Likes/Dislikes - April 17, 2020

Below are Evergreen Gavekal's Likes/Dislikes for April 17, 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”)
- Some international developed markets, especially Japan
- **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 and, again, a big recent rally warrants a bit slower buying pace)**
- 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
- Silver (at current prices, it appears more attractive than gold)
- Select international blue chip oil stocks
- Short-term investment grade corporate bonds (1-2 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)
- **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 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 with some rising 50% in the last few weeks)
- 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 (this market has been pounded, offering excellent long-term value, notwithstanding a recent bounce)**

- 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, though it, too, has rallied of late)
- 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)

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
- British pound currency
- Canadian dollar-denominated short-term bonds
- Japanese Yen
- Lower-rated junk bonds (see cautionary comment at beginning of Likes/Dislikes)
- Floating-rate bank debt (junk) (same as lower-rated junk bonds)
- Intermediate-term Treasury bonds
- One- to two-year Treasury notes
- Traditionally "safe" sectors such as Staples and Utilities (moving these up to neutral as many have been hard hit of late)

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)
- 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")