Likes/Dislikes - February 7, 2020

Below are Evergreen Gavekal's Likes/Dislikes for February 7, 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”; reduce buying due to the recent surge)
- **Some international developed markets, especially Japan (The correction we anticipated has occurred, largely due to the coronavirus. Some buying is advisable but slowly due to the possibility of worsening news on the virus.)**
- **Publicly-traded pipeline partnerships (MLPs and other mid-stream energy securities) yielding 7%-15% (based on the recent sharp correction after a robust rally, more aggressive buying is appropriate)**
- Gold-mining stocks (buy more selectively after the recent rally; long-term, there remains considerable upside)
- **Gold (also buy more deliberately)**
- **Silver (same as gold)**
- **Select international blue chip oil stocks (use the recent correction as an accumulation chance; however, energy is at-risk near-term due to the coronavirus)**
- One- to two-year Treasury notes
- Short-term investment grade corporate bonds (1-2 year maturities)
- Emerging market (EM) bonds in local currency (dial back buying after the recent rally)
- **Large-cap value (buy more carefully after the recent sharp up-move; many cyclical issues, though, have been hard hit by coronavirus fears and offer long-term upside)**
- **Intermediate-term Treasury bonds (hold off on further buying due to the big rally this year)**
- Japanese Yen
- Copper producers
- High-dividend yield equities with *safe* distributions (as interest rates disappear, investors will go searching for yield; as with large cap value and international energy shares, moderate buying for now due to the recent rally)
- Most cyclical resource-based stocks

NEUTRAL

- Small-cap value
- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets appear undervalued
- Canadian REITs (some appear attractive)
- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- US-based Real Estate Investment Trusts (REITs)
- Long-term investment grade corporate bonds

- Preferred stocks (some US bank preferred stocks look attractive)
- 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
- Long-term municipal bonds
- Long-term Treasury bonds
- British pound currency
- Canadian dollar-denominated short-term bonds
- **South Korean Equities (reducing exposure for now due to global economic risks)**

DISLIKE

- Small-cap growth
- Mid-cap growth
- Lower-rated junk bonds
- Floating-rate bank debt (junk)
- **BB-rated corporate bonds (credit spreads widened significantly during the 4th quarter of 2018 but have declined sharply during 2019; 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
- **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.*
*** Some BB-rated issues are currently attractive despite our spread-widening fears.*