

Are We Still in a Bull Market?

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“Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die of euphoria.”

-SIR JOHN TEMPLETON

This week, we nearly attempted the delicate dance of running two chartbooks concurrently – one from our partners at Gavekal, and the other from the desk of Evergreen’s Chief Investment Officer, David Hay. However, after stepping back and examining the importance and timeliness of both presentations, and the challenges of weaving together different mediums and messages, we thought it prudent to separate the two and deliver them in back-to-back weeks rather than side-by-side in the same week.

As a result, this week, we will be running a chartbook titled “Are We Still in a Bull Market?” from Evergreen Gavekal’s partner Louis Gave, whose pedigree and reputation precede him. Louis is co-founder of the globally-renowned independent research firm Gavekal and has been dubbed the “smartest man in Asia.”

Recently, and quite impressively, famed financial expert John Mauldin—who has multiple *New York Times* bestsellers and produces one of the most widely-distributed investment newsletters in the business—ran a feature on our partner firm aptly titled “Gavekal Week.” Here is a glowing preview that Mr. Mauldin sent out to his subscribers in early October:

“If you want five days of research and analysis from Gavekal Research, a group widely known to be the best in the business when it comes to Asian markets... the same valuable, thought-provoking research John receives each week... *and* get his time-saving take on what matters...you need to subscribe now, or you’ll miss out. Events in the last few days highlight even more how much you need Gavekal’s analysis—it’s why I’m hosting this five-day event: Gavekal Week.”

Fortunately for our readers, they get a monthly peek into this research, simply by virtue of our partnership with Gavekal and subscribing to our newsletter (*EVA*, the *Evergreen Virtual Advisor*). Even more fortunate for our clients is the level of collaboration that happens between Evergreen and Gavekal behind the scenes to ensure investment decisions are informed by the “best in the business” (John Mauldin’s words, not ours).

Please enjoy this international perspective on the question of whether we are still in a bull market from Louis Gave. Based on recent market turbulence, Louis’ question is front and center in most investors’ minds. Next week, David Hay will present a mostly domestic-focused take on the same question in our *Quarterly Webinar EVA*.

[Please click here to read: Are We Still In A Bull Market? by Louis Gave.](#)

OUR CURRENT LIKES AND DISLIKES

No changes this week.

LIKE *

- Large-cap growth (during a correction)
- Some international developed markets (especially Japan)
- Cash
- Publicly-traded pipeline partnerships (MLPs) yielding 6%-12%
- Gold-mining stocks
- Gold
- Select blue chip oil stocks
- Investment-grade floating rate corporate bonds
- One- to two-year Treasury notes
- Canadian dollar-denominated short-term bonds
- Select European banks
- Short-term investment grade corporate bonds (1-2 year maturities)
- Emerging market bonds in local currency (start a dollar-cost-averaging process and be prepared to buy more on further weakness)

** Some EVA readers have questioned why Evergreen has as many 'Likes' as it does in light of our concerns about severe overvaluation in most US stocks and growing evidence that Bubble 3.0 is deflating. Consequently, it's important to point out that Evergreen has most of its clients at about one-half of their equity target.*

NEUTRAL

- Most cyclical resource-based stocks
- Mid-cap growth
- Emerging stock markets; however, a number of Asian developing markets appear undervalued
- Solar Yield Cos
- Large-cap value
- Canadian REITs
- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- Intermediate municipal bonds with strong credit ratings
- US-based Real Estate Investment Trusts (REITs)
- Long-term investment grade corporate bonds
- Intermediate-term Treasury bonds
- Long-term municipal bonds
- Short euro ETF
- Mexican stocks (our exposure has mainly been via Mexican REITs; due to a significant rally, we have begun taking partial profits)
- Long-term Treasury bonds (due to the decisive upside break-out this week by longer treasury yields, close out positions for now and wait to re-enter should the yield approach 4%)

DISLIKE

- Small-cap value
- Mid-cap value

- Small-cap growth
- Lower-rated junk bonds
- Floating-rate bank debt (junk)
- US industrial machinery stocks (such as one that runs like a certain forest animal, and another famous for its yellow-colored equipment)
- Preferred stocks
- BB-rated corporate bonds (i.e., high-quality, high yield; in addition to rising rates, credit spreads look to be widening) * **
- Short yen ETF
- Dim sum bond ETF; individual issues, such as blue-chip multi-nationals, are attractive if your broker/custodian is able to buy them

* Credit spreads are the difference between non-government bond interest rates and treasury yields.

** Due to recent weakness, certain BB issues look attractive.

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