

Likes/Dislikes - July 19, 2019

Below are Evergreen Gavekal's Likes/Dislikes for July 19, 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% (resume accumulation after the recent mini-correction)
- Gold-mining stocks (**hold off on buying for now due to the on-going rally**)
- Gold (**be prepared for a near-term correction; longer term, however, the breakout above \$1400 is impressive**)
- Select 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 (accelerate accumulation due to the break of key support on the US dollar; USD weakness is positive for EM debt)
- Large-cap value (there are still bargains in this style, but not nearly as many as there were in late 2018)
- Intermediate-term Treasury bonds (buying longer maturities less aggressively due to the recent big bond rally; however, we continue to see decent value in very high grade 3- to 7-year US bonds)
- Silver (**suspend buying for now after the significant jump; some profit-taking is reasonable**)
- Japanese Yen (buy cautiously after a big rally)
- Copper producers

NEUTRAL

- Most cyclical resource-based stocks
 - Mid-cap growth
 - Emerging stock markets; however, a number of Asian developing markets appear undervalued
 - Canadian REITs
-

- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- US-based Real Estate Investment Trusts (REITs)
- Long-term investment grade corporate bonds
- Short euro ETF
- Small-cap growth
- 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

DISLIKE

- Small-cap value
- Mid-cap value
- 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.