Likes/Dislikes – April 2nd, 2021

Below are Evergreen Gavekal's Likes/Dislikes for April 2, 2021.

OUR CURRENT LIKES AND DISLIKES

Changes highlighted in **bold**.

As an overarching recommendation, present market conditions have become so hyper-bullish that this author is suggesting significant profit-taking; related to this, new buys should be limited to those securities that offer a compelling risk/reward proposition. Gold miners are an example of the latter after their correction since this summer's spectacular run-up.

As an update to this cautionary view, what I have long called COPS—Crazy Over-Priced Stocks—are under intense downward pressure in most cases. Underscoring this sudden development, the formerly white-hot ARKK funds, with heavy exposure to many of the extremely pricey "story" stocks such as Tesla are down roughly 28% since mid-February.

- Large-cap growth. (For the most part, there continues to a better risk/reward ratio with growth-at-a-reasonable-price—GARP—type issues; as with the overall US stock market, bargains are increasingly scarce.)
- Certain international developed markets, especially Japan (The Japanese market has been extremely strong lately; thus, prudence on new buys is appropriate. Longer-term, though, the Nikkei has had a multi-year breakout, a highly positive development.)
- **Publicly-traded pipeline partnerships, i.e., MLPs and other mid-stream energy securities. (MLPs have had a strong start to the year, now up 23%, drastically outperforming the S&P 500; these have corrected a bit lately but are still not back to what we could consider a strong buy point.)**
- **Gold-mining stocks (The miners rallied early in the year but have fallen back, creating another opportunity for investors who want hard asset exposure. Lately, they've been stabilizing but continue to look extremely undervalued particularly in a world where fiat money is being massively debased. Yesterday saw a nice pop in the miners but it's premature to opine as to whether this is the start of another up-leg.)**
- Gold (It too has also been acting better recently. Any attempt by the Fed to employ "yield curve control", such as by forcing down longer-term interest rates, could ignite the precious metals complex once again.)
- Silver (It has had a wild ride in recent months due to the "Reddit Rebels" but it is now down 6% for the year. Should US inflation accelerate, however, silver has considerable long-term upside potential; additionally, around 10% of silver demand is from solar panel fabrication.)
- Select international blue chip oil stocks (Based on the enormity of the rally since early November, some reduction of energy exposure might be prudent; recently, even a number of the energy laggards have been trending up.)
- Short-term investment grade corporate bonds (1-4 year maturities; favor shorter maturities due to rising inflation risks because of the likelihood that the Fed and the Treasury are

over-stimulating the US economy.)

- Emerging market (EM) bonds in local currency (focusing on stronger countries)
- Large-cap value (Value stocks, such as energy and financial issues, have been the biggest winners from the vaccine news; accordingly, buy somewhat more cautiously—and possibly do some trimming—even though this style is likely to be among the main beneficiaries of the reflation/reopening trends in 2021.)
- High-dividend equities with *safe* distributions (Despite the sharp recent rise in treasury yields, investors still have a desperate need for cash flow and many equities provide much higher yields than bonds; as a result of the recent jump in treasury yields, some high-dividend payers have pulled back to more attractive levels.)
- Most cyclical resource-based stocks (These have also experienced powerful up-moves; thus, some profit-taking is appropriate.)
- BB-rated corporate bonds (Buy more selectively after a spectacular rally and favor shorter maturities.)
- Canadian REITs (Avoid office issues for now.)
- **South Korean Equities (This is another area in which to be less aggressive given how much this market has risen since late March; however, the SK market recently broke out to an all-time high, a very bullish development.)**
- **Small-cap value (Based on the vaccine-driven rally since late October, a buying pause is prudent; small cap issues are typically hit the hardest during corrections.)**
- **Uranium and uranium producers (The world's leading uranium miner is up roughly 70% since early November, validating our positive stance on this sub-sector; thus, additional profit-taking is prudent. Evergreen closed out its position in the planet's biggest U2 miner earlier this week.)**
- Certain "Virus Victim" equities such as refiners, homebuilders, and select retail stocks (After a powerful rally in homebuilders and certain retailers, be more selective; subsequent to breaking support and falling initially post that break, refiners have roared back on the vaccine news. Look to buy refiners during a pull-back as they should be beneficiaries of the economy re-opening.)
- Investment-grade floating rate corporate bonds (Despite a vigorous rally in recent months, there remains decent long-term value in this bond market niche.)
- The higher quality mortgage REITs (These have risen materially from our initial recommendation; recently, they have continued to rise so some profit-taking is reasonable.)

