

Likes/Dislikes - March 27, 2020

Below are Evergreen Gavekal's Likes/Dislikes for March 27, 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”; because of this week’s powerful rally, pause for now)
- Some international developed markets, especially Japan (Continue buying but slowly due to this week’s rally.)
- 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 (despite a big up-move this week, most still look attractive)**
- Gold (also step up the pace of buying)
- Silver (same as gold; silver has been hit even harder)
- **Select international blue chip oil stocks (because of a strong up-move this week, notwithstanding today, buy more slowly and selectively)**
- Short-term investment grade corporate bonds (1-2 year maturities)
- Emerging market (EM) bonds in local currency
- **Large-cap value (buy more carefully now due to the aforementioned rally)**
- 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 (again, 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**
- **South Korean Equities (this market has been pounded, offering excellent long-term value but, they have also been strong performers this week; 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)

NEUTRAL

- Small-cap value
- 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**

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)**
- 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.*

(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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