
WHERE ARE THE OPPORTUNITIES IN THIS MARKET?

Jeremy Schwartz — Global Chief Investment Officer

03/10/2020

Last week we hosted two CIOs on our “Behind the Markets” podcast to see how they and their clients are reacting to the recent spike in [volatility](#).

Our first guest was Manish Singh, CIO of Crossbridge Capital, a \$4 billion wealth manager based in London. Singh utilizes a top-down macro approach to allocate capital, picking stocks for the U.S. and Europe, and ETFs or structured notes for exposures elsewhere.

Our second guest was Dave Donabedian, CIO of CIBC Private Wealth Management.

Is the Bond Trade Getting Close to an End?

Singh had expected the [U.S. 10-Year Treasury yield](#) to approach 0.5% or slightly below over the medium term, but he was surprised by how quickly [rates](#) dropped recently. He thinks there will be large fiscal measures (even overreaction) coming and so rates may be getting close to their bottoms.

While Europe moves slow, Singh even sees a loosening of the fiscal growth and stability pact, perhaps moving the limits 1%–2% of [gross domestic product \(GDP\)](#), which can allow more fiscal support. Singh sees very targeted needs in the health care sector, as hospitals are being completely overrun by the coronavirus.

Is There an Opportunity for Gains 12 Months Out?

Singh tweeted out last week: “panicking with the crowd usually does not pay. Over the last 25 years, every single time the NYSEDOV [a measure of down volume on the NYSE] has hit 80%, the market has finished higher in the next 12 months. Shorts be careful of the fiscal truck round the bend, don’t get run over.” Singh’s chart on this can be found [here](#).

1998–1999 Redux

Singh believes that fear over the virus’ potential impact will create fiscal and monetary overreactions to provide support, similar to what happened in 1998—and seven months later the [Federal Reserve \(Fed\)](#) was [hiking rates](#). He sees that happening again, following the virus crisis response that’s being dialed up now.

Clients on Both “Buy the Dip” and “Panic Mode” Extremes

Donabedian’s team has seen both types of clients calling: those who see the market moves as an overreaction and want to put some fresh cash to work, and those who feel very unsteady about what is going on. Donabedian is cautioning clients on both extremes. He sees the market [valuations](#) having improved with the drop but not being at absolute bargain levels just yet.

Donabedian is skeptical of the “bond substitute stocks”—the consumer staples, utilities and REIT names. He thinks these stocks are priced quite rich relative to their growth prospects. He also generally does not like the idea of “looking for a place to hide” within equities. If people want to hide out in equity risk, he thinks they should just take on less equity risk. Donabedian rather looks for [value](#) and [growth](#) at a reasonable price, and he still sees opportunity in technology, health care and financials.

Please listen to the full conversation below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Volatility : A measure of the dispersion of actual returns around a particular average level.

Treasury yield : The return on investment, expressed as a percentage, on the debt obligations of the U.S. government.

Interest rates : The rate at which interest is paid by a borrower for the use of money.

Gross domestic product (GDP) : The sum total of all goods and services produced across an economy.

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.