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# MARKET UPDATE ON CORONAVIRUS WITH PROFESSOR SIEGEL

Wisdomtree EU  
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Professor Jeremy Siegel, WisdomTree's Senior Investment Strategy Advisor and Professor of Finance at Wharton, provides his perspective on the current market and how to prepare for the Coronavirus aftermath.

Highlights from this week's call include promising developments around a Coronavirus vaccine.

Please listen to the full recording from the 18 May below:

## Conference Call Transcript

**Operator:** Hello, everyone. Thank you for joining the Wisdom Tree weekly call with Professor Siegel. Please visit our website, [WisdomTree.com](http://WisdomTree.com), for additional insights, including the recordings of these calls. Today, Professor Siegel will provide a quick 15-minute update and then we will open the lines for your questions. Please note that for more information, please also see our [weekly commentary from Professor Siegel](#). This call is being recorded. If you need assistance, dial star zero and an operator will be happy to assist you. With that, I will hand the line to Professor Siegel. The views expressed in this recording are those of Jeremy Siegel, any reference to "we" should be considered the view of Jeremy Siegel and not necessarily those of WisdomTree. Thank you, Jacklyn! Well, it's always good to address you guys when the market is up over 900 points. And of course, the good news this morning that we heard from Moderna, I think, was a significant part, but the market was actually up even before that. You may recall that, for many weeks, I told you that, when I get up in the morning, what I do is always check virus news. I don't really care about the economic news. I know the economic news is bad. All these announcements of jobless claims or unemployment, everything. We know it's terrible, but it doesn't tell us what's going to happen in the future. It's news such as we got today from Moderna. I mentioned earlier, this is really quite something. It is stage one.

This is better news than the Remdesivir, which of course was not a vaccine, but just an antiviral. And one also knows that it is early and stage two is also on the docket, but I think what this demonstrates ... I had expressed to you my optimism that, with a hundred vaccines and antiviral and antibodies in the works, that some were going to hit. And despite the pessimism of what you read that nothing was going to hit for two years and then maybe not even then. We've all heard that pessimism. It never made sense to me. And now, it makes even less sense to me.

We had two other reports. We actually had a favorable report on what's called a convalescent treatment, plasma, which is recovered patients have been injected and they did not suffer a worsening or a bad reaction, which sometimes happens with the convalescent plasma. That was good news, but not as good as this news that we're getting from Moderna. We always have a disappointment. The much touted Oxford study, which does

~~Important Information~~ technology to the messenger RNA that was used in the Moderna study at least in the rhesus monkeys that did not seem to reduce virus load. We're going to get pluses and minuses, but certainly this is good.

~~Marketing communications issued in the European Economic Area ("EEA"):~~ This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. And two facts. So today, we finally had a reversal where stocks that have been beaten down, but stayed pretty well down because of the closing of the economy while the technology stocks and the biotech stocks rocket ahead, we had a little bit of reversal. ~~Marketing communications issued in jurisdictions outside of the EEA:~~ This document, has been issued, and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. Actually, a big reversal, but is it only a one big reversal or not? And it's good to see the Russell 2000 up over 6%. The European stocks up over 5% is a big one and we also have over a 4% increase in emerging market stocks. Of course, these are ones that have been lagging dramatically and it's not unexpected with the news that, potentially, an opening of the economy could come earlier than we thought, we're going to get exactly the reversal we have today. There's no puzzle at all, in my estimation, of what we want today. (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

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~~Remember, whatever comes of this feat of antivirals, antibodies, and vaccines, the liquidity that we are generating is unprecedented and enormous. Again, I mentioned to you weeks ago, I'm looking at the M1 money supply another ... it's reported, by the way, this document is not, and under no circumstances is to be construed as, an advertisement at four o'clock every Thursday ... another big jump on the money supply. In an eight- or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States, and all the rest have increased by 23%. Nothing I've ever seen. The liquidity that is being created is just unbelievable, weighing, in my opinion, to pounce on this economy.~~ The application of regulations and tax laws can often lead to a number of symptoms, does not show them for awhile and then they're mild and then they get severe. So he cautioned us to wait a couple weeks before we can be definitive that some of these states that are reopening are, in fact, not going to experience a spike. So I don't want to prejudge this, but at least some of the early data here is very favorable.

~~Although WisdomTree endeavours to ensure the accuracy of the content in this document, and clearly, one of the reasons that bond yields were up and one reason the 10-year WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree ended at 72 basis points is clearly that, obviously reopening the economy, you would have expressed its own opinions related to product or market activity, these views may expect bond rates to go up. So that clearly is happening, but again, I did make the call change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. The only thing that could derail that is a return with force in September or October with the virus with no effective antivirals or vaccines available. We've seen the low on that rate.~~

So what we see playing out in the financial markets is pretty much what I had talked about on these weekly calls over four, five, six weeks and still, I believe, will transpire. Let's talk a little bit about ... I mean, actually, I got surprising news. People were surprised that the University of Michigan Consumer Sentiment Index report last Friday actually jumped from the previous week. And something that I thought was very interesting. The one-year inflationary expectations ... And by the way, University of Michigan is a very well-established survey that is over 50 years old that has been taking monthly data on consumers' attitudes towards their finances, their expectations on their finances, and inflationary expectations both near term and far term. And their one-year inflationary expectations jumped by one percentage point. That is the

highest jump in over 20 years.

