Likes/Dislikes - May 1, 2020

Below are Evergreen Gavekal's Likes/Dislikes for May 1, 2020.

OUR CURRENT LIKES AND DISLIKES

Changes highlighted in **bold**.

(Special note: for all stock-related recommendations, our current view is more cautious due to the extraordinary rally since late March.)

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. Distribution cuts are spreading due to the unprecedented collapse in energy demand. After more than doubling off the recent low, some selling may be appropriate; however, excellent long-term total return potential remains.)**
- Gold-mining stocks (both the miners and the bullion itself have rallied lately and could correct near-term; however, the future for them is very bright based on the trillions of fake money being created and unprecedented government spending)
- **Gold (same as with miners)**
- Silver (at current prices, it appears more attractive than gold)
- Select international blue chip oil stocks
- **Short-term investment grade corporate bonds (1-4 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 virus 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 as many of these are beneficiaries of inflation/pricing power due to supply chain disruptions)**
- BB-rated corporate bonds (the Fed has now announced that it will buy high-yield—aka, junk--bonds, thus providing direct support to this asset class; it's a first for any global central bank and it intends, of course, to do this with fabricated money)
- **A wide range of high-income securities, including preferred stocks (many of these have surged, as well, so buy less aggressively)**
- **Canadian REITs**
- Intermediate & Long Term municipal bonds with strong credit ratings (both intermediate-term and long-term muni bonds have had big rallies with the Fed entering the market and we are less enthusiastic, as a result)
- **South Korean Equities**
- 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**
- Small-cap value (another asset class that has surged recently, so reduce buying for now)
- Intermediate-term investment-grade corporate bonds, yielding approximately 4% (this is another corner of the bond market the Fed is actively supporting)
- Uranium & Uranium producers

NEUTRAL

- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets look undervalued
- US-based Real Estate Investment Trusts (REITs) (We were preparing to upgrade these to buy but a huge rally has occurred; fundamentals for many REITs are also likely to be very challenged.)
- Cash
- Long-term Treasury bonds
- Canadian dollar-denominated short-term bonds
- **Lower-rated junk bonds**
- **Floating rate bank loans (also in the junk category)**
- Intermediate-term Treasury bonds
- One- to two-year Treasury notes
- **Traditionally "safe" sectors such as Staples and Utilities**

DISLIKE

- European banks (these are ominously making new all-time lows)
- **Investment-grade floating rate corporate bonds (reducing exposure as a result of the Fed's rapid rate cuts down to essentially zero)**
- 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.
- Small-cap growth
- Mid-cap growth

** 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") *given time.*