Weekly Commentary with Professor Jeremy J. Siegel

Sell in May?

Monday, 4/5/2020

Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

The market started May off with a tone of 'Sell in May and go away'—and Professor Siegel would not be surprised to see some continuation of pressures in the very short run after the incredibly strong bounce higher we had in April.

The data on the economic front have come in as expected, with the first half of March being ok and the other half a complete shutdown. This economic data are in the rearview mirror and much more important is what lies ahead for opening the economy and bringing confidence back to consumers.

Our focus thus has to be on the success of drugs like Remdesivir.

In Professor Siegel's view, the data from Remdesivir was much better than the press is giving credit. First, the results on Remdesivir were so strong, they stopped the study to give those who received the placebo the actual drug. This is not always done, but a strong indication of the drug's effectiveness. Gilead will be able to ramp up production to a million doses quickly—very positive.

Professor Siegel emphasizes that anti-viral drugs are usually given early in treatments, and Remdesivir was given to 30% of people on ventilators in the latter stages of the disease, so there is hope it may be even more effective earlier in treatments. Remdesivir has been administered intravenously but might be turned into a nebulizer similar to asthma medicines as well, potentially broadening use cases.

All of this commentary makes Professor Siegel very encouraged that we will have a lot more tools to fight the virus during a potential second wave later in the year.

We are starting to see states open up. New York deaths have been declining, while admissions are plateauing. The decline in the virus is not as quick as the ramp up—it is more a plateauing so we still have to be quite careful.

The one piece of economic data Professor Siegel has focused on is the increased money supply that is expanding at a rate we've never seen before. In the last 5 weeks, the M1 money supply is up 17%—the same rate as it increased in the 1-year following the Lehman crisis. And we should still see further increases in the money supply with more Fed programs coming online. Professor Siegel believes this broad increase in money, once we get the economy opening again, will result in a very strong economy, providing inflation pressures. All this comes to reinforce Professor Siegel's view that the 40-year bull market in bonds that we've had may be coming to an end. A strong, moderately-inflationary economy becomes a big question of how to structure portfolios for this next wave of economic developments going into 2021.

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