I thought that was quite amazing, given all you hear is deflation, deflation, deflation. By the way, gasoline prices, after declining, I think, for 85 plus or minus consecutive days, gasoline prices are finally rising. Well, should I mention, you know it yourself, WTIOL jumped by over 10% today, closing over \$32 a barrel. Signs of reopening, again, can be planned shut by a big increase, either spikes that are uncontrollable, but we see data is favorable here and that's why testing is important, or in the fall, but clearly we're getting good news on that front.

I'd like to mention a couple things. Powell has been on a couple of times. Powell, last week, was adding to all that downbeat activity spurred by Tepper, David Tepper. Druckenmiller. Tepper's saying it's the most overvalued marketing team since '99 and sort of interesting to get a thousand-point up day after he calls it the most overvalued. Actually, if you study it, he was actually talking about a set of stocks and it wasn't quite as severe an indictment as, if you listen to all the details, as the press made it out to be, but we saw a 5%, 6% reaction in the S&P, which is not unusual.

Now, we've replaced all that in just the last few days. This looks like a potential breakout here onto the trend on an upside. Used to do that, especially, with a turn on. We'll, again, see what happens. Powell, today, was much more encouraging in terms of just the tone of his talk. Let me mention, and I may have mentioned on a previous call, that I agree with the Federal Reserve. I am not supportive of negative rates. I'm not violently against it the way some people who think it'll be the worst policy decision in the world, but I believe they have done enough and I believe their lending now is the more important thing rather than going to negative rates.

Quickly, the plus and minus of negative rates. The plus is that, if you go to negative rates, then all rates that are tied to LIBOR or SOFR or short-term rates will decline. And therefore, people that are paying on those rates will see some decline. The negative is that this really hurts financial institutions and they're a major conduit of our lending capacity. So my feeling is we're at that tipping point where I think, for half, it hurts the institutions more to go to negative rates than it helps for all those people. And there are quite a few that do have their rates tied to LIBOR. I don't doubt that some will go down, but at this particular point, my feeling is that we've gone done low enough. And the lending and we know that a lot can do lending and all this still in the market, say, "Okay, everything's fine." And they've done very little of that lending. I'm waiting to see what happens to the money supply as they lend, if it goes up even more after that.

I want to touch on this because we've sometimes gotten some questions on this particular issue. Taking a look at the current political landscape going forward, in November, we are six months away. It's looks extremely competitive. We have the House, the Senate, and the presidency. In the betting markets for the presidency, it is now virtually a dead heat between the democrats and the republicans, maybe a tiny advantage on the democrats. We're talking 52/48, which is not different from 50/50 on any significant basis. It's pretty much a tossup. And by the way, it's been pretty much a tossup here for quite awhile. That has not changed significantly.

Let me tell you what has changed significantly and does give me some concern. And that is the odds that the republicans keep the Senate. As you know, they have a three-seat majority. I won't go through all the races, but there are several very strong democratic challengers to what were considered to be relatively safe republican seats. In the betting markets right now, what two months ago or three months ago was a 70/30 bet in favor of the republicans keeping control of the Senate has now sunk all the way down almost to even money, probably a tiny, slight edge on the republicans, 52/48. Although, if you actually followed the poll on every single Senate race and take that, it actually

gives the democrats the Senate by maybe a one-vote margin or close to even ... which of course means, if they do get the presidency, they would effectively control the Senate.

So I consider the Senate to be a bulwark to protect against all three branches of Congress being controlled by the democrats, which I do consider to be a negative for equity prices. Now, that being said, and I'll explain why, I'm not saying it's a devastating equity or, "Oh, my god. Sell everything if this trend continues." What concerns me the most is that, if they do control all branches of the Congress, then my feeling is we're going to basically repeal and rewrite the corporate tax cut that the republicans put in place shortly after Trump's ... Not everything will be undone, but a lot will be undone. And that will increase taxes on corporations and there will be other changes.

Now, Biden is not a far-left candidate and, clearly, he will be pulled to the left, but if it's even-even on the Senate and they beat the president, technically, he does have its favor, but one vote, it cannot be radical. So that is one thing, I think, that's there, but I do think that we're going to get some tax increases in that case and some that will not be good for equity. And that might take 5% to 10% off of what equity prices might otherwise be, again. This is all. I did mention the House. The House definitely looks like it's going to be democratic in all polls. In fact, on the betting odds, it's four to one in favor of the democrats keeping the House of Representatives.

Let me also just mention here, in terms of what to look at, a lot of things can happen in six months. My feeling is that, if we get a vaccine or very effective therapeutics and the virus does not increase and we get re-openings and the economy goes up, it's favorable to the Trump Administration. If we get spikes and it closes down again, then the democrats will, of course, use this as Trump's ineffectiveness at battling it. The public will be very discouraged. Public sentiment will be down and that would tend to favor a turnover in November. So basically, those are ... There could be many other forces at play. We mentioned is it going to be a trade war? We already know that Trump is going to take a very hard line with China and blame China for the virus, but I think the progress of opening up and getting a vaccine or therapeutics is going to be a more important factor for the American public than whether we complain about China causing the problem in the first place.