- A wide range of high-income securities, including preferred stocks (Preferred stocks look less attractive with prices up, yields down, and inflation risks on the rise.)
- Copper producers. (Moving to neutral due to the huge rally by this group; profit-taking is advisable.)
- Renewable Yield Cos (These Green Energy, MLP-like securities have retreated, in some cases considerably; thus, resume buying in certain cases.)
- Intermediate-term investment-grade corporate bonds, yielding approximately 2.5% (Moving to neutral due to our increasing inflation concerns and the paucity of attractive yields.)
- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets look undervalued (Caveat investor: These are much less bargain-rich than they were six months ago).
- US-based Real Estate Investment Trusts (REITs) (It is critical to be highly selective with this sector; fundamentals for many REITs are likely to be very challenged.)

- Cash
- Canadian dollar-denominated short-term bonds (Thanks to a rebound in the Canadian dollar, these have provided solid returns in recent months; some profit realization may be prudent.)
- Intermediate-term Treasury bonds
- One- to two-year Treasury notes
- **Traditionally "safe" sectors such as Staples and Utilities (However, some utilities have corrected hard and appear attractive; the rally since March first in the utility sector has diminished our enthusiasm for it.)**
- Virus Victors (I.E, those companies that have benefitted from global lockdowns and now sport premium valuations.)
- Floating rate bank loans (Moving these to neutral due to the prospects of a strong economy later this year, lowering default risks. Also, their floating rate nature is a solid inflation hedge.)

- **Small-cap growth (After a recent bump, this style is now up 22% for the year and continues to look extremely pricey.)**
- **Long-term Treasury bonds (These are in the dislike category due to both Evergreen's and Gavekal's rising conviction in a looming burst of inflation; recently, long treasuries have been thumped, justifying our prior concerns.)**
- **Long-term investment grade corporate bonds (These are viewed negatively because of the narrow yield gap, or spread, between corporate debt and treasuries combined with our escalating inflation fears. However, there are a smattering of long-term issues that still offer attractive yields. Long-term corporate bonds are now down roughly 10% on the year.)**
- European banks (Moving to dislike status due to a second round—or is it the third round?—of lock-downs in many key eurozone countries; additionally, negative interest rates in Europe are very hard on bank profitability. The steeper yield curve—longer rates rising much faster than shorter rates--occurring around the world is a major positive, however.)
- Most municipal bonds (Munis have been hit fairly hard lately, validating our previous caution.)
- US dollar (The dollar has bounced a bit lately. However, its long-term outlook appears very challenging and it remains overvalued versus many currencies, especially those in Asia.)
- Many semi-conductor tech stocks (We do have a number of semi holdings for Evergreen client; however, these were typically acquired far lower than where they trade today and this space appears generally over-valued with a few exceptions. This pricey group has been sliding recently.)
- Mid-cap growth
- Lower-rated junk bonds
- Green energy stocks (Note, this refers to equities not the Renewable Yield Cos; most of the former have truly gone ballistic. Many green energy plays have been slammed in recent weeks.)
- SPACs (Special Purpose Acquisition Companies, which are structured to greatly favor insiders and disadvantage retail investors.)
- Most new issues (The IPO market is as frothy as I've seen it other than the giddiest days of the dot.com era.)
- Despite a disastrous February, most of the popular Reddit/WallStreetBets stocks still have material downside, though they could rally, briefly, after such a pronounced decline. (A

few have surged again lately, leaving them exceptionally vulnerable to another meltdown.)

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