NEXBANK NOTES July 2020

Our Fundamental View:

Per usual, July started with fireworks but not from the usual source as cases of COVID-19 are what 'exploded' across the US. This *bad* news was accompanied with the *good* news of improved economic data, which led to some significant confusion in the pundits.

Going forward, we expect both to continue to rise with the tug-of-war between them lingering longer than many expect. Only time will tell whether COVID will again shut down the economy, or whether the resilience being shown by the economy is a fair representation of our determination to move past these extremely difficult circumstances.

Our Technical View:

Technically speaking, it continues to look as if stocks have put a meaningful (cyclical) bottom in place. As we noted last time, the classic pattern is to see 'panic selling' followed by 'panic buying', which can clearly be seen in the indicators to the right (A/B, C/D & E/F).

Our biggest worry remains with the 10-yr US Treasury Note, and the strong signal of deflation it sent when breaking 1.50% in February. Since then yields have held the 50bp level, which is indeed 'good news'. Strength from here would go far in dispelling worries of a 1930's repeat, and likely put a wind at the back of the market.

Consensus Call of the Month:

While we probably sound like a broken record here, we remain bullish on gold. Since its 'breakout' last summer the shiny yellow metal has formed a clear pattern of 'higher highs and higher lows', as have mining stocks.

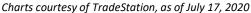
What's different this month, is that silver is now starting to follow gold higher. This is good news for both, and based on the recent historic high in the gold/silver ratio – is something we believe can continue.

Contrarian Call of the Month:

Finally, despite all the worry of a weak economy due to COVID and the ongoing trade war with the US, China's stock market has been quite strong. While only time will tell whether stocks are foreshadowing the economy correctly, we're inclined to trust the market over the pundits.

James Dondero, CFA Portfolio Manager Mike Hurley, CMT Portfolio Manager







About NexBank Wealth Management

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