The Astrologers Fund’s Henry Weingarten on the Biden market winners – copper, gold and critical materials win.

In a recent InvestorIntel Interview, Tracy Weslosky speaks with Henry Weingarten, Fund Director of The Astrologers Fund, Inc., about the current market trends and the likely triggers for the market to be up.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Henry went on to say, “If you own copper stocks you should stick with them.” He also said that gold is doing well and added, “we are on our way to $2,000 by the year end.” He also expressed his positive sentiments for oil and said that critical materials like rare earths and lithium are very good long term investment.

To access the complete interview, click here

What stocks and sectors to win in the US Presidential election

With the US Presidential election on November 3 many investors are looking at the implications of a Trump win versus a Biden win. Based on the current polls Biden is ahead which means some of the Biden related stocks have already partially priced in a Biden victory.

Sectors and stocks to do well if Trump wins

If we see a President Trump victory this week then investors can expect more of the same from the past 3 years in office. Trump is likely to continue with the China trade war and his tariff policy, which has so far had mixed results. Agriculture (soybeans etc.) has suffered some severe ups and downs as China retaliated then appeased Trump. Chinese student education and tourism to the US is significantly down.

Sectors that have generally been favored under Trump include oil/gas/coal/nuclear, military, possibly financials, possibly technology, and some industrials. Trump's policy to reduce corporate Americas tax rate from 35% to 21% was a huge win for corporate America and it helped boost stock markets at the time. The recent September 30 White House Executive Order ('EO') on critical minerals is aimed to give a huge boost to the critical minerals mining sector and supply chain, especially for US based projects.

Some stocks and funds likely to do well in a Trump victory include oil/gas/coal/nuclear such as SPDR S&P Oil & Gas Exploration & Production ETF (XOP) (assumes COVID-19 eases and oil prices increase), Exxon Mobil (XOM), Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR), Ur-Energy Inc. (NYSE American: URG | TSX: URE); defense stocks such as Northrop Grumman Corp. (NOC), Lockheed Martin Corp. (LMT), Raytheon Co. (RTN), and General Dynamics Corp. (GD); financials such as Bank of America (BOA), JP Morgan Chase (JPM); and the tech giants (Facebook FB), Amazon (AMZN), Alphabet (GOOGL) etc); US based critical minerals miners MP Materials Corp. (MP)(FVAC), Neo Performance Materials Inc. (TSX: NEO), and the other US critical mineral miners.

China related shares and funds would likely not do well if

Trump wins and the recent renewable energy and EV stocks rally might reverse.

Donald Trump continues with 'make America great again'

Source

Sectors and stocks to do well if Biden wins

Biden's policy proposals are aimed at restoring equality and boosting the middle class as well as US manufacturing. Biden plans to work with other nations to solve global conflicts and less conflict with China. His other key policy pillar is green energy ('green new deal'). Biden's green plan is for the U.S. to have a carbon pollution-free power sector by 2035. This would be a massive boost to the renewable energy sectors such as solar and wind energy as well as more support to the electric vehicle (EV) industry. Biden also plans to boost spending on rural areas, agriculture, healthcare, child care and caregivers, as well as helping to reduce student debt and raising the US minimum wage to $15/hour. He plans to boost R&D spending by $300 billion on electric vehicles (EVs), lightweight materials, 5G and artificial intelligence. To do all this he plans to raise corporate tax rate from 21% to 28%, and to raise taxes on individuals with incomes above $400,000, including raising individual income, capital gains, and payroll taxes. Also some capital gains tax increases for those on incomes above $1,000,000 pa.

Some stocks and funds likely to do well in a Biden victory include solar energy stocks and solar ETFs (TAN), SolarEdge Technologies Inc. (SEDG), First Solar (FSLR), Brookfield Renewable Partners LP (BEP), NextEra Energy (NEE); wind energy and wind stocks (FAN); US electric vehicle stocks such as Tesla (TSLA), Fisker (FSR); EV charging companies Blink (BLNK); and the miners that provide the raw materials for the clean energy sector. This would include miners in rare earths, lithium, cobalt, graphite, nickel, manganese, aluminum, and scandium etc. Also emissions reducing stocks such as dynaCERT Inc. (TSX: DYA | OTCQX: DYFSF) stand to benefit. US healthcare stocks such as United Health Group (UNH) and those focused on COVID-19 treatment and prevention should do well as Biden increases COVID-19 testing and therapies and drops medicare eligibility from 65 yo to 60 yo.

Joe Biden plans to help fix inequality and boost the middle class

Source

Sectors and stocks to do well no mater who wins

The technology sector has done well under Trump boosted by the corporate tax cut; however it is also likely to continue to do ok under Biden, despite a short term pull back due to higher corporate taxes. There is the Democrats (Biden) threat of more regulation and possible breakups of big tech; but under Trump there is also greater pressure on big tech such as the recent Alphabet Google anti-trust lawsuit. Expanding rural broadband internet access under Biden is a small positive for tech.

