NEXBANK NOTES

May 2020

Our Fundamental View:

Headlines surrounding of the coronavirus pandemic went from scary to downright terrifying last month, as the world started to feel the economic impacts of the outbreak (such as 20 million jobs lost in April, in the US alone).

Governments globally are taking truly unprecedented actions in an attempt to avoid a repeat of the Great Depression of the 1930's – to which the markets have (so far) responded positively. Hopefully, the 're-opening' of the economy will be as strong as the market suggests.

Our Technical View:

As noted above, the market's snap-back in April was quite strong. In fact, it was the best month since Jan 1987. That being said, most broad based market indices remain below their 40-week moving averages, a widely used indicator to define the long-term trend.

The number *of stocks* above their 40-week (or 200-day) average is also on the weak side, at 11% as of May 1st. We like to use the 40% level to confirm when the market overall is in a cyclical 'bull' or 'bear' trend.

Finally, the real fireworks last month were in the energy pits, where the May crude oil contract went out more than $30 negative, meaning speculators were paying people over $30 to take oil off their hands! A truly surreal situation, and one which dramatically shows just how big the supply/demand difference is – and how little storage remains.

Consensus Call of the Month:

We remain bullish on gold, which typically benefits from geopolitical instability, as well as large and increasing federal budget deficits – two conditions which are clearly enjoying bull markets themselves.

Technically speaking, gold remains in a healthy uptrend and continues to post 'higher highs and higher lows'.

Contrarian Call of the Month:

Finally, we also continue to believe that the COVID-19 outbreak will be less of a longer term problem for global economies than the economic damage from the shut down in global economies to prevent its spread.

Banks for example, are already starting to feel pressure on outstanding loans to the energy sector, something which could clearly continue to spread as easily as the virus – with equally devastating consequences.

James Dondero, CFA
Portfolio Manager

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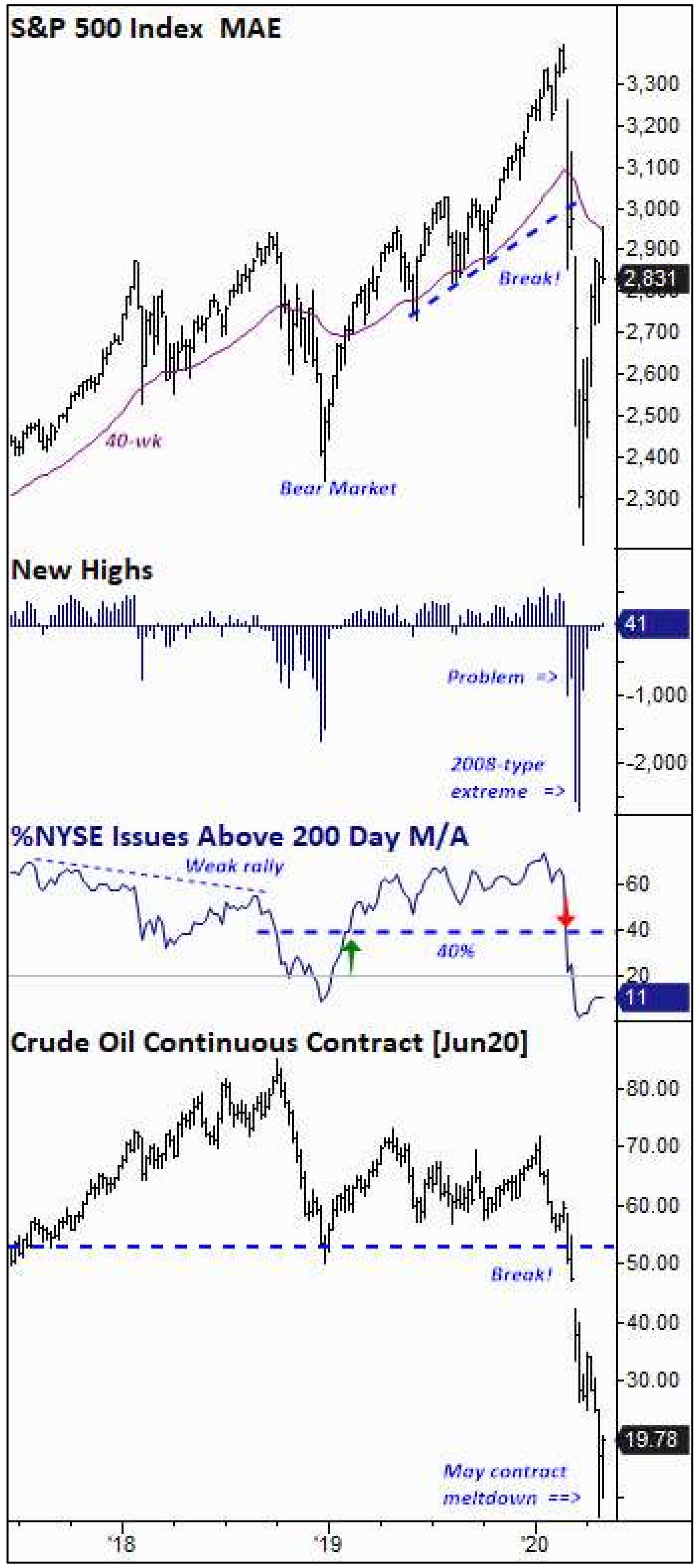
Portfolio Manager



Charts courtesy of TradeStation, as of May 1, 2020

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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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