

Our Fundamental View:

Fears of a global coronavirus pandemic – and global recession – finally gripped the markets last month, lopping roughly 15% off most of the broad market averages by month end. A decline whose speed has not been seen since the top in the Nasdaq in 2000

While no one can be sure if the fears surrounding this outbreak will come to pass, the threat of them has altered behavior worldwide. In addition to the very new concept of ‘social distancing’, central banks have responded in concert. This includes the US Federal Open Market Committee which dropped short term rates by 50bp on March 3rd.

The good news is, the swift drop in interest rates has made stocks more attractive fundamentally. Specifically, the S&P 500’s dividend yield of 2.04% is much more attractive when the 10-yr US treasury is yielding 0.70%, than just a few short weeks ago when it was at 1.50%.

Our Technical View:

As we noted last month, the S&P 500 had clearly gotten extended, as measured by the distance above its 40-week moving average. This important line failed to contain the vicious bout of selling in February and coupled with the dramatic increase in new 52-wk lows represents meaningful damage to the market technically.

Even more of a ‘problem’ however, were the joint breaks of support by the Bloomberg Commodity Index and the 10-year US Treasury. These areas go back several years and renewed downtrends in commodities and interest rates are a strong signal that markets are extremely worried about weak economic growth and deflation.

Consensus Call of the Month:

As we noted last month, we continue to be part of the crowd which believes gold goes higher from here. Whether in response to strong economic growth, or as a continued safe haven, gold does indeed have the wind at its back. It also remains in great shape technically, as well.

Contrarian Call of the Month:

Finally, while an extremely contrarian and unpopular view, we would argue – and certainly hope – that we all look back at the COVID-19 outbreak as something to which the world overreacted.

James Dondero, CFA
Portfolio Manager

Mike Hurley, CMT
Portfolio Manager



Charts courtesy of TradeStation, as of March 6, 2020

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.

Contact Information

NexBank Wealth Management
300 Crescent Court
Suite 700
Dallas, Texas 75201
www.nexbankwealth.com
info@nexbankwealth.com
972-419-2500



Statements in this communication may include forward-looking information and/or may be based on various assumptions. The forward-looking statements and other views or opinions expressed herein are made as of the date of this publication. Actual future results or occurrences may differ significantly from those anticipated and there is no guarantee that any particular outcome will come to pass. The statements made herein are subject to change at any time. Highland disclaims any obligation to update or revise any statements or views expressed herein.

No representation or warranty is made concerning the completeness or accuracy of the information contained herein. Some or all of the information provided herein may be or be based on statements of opinion. In addition, certain information provided herein may be based on third-party sources, which information, although believed to be accurate, has not been independently verified.

The information provided herein is not intended to be, nor should it be construed as an offer to sell or a solicitation of any offer to buy any securities. This commentary has not been reviewed or approved by any regulatory authority and has been prepared without regard to the individual financial circumstances or objectives of persons who may receive it. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Highland encourages any person Considering any action relating to the securities discussed herein to seek the advice of a financial advisor.

Advisory services offered through NexBank Securities, Inc, a registered investment advisor.
NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE.