 33 years, up nearly 12% at the time of this writing! Compare that with money market funds that yield literally nothing. Thus, the opportunity cost of selling (or not buying) stocks because of fear of an election was immense, whether the politically driven investor admits it or not.

So, with the Dow Jones and S&P 500 Index trading at all-time highs, some readers have emailed me questioning if there are any buying opportunities still left. Understandably, some investors are just not comfortable buying U.S. stocks at their all-time highs.

If you have any extra investable cash, below are two excellent low-cost index funds that I am confident will make you good money over the next three to five years.

- I-Shares Emerging Market ETF (ticker symbol: EEM). As I've mentioned in this column before, international stocks have significantly lagged U.S. stocks over the last decade. Historically, though, the returns have been comparable; thus emerging market equities probably offer a good relative value to U.S. stocks. EEM has low costs and gives you broad exposure to growing emerging market economies such as Brazil, China, and Singapore. Buy it and prosper.
- I-Shares Small Cap Value ETF (ticker symbol: IJS). Similar to the U.S. vs. International disparity, "growth stocks," (namely technology-oriented companies) have significantly outperformed "value stocks," (namely banks, industrials and energy companies) by a staggering amount. In fact, over the last year, large cap growth stocks are up over 35% while small cap value stocks are roughly flat! This gap is unlikely to be sustained over the next few years. IJS offers investors exposure to some of the most "beaten up" U.S. small cap stocks that stand a strong chance of closing the gap with the large-tech names. It's a bargain

For the record, I remain bullish on quality U.S. stocks. Fiscal stimulus from Washington, extraordinarily low interest rates, and most importantly an effective vaccine are all significant tailwinds for the market in 2021.

Along these lines, as you have surely heard, there are several different vaccines that appear to be highly successful at preventing the transmission and infection of COVID-19.

Halleluiah!

Pfizer, Johnson & Johnson, Moderna, and Astrazaneca have all developed promising COVID-19 vaccines and are in the process of applying for emergency use authorization from the FDA.

Some people have asked me if they should buy these stocks because of their COVID-19 vaccines and which one(s) may be the best. I tell them that this really should not be their investment focus. In my view, most, if not all, of the positive news is already baked into these companies' stock prices.

Also, remember that with a U.S. governmen -led distribution process, the focus will be on getting these vaccines out as fast as possible and not on profit margins.

That being said, Pfizer and Johnson & Johnson are two classic America blue chips that are dominant players in the health care industry. I think you will make good money on these in the long run, but not so much as a result of any new vaccine.

To close, in this last column of the year, I want to state the obvious — 2020 was miserable. Big time.

However, to paraphrase renowned investor Jeremy Grantham: "Be aware that life's circumstances do not turn when we see light at the end of the tunnel. Our circumstances change when all looks black — but just a subtle shade less black then the day before."

Keep the faith. I see subtly lighter shades coming into view.

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