Likes/Dislikes - October 11, 2019

Below are Evergreen Gavekal's Likes/Dislikes for October 11, 2019.

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 7%-15%**
- 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**
- 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**

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.*