NEXBANK NOTES

April 2020

Our Fundamental View:

Headlines surrounding of the coronavirus pandemic continue to disrupt markets, economies and lives globally, with the concept of 'social distancing' evolving into an even newer one of 'shelter in place'.

As governments have ordered the closing of large parts of economies, they have also responded with equally unprecedented actions to ease the blow to individuals. The goal clearly being to avoid a 1930's type catastrophe, and arguably, to protect the very fabric of society.

Fundamentally speaking, it is difficult if not impossible to calculate the impact of massive closures to not only the US economy, but others around the globe as well. Not to mention whether or not there will be any lasting behavioral changes going forward. Given our experience with 9/11, we tend to think there will be – at least temporarily.

Our Technical View:

Technically speaking, markets went from 'Houston we have a problem' to 2008-type extremes in a mere 2 weeks. While this is potentially 'bad enough to be good', markets usually test initial lows before embarking on new bull markets. The bottom in 2018 being a rare exception.

As we noted last month, even more of a 'problem' than COVID-19 have been the devastating, long-term, breakdowns in commodities & interest rates. While the pandemic will ultimately pass, these breaks strongly suggest we are in a deflationary economic environment – and one that may not come back as quickly as the administration is hoping.

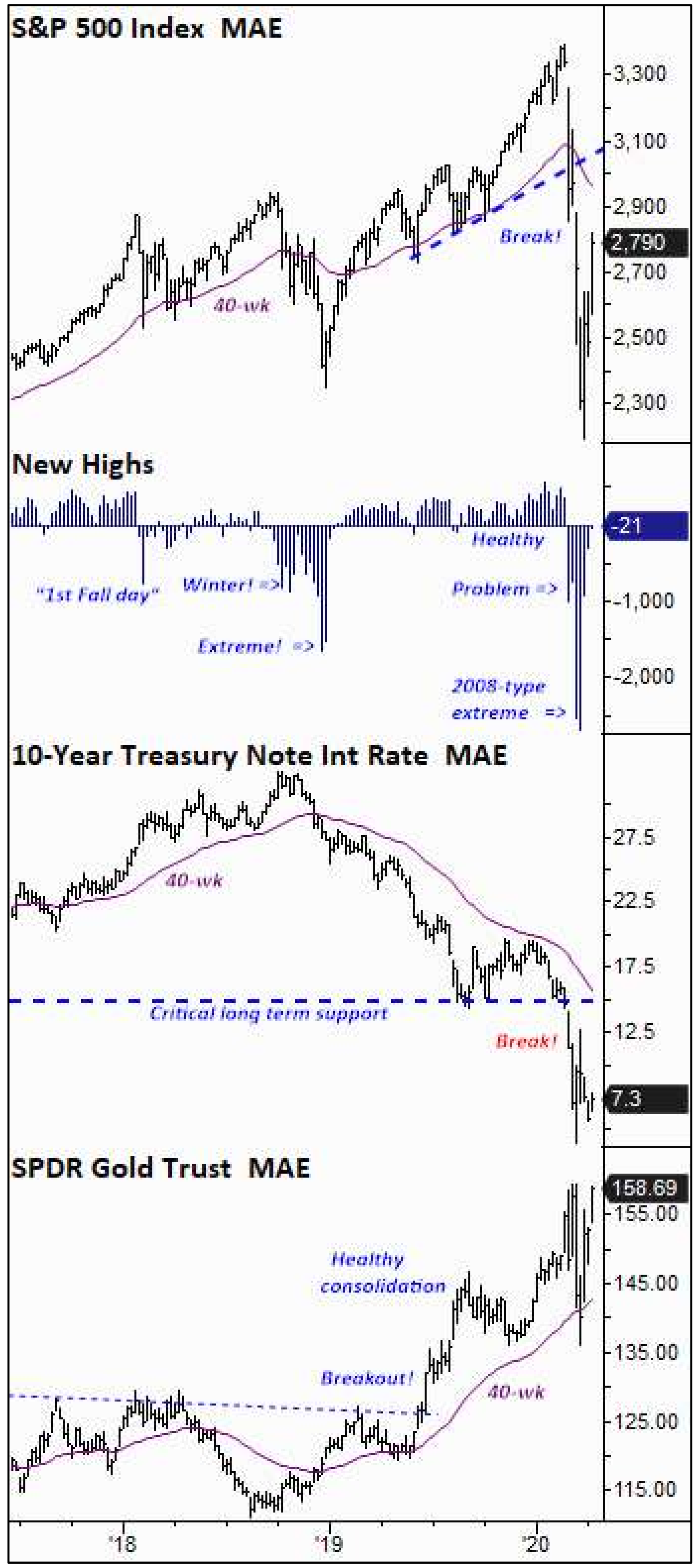
Consensus Call of the Month:

We – like much of the investment community – remain very bullish on gold. While clearly in a healthy uptrend technically gold is also benefitting from several powerful fundamentals, including geopolitical instability and large federal budget deficits.

Contrarian Call of the Month:

Finally, a far less popular view of ours, is that the COVID-19 outbreak will be less of a longer term problem for global economies than crude oil trading in the $20-30/barrel area.

The result of a spat between OPEC members Russia and Saudi Arabia, the consequences reach far across the globe including our own energy and banking industries here in the US.



Charts courtesy of TradeStation, as of April 10, 2020

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NEXBANK WEALTH ADVISORS

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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