Likes/Dislikes – March 20, 2020

Below are Evergreen Gavekal's Likes/Dislikes for March 20, 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"; use the *bear market* to do more accumulating)
- Some international developed markets, especially Japan (Continue buying but slowly due to the possibility of worsening news on the virus.)
- **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, after a huge pop yesterday and today, nibble don't chomp, especially for those "fortunate" enough to already own this group)**
- Gold-mining stocks (another sharp correction offers a good long-term entry point; they are trading at 2018 levels with a 30% higher gold price and 50% lower energy costs.)
- Gold (also step up the pace of buying)
- Silver (same as gold; silver has been hit even harder)
- **Select international blue chip oil stocks (same as with MLPs, it's time to get more aggressive but, as also is the case with MLPs, be mindful of a late week rally)**
- One- to two-year Treasury notes
- Short-term investment grade corporate bonds (1-2 year maturities)
- Emerging market (EM) bonds in local currency
- Large-cap value (As with Large Cap Growth, the recent swoon into bear market territory provides an attractive entry point in many stocks. Most cyclical issues have been hard hit by coronavirus fears and offer long-term upside.)
- Intermediate-term Treasury bonds (hold off on further buying due to the big rally this year)
- 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 fears are calmed)
- **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)**
- Most cyclical resource-based stocks (in most cases, these have been very hard hit, as well
- BB-rated corporate bonds (due to the dramatic spread-widening that we expected and has

happened with a vengeance, we are bumping up these two notches but this is another “buy slowly” situation).
- **A wide range of high-income securities that have been crushed by the global margin call, including preferred stocks.**
- **Canadian REITs (these, too, fall under the crushed category)**
- **Intermediate municipal bonds with strong credit ratings**
- **Long-term municipal bonds (the global margin call has also restored considerable value in most munis; be very selective on credit)**
- **South Korean Equities (this market has been pounded, offering excellent long-term value; S. Korea is also far ahead of the west in seeing its infection rate decline)**
- **Long-term investment grade corporate bonds (there are many bargains in the area, too)**
- **Solar Yield Cos (the leading entity in this sub-sector has been slammed along with nearly all yield plays and is once again attractive)**

NEUTRAL

- Small-cap value
- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets look undervalued (S. Korea looks particularly interesting)
- Canadian REITs (like all REITS, they have fallen lately and look more attractive)
- Intermediate-term investment-grade corporate bonds, yielding approximately 4% (these are beginning to offer more appeal due to spread widening)
- US-based Real Estate Investment Trusts (REITs)
- Cash
- Long-term Treasury bonds
- British pound currency
- Canadian dollar-denominated short-term bonds
- Japanese Yen
- **Small-cap growth**
- **Mid-cap growth**
- **Lower-rated junk bonds**
- **Floating-rate bank debt (junk)**

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
- 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 over the last six months and generally trade at lofty prices despite falling earnings.

* *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")