

Likes/Dislikes - August 23, 2019

Below are Evergreen Gavekal's Likes/Dislikes for August 23, 2019.

OUR CURRENT LIKES AND DISLIKES

No changes this week.

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 7%-15% (resume accumulation after the recent mini-correction)
- Gold-mining stocks (hold off on buying for now due to the on-going rally)
- Gold (be prepared for a near-term correction; longer term, however, the breakout above \$1400 is impressive)
- Select blue chip oil stocks
- One- to two-year Treasury notes
- Canadian dollar-denominated short-term bonds
- Short-term investment grade corporate bonds (1-2 year maturities)
- Emerging market (EM) bonds in local currency (accumulate as we expect the US dollar to weaken after the recent bout of strength; USD weakness is positive for EM debt)
- Large-cap value (there are still bargains in this style; not as many as last year, but the list is growing steadily as the market weakens below the surface)
- Intermediate-term Treasury bonds (buying longer maturities less aggressively due to the recent big bond rally; however, we continue to see decent value in very high grade 3- to 7-year US bonds)
- Silver (suspend buying for now after the significant jump; some profit-taking is reasonable)
- Japanese Yen (positive over the long term, but expect a decent correction)
- Copper producers
- British pound currency (use a tight stop on this)

NEUTRAL

- Most cyclical resource-based stocks
- Mid-cap growth
- Emerging stock markets; however, a number of Asian developing markets appear undervalued
- Canadian REITs
- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- US-based Real Estate Investment Trusts (REITs)
- Long-term investment grade corporate bonds
- Small-cap growth
- Preferred stocks
- Mexican stocks (after a healthy rally, we have sold all of our REIT holdings)
- Cash

- Solar Yield Cos (PG&E risk is rising again; taking profits in one of the more Calif-exposed companies)
- Intermediate municipal bonds with strong credit ratings (due to this year's powerful rally)
- Long-term municipal bonds
- Long-term Treasury bonds

DISLIKE

- Small-cap value
- Mid-cap value
- 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)
- BB-rated corporate bonds (credit spreads widened significantly during the 4th quarter of 2018 but have declined sharply this year; we expect renewed widening in the months ahead) * **
- European banks
- Investment-grade floating rate corporate bonds (reducing exposure to these as Fed rate cuts are increasingly likely)
- US dollar
- Traditionally "safe" sectors such as Staples and Utilities due to elevated debt and valuation concerns

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

** Some BB-rated issues are currently attractive despite our spread-widening fears.

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