Likes/Dislikes - January 17, 2020

Below are Evergreen Gavekal's Likes/Dislikes for January 17, 2020.

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”; reduce buying due to the recent surge)
- Some international developed markets, especially Japan (Due to the rapid recent appreciation, expect a decent correction as international markets now look overbought)
- Publicly-traded pipeline partnerships (MLPs and other mid-stream energy securities) yielding 7%-15% (after the recent powerful rally, be prepared for a minor pull-back; however, we remain bullish on the return potential for MLPs/mid-stream energy over the next several years)
- Gold-mining stocks (buy more selectively after the recent rally; long-term, there remains considerable upside)
- Gold
- Silver
- Select international blue chip oil stocks (same as with gold-mining 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 (dial back buying after the recent rally)
- Large-cap value (buy more carefully after the recent sharp up-move)
- Intermediate-term Treasury bonds (use the recent price weakness to accumulate)
- Japanese Yen
- Copper producers
- South Korean Equities
- 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)

- 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
- Long-term municipal bonds
- Long-term Treasury bonds
- British pound currency

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 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
- Many semi-conductor tech stocks which have surged in price this year 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.*