NEXBANK NOTES

February 2020

Our Fundamental View:

The headlines we dubbed “ominous” last month turned downright terrifying this month, with worries of a coronavirus pandemic sweeping across the globe. While the ultimate affects of this tragedy remain to be seen, there are certainly *potential* impacts to the global economy.

Given these *potential* impacts, central banks around the globe have responded by providing additional liquidity to the markets. This can be seen in interest rates, which have moved meaningfully lower the past few weeks. While only time will tell whether the 10-yr. US Treasury sees a new all-time low rate, there is no doubt that low rates have already helped support record high market valuations and cap rates.

Our Technical View:

Technically speaking, stocks are finally starting to pull back from their record highs. While clearly extended (measuring the distance above their 40-week moving average), market internals remain quite healthy indeed. For example, the number of new 52-wk highs saw a new cycle high just a few short weeks ago. This typically occurs a year after a cyclical market bottom, making the January surge ‘right on schedule’.

The Chinese markets however, are clearly much more exposed to the coronavirus risk. This is evident in the price chart of the CSI 300 Index, which is fast approaching support. Breaking this area would suggest that the *potential* risk may be manifesting into real economic damage.

Consensus Call of the Month:

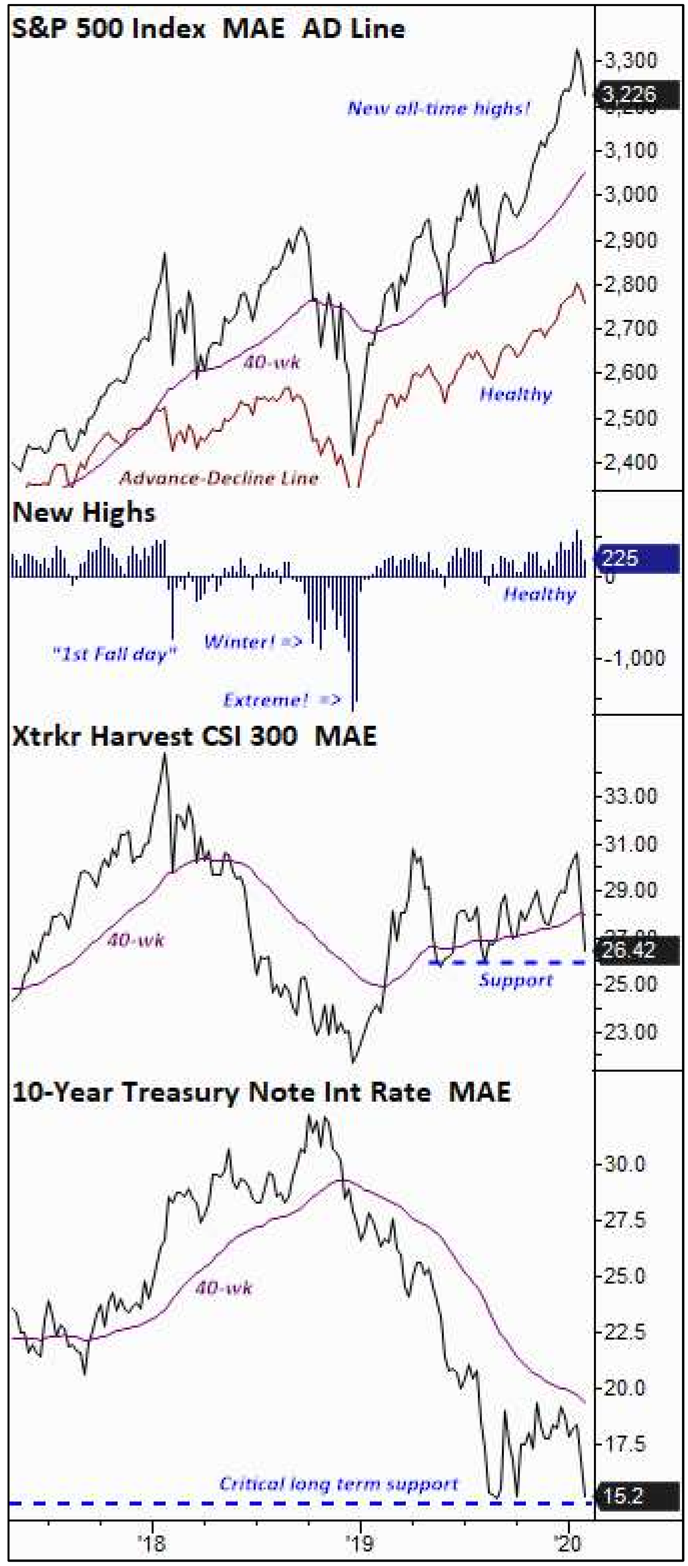
Whether in response to strong economic growth – or serving as a safe haven from geopolitical instability – most professionals believe that gold most likely moves higher from here. We agree, and would add that the shiny yellow metal is in great shape technically as well.

Contrarian Call of the Month:

Finally, as we have noted in our last several installments, interest rates (and credit spreads) have remained remarkably firm despite materially disappointing economic data and missiles being fired in hostility. While the coronavirus tragedy has pushed yields back down to key support in the 1.40-50% area, they remain resilient and we believe are most likely higher at year end.

James Dondero, CFA
Portfolio Manager

Mike Hurley, CMT
Portfolio Manager



Charts courtesy of TradeStation, as of January 31, 2020

NEXBANK WEALTH ADVISORS

NEXBANK NOTES

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About NexBank Wealth Management

NexBank Wealth Management is a privately owned, independent wealth manager located in Dallas, Texas. The team is led by award-winning investment professionals, with an average of 25 years of experience working with some of the world's most distinguished institutional clients and financial institutions. NexBank Wealth's actively-managed approach guides clients through complex and evolving markets. Contact our Client Services Team for more information.

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