

Small-Cap Stocks Are Lagging, But We're Not Intentionally Avoiding Them



Dividend Investing

Small-cap stocks have been receiving a bit of attention lately for their lackluster performance. As of yesterday's close, the Russell 2000 index has a year-to-date loss of 3.71%. This is nearly 10 percentage points worse than the Russell 1000 index, which is up 7.64% year-to-date.

The decline has some sparked some debate about the market's overall momentum. There is a school of thought that large-cap stocks cannot continue to march higher without small-cap stocks also doing well. While we don't disagree with the concept of a broad-based rally being a good thing, we'll point out that large-cap and small-cap stocks have not historically always moved in lockstep. The 2014 Ibbotson SBBI Yearbook says small-company stocks have had a 0.79 correlation to large-company stocks since 1926.

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