

Likes/Dislikes - September 27, 2019

Below are Evergreen Gavekal's Likes/Dislikes for September 27, 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% (be more selective after the recent rally, though bargain still abound)
- Gold-mining stocks (hold off on buying for now due to the on-going rally; some profit-taking is advisable)
- Gold (be prepared for a near-term correction; longer term, however, the breakout above \$1400 is impressive)
- Select international 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 (slowly 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 (as with the pipelines, buy more carefully after the recent sharp up-move)
- Intermediate-term Treasury bonds (resume moderate buying after the recent price drop)
- Japanese Yen (positive over the long term, but expect a decent correction)
- Copper producers
- British pound currency (use a tight stop on this)
- South Korean Equities (trade war concerns are valid and the semi-conductor industry has slumped, but this offers a long term entry point)
- High-dividend yield equities with safe distributions (as interest rates disappear, investors will go searching for yield)

NEUTRAL

- Most cyclical resource-based stocks
- 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
- 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
- Silver (profit taking is reasonable after the recent run)

DISLIKE

- Small-cap growth
- Mid-cap growth
- 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.

DISCLOSURE: This material has been prepared or is distributed solely for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Any opinions, recommendations, and assumptions included in this presentation are based upon current market conditions, reflect our judgment as of the date of this presentation, and are subject to change. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. All material presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed and Evergreen makes no representation as to its accuracy or completeness. Securities highlighted or discussed in this communication are mentioned for illustrative purposes only and are not a recommendation for these securities. Evergreen actively manages client portfolios and securities discussed in this communication may or may not be held in such portfolios at any given time.