

Likes/Dislikes - April 3, 2020

Below are Evergreen Gavekal's Likes/Dislikes for April 3, 2020.

OUR CURRENT LIKES AND DISLIKES

Changes highlighted in **bold**.

LIKE

- **Large-cap growth (focus on lower P/E issues within this style; i.e., “growth at a reasonable price”)**
- **Some international developed markets, especially Japan**
- Publicly-traded pipeline partnerships (MLPs and other mid-stream energy securities) yielding something approaching infinity (due to this sector's utter collapse, we feel it is now appropriate to accelerate accumulation; however, distribution cuts are spreading due to the unprecedented collapse in energy demand)
- **Gold-mining stocks**
- Gold (also step up the pace of buying)
- **Silver (at current prices, it appears more attractive than gold)**
- **Select international blue chip oil stocks**
- Short-term investment grade corporate bonds (1-2 year maturities)
- **Emerging market (EM) bonds in local currency (focusing on stronger countries)**
- **Large-cap value**
- Copper producers (the damaging effect of the coronavirus on Copper demand could be high in the short term, but the fundamentals of Copper supply/demand remain attractive long term. Copper could also have a very sharp rally if fears are calmed)
- High-dividend yield equities with *safe* distributions (as interest rates disappear, investors will go searching for yield)
- **Most cyclical resource-based stocks (buy more carefully but considerable long-term upside remains)**
- BB-rated corporate bonds (due to the dramatic spread-widening that we expected and has happened with a vengeance, we are bumping these up two notches but this is another “buy slowly” situation).
- A wide range of high-income securities that have been crushed by the global margin call, including preferred stocks (many of these have surged so buy less aggressively)
- Canadian REITs (these, too, fall under the crushed category, though, again, there's been a notable recovery)
- Intermediate municipal bonds with strong credit ratings (both intermediate-term and long-term muni bonds have had big rallies; we are less enthusiastic, as a result)
- **Long-term municipal bonds (these have sold off hard again, opening another buy window)**
- **South Korean Equities (this market has been pounded, offering excellent long-term value, notwithstanding a recent bounce; S. Korea is far ahead of the west in seeing its infection rate decline.)**
- Long-term investment grade corporate bonds (the Fed's declared intention to buy corporate bonds has made these much less appealing though some bargain remain)
- Solar Yield Cos (the leading entity in this sub-sector has been slammed along with nearly

all yield plays and is once again attractive)

- **Small-cap value**

NEUTRAL

- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets look undervalued
- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- US-based Real Estate Investment Trusts (REITs)
- Cash
- Long-term Treasury bonds
- British pound currency
- Canadian dollar-denominated short-term bonds
- Japanese Yen
- Small-cap growth
- Mid-cap growth
- Lower-rated junk bonds
- Floating-rate bank debt (junk)
- Intermediate-term Treasury bonds
- One- to two-year Treasury notes
- **Traditionally “safe” sectors such as Staples and Utilities (moving these up to neutral as many have been hard hit of late)**

DISLIKE

- European banks (these are ominously making new all-time lows)
- Investment-grade floating rate corporate bonds (reducing exposure to these as Fed rate cuts are increasingly likely)
- US dollar (The unprecedented size of the rescue package funded by debt is likely to put downward pressure on the dollar once this crisis passes)
- Many semi-conductor tech stocks which have surged in price over the last six months and generally trade at lofty prices despite falling earnings.

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

(Note: based on the intense damage done to nearly all risk-assets lately, our negativity has eased even on the above “dislikes”)

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