The infrastructure sector should do well. If Trump wins the infrastructure to do well will be more based around older infrastructure such as highways, pipelines, and traditional energy (oil, gas). If Biden wins the benefits will go towards newer infrastructure such as his $2 trillion green infrastructure and jobs plan over his first term in office.

US critical materials related stocks look set to do well both under Trump and Biden.

Gold and precious metals will likely do well no mater who wins assuming continued US stimulus and money printing.

Closing remarks

InvestorIntel has no political bias, but rather seeks to help investors make informed decisions.

As a general rule if Trump wins the US election investors can expect the same stocks and sectors that did well the past 3 years to continue to do well. The best performing sector has been US technology. The lower corporate tax rate is a plus for US corporates in general.

If Biden were to win the winning sectors and stocks relate mostly around stocks that benefit from a supported lower and middle class, renewable energy including EVs, and government support (health care, child care, aged care).

Finally, how the US deals with the China trade war, COVID-19, and geo-political events going forward will also play a significant role in the US stock market over the next 4 years. Good luck to all.

The Astrologers Fund Henry Weingarten forecasts gold, critical materials and Trump

for fall

Henry Weingarten, Fund Director of The Astrologers Fund, Inc., spoke with InvestorIntel's Tracy Weslosky on near term prospects for gold and critical materials. "In November and December gold will do very well no matter who wins," Henry stated. He also commented on the likely market scenario if Donald Trump loses election.

Henry went on to say that President Trump's Executive Order on Critical Minerals will boost the critical minerals stocks in the short term and added, "Lithium is going double in 2022." He also said, "China will be very belligerent next year that will help military stocks. Military and security will be front and center next year."

To access the complete interview, click here

The Milken Institute's Dr. Michael Piwowar's #1 piece of advice for the financial markets in dealing with COVID-19

"The number one advice would be to keep the financial markets open. **The financial markets are playing a critical role in the response to the crisis.** They are proving liquidity for people who need cash right now to able to sell their financial assets and turn it into cash to use things like meet payroll or their mortgage payment and things like that. They are providing the opportunity to people who want to step in and use this as a buying opportunity and put a floor on the prices right now. The other thing they are doing is that they are giving both investors and policymakers critical information in terms of price discovery.” States Dr. Michael Piwowar, Executive Director of the Milken Institute Center for Financial Markets, in an interview with InvestorIntel’s Tracy Weslosky.

Dr. Piwowar went on to say that though the markets saw some wild swings recently, it was good volatility and was evidence that the market is working. The market is providing critical information to policymakers to decide their response to the Coronavirus crisis – financial assistance or economic stimulus. The Federal Reserve along with the Treasury has stepped in the credit markets to provide the much-needed liquidity.

Dr. Piwowar also said that FasterCures Center at the Milken Institute is on the frontlines of what’s going on in the COVID-19 pandemic. The center is working very closely with a lot of the people who are developing vaccine for the disease.

Dr. Piwowar also provided an update on the Resilient Infrastructure Financing initiative of the Milken Institute. He said that there is a great need in the United States to improve infrastructure. The institute is working to promote public and private partnerships to fund and finance resilient community infrastructures to combat the disruption of weather-related disasters.

To access the complete interview, click here

Supply chain disruptions, equity market falls, the COVID-19 survivors are rhodium, palladium and gold…

COVID-19….China and global supply chain disruptions……China then US equity market falls……welcome to 2020!

If you thought 2019 was volatile with the US-China trade war, 2020 is looking even worse. The US S&P 500 just dropped 10% so far this week, with the biggest one day points fall in history on Thursday.

Supply chain and metal markets disruptions stem from China

The coronavirus has massively disrupted much of China's industrial heartland in Hubei and nearby regions. The lock down and closing of factories caused a 92% fall in China auto sales in the first half of February. Naturally, all of this has had a significant impact on the metals markets as well as global supply chains.

Added to the car makers woes are manufactures of most types of goods, including consumer electronics. Apple has warned of global iPhone supply shortages, and analysts have estimated that the virus may slash demand for smartphones in China by half in Q1 2020.

Critical materials expert Jack Lifton commented to InvestorIntel:

"In China the main concern is the impact of the coronavirus on the Chinese government's control of the Chinese economy. In the USA the main concern is how the political parties can benefit most from hyping the coronavirus story. Politics is

trumping economics, health, and safety in both countries."

Commodities are generally down with a few exceptions

Given the extreme February China slowdown and supply disruptions, most commodities have been sold off. The CRB Index is down 6.02% for the past month. The oil market has been particularly hard hit due to the Chinese lock down. Oil prices are down ~14.63% over the past month and iron ore is down 8.81%. Copper and nickel have so far been resilient, perhaps due to the fact they had already been beaten down from the trade war.

Of interest, the only commodities doing well the past month are rhodium (+29.69%), palladium (+23.07%), molybdenum (+6.61%), and gold (+3.36%). Rhodium and palladium are the key emissions metals whose demand has surged in 2020 due to tighter emissions standards in Europe and China, as we wrote about last year here.

