

Market Update on Coronavirus with Professor Siegel

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WisdomTree

Contributor

Professor Jeremy Siegel, WisdomTree's Senior Investment Strategy Advisor and Professor of Finance at Wharton, provides his perspective on the current market and how to prepare for the Coronavirus aftermath.

Highlights from this week's call include which sectors of the economy are likely to be hardest hit and the importance of discovering a vaccine for rebuilding confidence.

Please listen to the full recording from the 13 April below:

Operator: Hello, everyone. Thank you for joining the WisdomTree Weekly call with Professor Siegel. In this extremely volatile market, we want to make sure we provide advisors with the help and guidance they need. Please visit our website for additional insights, including the recordings of these calls today. Please note that this call is being recorded and is for financial professionals only.

With that, I turn the line to Professor Siegel.

Professor Siegel: Thank you very much. Not a bad day given the tremendous markets that we had last week. Actually, tech did really well. A number of developments are better than expected. The flattening of the curve. The decline in admissions is better than was expected. That's a very positive factor.

The remdesivir trial was better. We need more therapeutics; that's the most important aspect of it.

Yes, there was an agreement between the Russians and the Saudis. Oil is going to be down in the dumps for a long time. It's not really going to matter that much.

OK. So, we're getting more and more talk about starting the economy, but no one knows what that means. I mean, it's people's confidence to interact again. They can social distance, you know, at what level?

You know, we have, as I like to say, the airlines are open now, but only 10 percent of the people that normally use them are using them. So, it's not just a question of opening or not, it's a question of confidence. Confidence will only come with therapeutics or vaccine, and a big decline in cases. Which we are getting. We're getting the latter. A decline in cases. Improved improvement in the therapeutics. Hopefully a vaccine,

but that's not absolutely necessary. It is what is needed.

Certain things will open up in those low and those areas where the decline is great. We will need more confidence on testing about whether there's a hotspot or not. Testing on whether people have those antibodies or not. Those people that are safe to be able to go. It's going to be a slow rollout, to say the least. On the earning season, I am not really concerned. I mean, what are they going to say? We had two good months, a bad month, the second quarter is going to be terrible, and it only ends when demand comes back. We learn much more in terms of new cases, in terms of treatments, in terms of where the market is going to go than the earnings that are actually going to be there. Earnings are about 17 times last year. I think we could get last year's [earnings] next year. It is my strong feeling that by the end of this year, and likely by the fall, we will have strong therapeutics. Strong therapeutics. And, we will have a chance of a vaccine. We will also have better techniques in terms of treating the people and finding them, and not letting them go into the ICU.

As I also said last week, and I'm going to summarize, I do think that there's a tremendous buildup of liquidity in the economy and in the financial system that will unleash onto the economy next year. That'll bring us higher inflation that maybe we've had for 20 or 30. I don't mean 8-10 percent. I mean 3, 4, 5 percent inflation with rising interest rates. I don't mean sharply rising interest rates, but I mean rising interest rates.

As a result, stocks that are leveraged should do well, even unleveraged stocks can have pricing power will do well. What I worry about is the long-term fixed income people who are long-term bonds. I think those are the people that are potentially going to get the most hurt. Those people own real assets, I think will do well. The pensioners that own fixed rate will not do well, but that's 2021. But remember, the stock market is forward looking. Remember that over 90 percent of the market—value. it's due to earnings that are going to be earned not this year, not even in the first quarter of 2021, but in the second and third and beyond quarters of 2021, by which I believe we are going to get a much more normalized economy.

For more information, please also see our [weekly commentary from Professor Siegel](#).

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