

# Actionable Ideas for the Current Market

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## WisdomTree ETFs

Contributor

### U.S. Equities

The impact of the coronavirus outbreak on equity markets has been swift and severe, with no corners of the market spared. On top of that, the dissolution of the OPEC+ alliance and subsequent collapse in oil prices has wreaked havoc on energy companies of all sizes. Fundamentals take a backseat to sentiment in environments like this. While it is too soon to definitively say we have already hit the bottom, valuations now look attractive to us and we are cautiously optimistic given the recent monetary and fiscal responses. We maintain our bias toward high-quality exposures as these companies have been able to weather the storm better than the broad market. A value headwind have weighed on income-focused portfolios as the factor lagged the market in Q1, so we believe it is imperative to utilize strategies that have high profitability and low leverage to avoid value traps.

#### Investment Ideas:

[\*\*WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)\*\*](#)

[\*\*WisdomTree U.S. LargeCap Dividend Fund \(DLN\)\*\*](#)

### Developed International Equities

Europe has become an epicenter of the coronavirus outbreak, and its impact on an already fragile economic path will likely be sharp. The implementation of long-overdue fiscal stimulus from Germany may help, but we expect more pain ahead. We would like to see signs of stabilization from the region before we turn more positive. While Japan remains the cheapest equity market in the developed universe, a likely global recession will weigh on exporters. The sharp contraction in economic growth along with the postponement of the Olympics means Japan's policymakers need to be creative in stimulating domestic demand. That said, the massive cash positions of corporate Japan may help act as a buffer in the months ahead. We continue to lean into strategies that have a focus on high-quality exposures as well as those with lower dividend payout ratios that are less at risk of forced cuts in the months ahead.

#### Investment Ideas:

[\*\*WisdomTree International Hedged Quality Dividend Growth Fund \(IHDG\)\*\*](#)

[\*\*WisdomTree Global ex U.S. Quality Dividend Growth Fund \(DNL\)\*\*](#)

### Emerging Markets Equities

Despite its traditionally higher beta profile, emerging markets (EM) slightly outperformed the U.S. market from peak to trough after the sell-off began in late February<sup>1</sup>. We think this reflects both China's ability to charge ahead following its shutdown and the impact that lower valuations have on relative volatility. Economic growth will unquestionably be weak in the first half of the year, but we expect an earlier and sharper rebound in EM than in the developed world. We continue to favor a core of ex-state-owned enterprises and think investors should consider taking a fresh look at this year's surprise best-performing major country: China.

**Investment Ideas:**

**WisdomTree Emerging Markets ex-State-Owned Enterprises Fund (XSOE)**

**WisdomTree China ex-State-Owned Enterprises Fund (CXSE)**

**Fixed Income**

The market dislocations created by the coronavirus and the dissolution of the OPEC+ alliance were swift and pronounced. The losses in corporate bonds—both investment-grade and high-yield—in the two-week period from March 9 to March 23 were the worst on record (using returns dating back to 1998). While the corporate market was the epicenter, no fixed income market emerged unscathed, as many safe haven assets like U.S. Treasuries failed to offer relief during the period. Market structure came under attack and the Federal Reserve (Fed) quickly responded with unprecedented quantitative stimulus, providing support to nearly every corner of the fixed income market. The monetary infusion seeks to preserve and facilitate the inner workings of the global funding markets, while the fiscal injection is the necessary driver to support the U.S. economy. Although there are likely to be additional setbacks, indiscriminate selling in many sectors has created long-term opportunities, particularly given continued strong support from the Fed and well-capitalized financial institutions.

**Investment Ideas:**

**WisdomTree Yield Enhanced U.S. Aggregate Bond Fund (AGGY)**

**WisdomTree Floating Rate Treasury Fund (USFR)**

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