A comparison of commodity returns over the past 1 month since the coronavirus worsened

	Crude Oil	Iron ore	Nickel	Copper	Cobalt	Gold	Molybdenum	Palladium	Rhodium
1 month return	-14.63%	-8.81%	-1.27%	-0.98%	1.52%	3.36%	6.61%	23.07%	29.69%

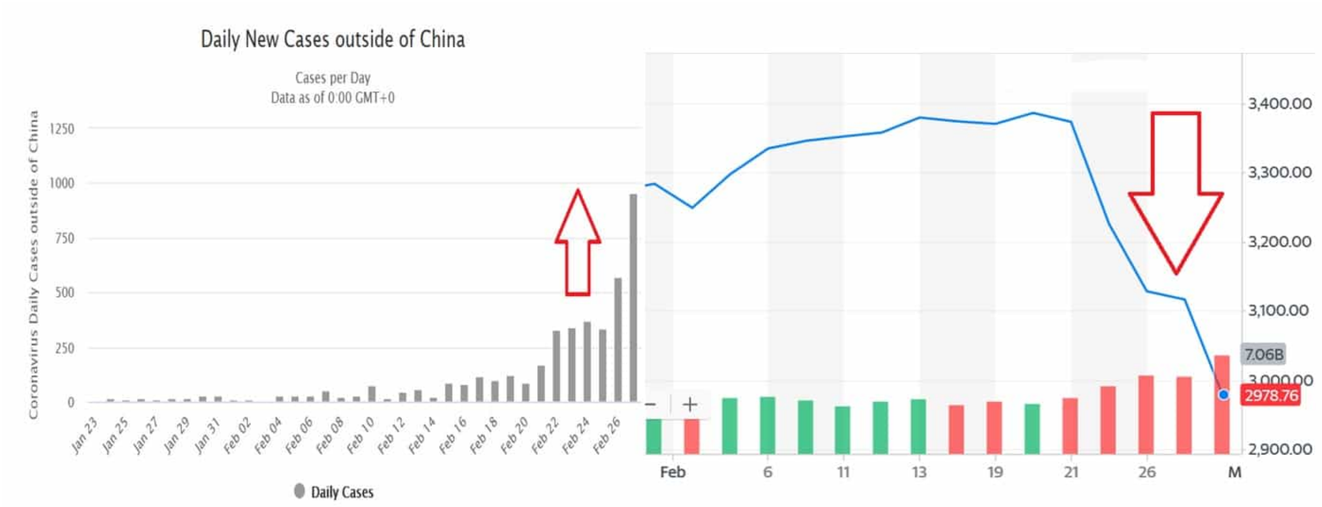
Source

Looking out to Q2, 2020 as Chinese factories are re-opening now and ramping back up, the demand for commodities is expected to resume. Of course, this will depend on the global coronavirus situation. If it worsens in the coming months and western markets also contract then we can expect H1 2020 to be a write off.

What To Watch Out For Next

The US equity market fall has been heavily correlated to the escalation of new coronavirus cases outside of China, as shown by the chart below.

As new cases outside China escalated from February 21, the US equity market started to fall heavily



Source: Worldometers.info/coronavirus

This means if the new coronavirus cases outside of China (especially in the USA) continue to escalate we can expect further downside (~10%) for US equity markets, depending also on the duration and extent of the disruption.

Gaining some equity market long term perspective

Whilst the past week's ~10% fall of US markets is concerning and indeed a sharp fall, investors can gain some long term perspective from the chart below of the S&P 500. Here are some thoughts to consider:

- US equity markets were about 20% overvalued before this week's 10% fall.
- Based on the long term trend line below, US equity markets could fall another 10% to reach approximate fair value. Current Price Earnings (PE) ratios would also support some further fall, even when taking into account low US interest rates.

Using the rule of 20 (which adjusts for interest rates) we could expect the US historical PE ratio to be at 18.25 (20 – 1.75). The current US historical PE is 20.9 as of February 26.

After yesterday's ~4% market fall the February 27 PE will update to ~20.1, and is therefore 10% above the 18.25 fair value figure.

The above valuation guidelines would suggest the US S&P 500 has a further 10% to fall to be back at fair value. Given it has already fallen 10% from its high an additional 10% would bring the total fall to 20%, should it occur, and we would officially be on the brink of a bear market.

Beyond that, it will depend on the severity of the coronavirus globally, and the economic disruption that may follow.

US S&P 500 1994 to Feb. 27 2020

Closing remarks

The massive China lock down in February has caused a huge disruption to global supply chains, especially given China remains the world's biggest factory. Effectively much of Chinese production of goods was lost in February, but looks to be heading back on track in March assuming the coronavirus does not worsen in China.

The oil market has taken a short term hit, while base metals have been resilient in February. Assuming we get a 'V" shaped economic recovery in China then March should see some signs of recovery in both the commodity and Chinese equity markets. Looking further out a full recovery will likely take several more months, and will depend on how badly the coronavirus spreads globally.