

# 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 the slowing of Coronavirus and potential economic benefits if a vaccine is discovered.

Please listen to the full recording from the 27 April below:

## Conference Call Transcript

**Operator:** Hello, everyone. Thank you for joining the WisdomTree Weekly Call with Professor Siegel. In this extremely volatile market, we want to make sure we provide advisors with the help and guidance they need. Please visit our website for additional insights including the recordings of these calls. Please note that this call is being recorded and is for financial professionals only. With that, I turn 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 very much. Exactly at 4:00 PM, a headline scrolled down on my Bloomberg screen, saying that COVID cases up 2.3 percent over the last 24 hours, the lowest in the entire month. And you want to know the major reason why stock market up 350 points today? It is because there is absolutely no doubt that not only are the number of new cases slowing in the United States, but around the world, in most places in Europe, particularly, of course, but did get hit before all of them are hitting lows in almost all the major countries in Europe, as well as deaths with a little bit of a lag. Guess a 10 to 14 days later in the cycle. Even decreases in such countries that we are following closely, such as Sweden, who, as you know, did not go into a lockdown or went into a moderate social distancing scenario, not too dissimilar to the way that a number of the southern states are now pursuing. Now, when we asked the question about why cases declined so rapidly right now? Clearly, no. I think the number one reason is the social distancing and hygienic measures that are taking place. But it also might be the cycle of the virus, which could be waning as the weather warms. And that that could be another reason for this dramatic slowdown. Of course, again, we have to be on the watch for flare ups. You know, it has not been confirmed that this is a seasonal virus. I'm just speculating here. And of course, with so many people are talking about and that is the fear, the potential of the flare up in in the fall, which is which is quite serious, nonetheless.

The stock market up 350 points on the Dow. It is quite remarkable. The S&P is now down. S&P 500 is now down less than 15 percent from its all-time high. Now, this this was this was a market that was down almost 40 percent on an intraday basis back on March 23rd.

~~Important Information~~ ment. We are up 30 percent from the intraday low, 30 percent from the intraday low. Now, many people I talked to say this is too much of a rally. How could it be down 15 percent all time high and only 10 percent? Yes, it was all with the Marketing communications issued in the European Economic Area ("EEA"): This worst recession maybe since the Great Depression facing us, and on and on and on. I document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. I believe, as I have mentioned over the last three weeks, that the unprecedented stimulus of the government and the Federal Reserve are a major reason for the recovery in the market. And I'm going to speak again to what I see in that data in just a moment. I want Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and often where advisors of many sorts and I'm just talking about you as advisors, but so-called market gurus told people, oh my God. Get out of the market. And they're crowing. And they're being lionized in the press about their call. And we should give them credit WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as if early on, they did make that call. But then they mention, you know, quite interesting "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are that you have to now get out before March 6. Now, I remember March 6th. Everything was available on request. moving as usual. Yes, we were beginning to hear about some cases, etc. It really is a virus. Fear exploded the following weekend. This was the weekend, March 6. Friday. The For professional clients only. The information contained in this document is for following week on March 13th, March 14th. And that is when really the bad news and the your general information only and is neither an offer for sale nor a rapid wrap up. So, you had to get out really early if you got out of that week before solicitation of an offer to buy securities or shares. This document should not things got bad. You avoided. Yes, the twenty to twenty five percent drop. But if you did be used as the basis for any investment decision. Investments may go up or down not get back in, you are behind. Think about that. in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should I know a lot of people who got out and they're still out. This is just such a pervasive be based on the information contained in the appropriate prospectus, and after lesson in the markets, by the way, another pervasive lesson in the markets is, oh, this seeking independent investment, tax and legal advice. rally has taken us way too far. I'm going to wait for the reaction. Yeah. I want to buy 10, 15, 20 percent lower than I am now. OK, well, I'm not saying it won't go down. There The application of regulations and tax laws can often lead to a number of is very good. But don't count on it. Believe it or not, this market could set all time different interpretations. Any views or opinions expressed in this communication high this year. I'll talk about one in in the number in just a moment. But I think this represent the views of WisdomTree and should not be construed as regulatory, tax is important. These are important lessons about dealing with the emotion in a market or legal advice. WisdomTree makes no warranty or representation as to the crisis. accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the I was disappointed Remdesivir in the Chinese study. We had talked about that in the appropriate prospectus and after seeking independent investment, tax and legal previous one. It did not go well. By the way, there are there are more complete studies advice. in the United States that are yet to be done on Remdesivir. We also had a mixed response today from Kevzara, which is Regeneron. It seemed to have some efficacy in critical This document is not, and under no circumstances is to be construed as, an advertisement patients at high dose, but no efficacy in the stage before critical patients. And or any other step in furtherance of a public offering of shares or securities in the therefore, that phase has been discontinued. But the but the severe patient has been United States or any province or territory thereof. Neither this document nor any copy certainly continued there. There is definitely looking some efficacy and it's worthy of hereof should be taken, transmitted or distributed (directly or indirectly) into the continuing. So, it was mixed news of Regeneron is down. Actually on the news, It kind of United States. stayed stable but didn't sell off a little later. By the way, they are also making vaccines, which they're very good at and talking about how fast that will come. By the Although WisdomTree endeavours to ensure the accuracy of the content in this document, way, as I mentioned, Scott Gottlieb is one of my favorites. You may have seen his op-ed WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree piece in today's Wall Street Journal saying that the Chinese may be ahead of us in has expressed its own opinions related to product or market activity, these views may developing a vaccine. And when they have it, they're going to be giving it to all their change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, people. They're not going to give it to us. They may give us some information at best: directors, partners, or employees accepts any liability whatsoever for any direct or And he called on this to be an effort. He didn't use the word like "the Manhattan consequential loss arising from any use of this document or its contents. Project," which of course is getting the atomic bomb before the Nazis, which was one of the most critical events of the 20th century. Nonetheless, he said we need to go full speed ahead of all U.S. resources into getting our own vaccine, and I think all of us will agree on that.

As I mentioned to you over the last several weeks, I'm much more interested in the development of the virus. The rate of infection of the therapeutics that are being developed and that might be successful, which of course, Kevzara and Remdesivir, there are dozens of others, are to me far more important than the earnings reports that are coming out. And honestly, economic news, which we all see in in the rearview mirror of data that, you know, that we see the dramatic affects.

It is certainly heartening to see the openings again. I wouldn't have opened Georgia in

exactly the order that was open. Nonetheless, everyone now is talking. I mean, Cuomo. Cuomo was talking about opening again, following CDC guidelines and waiting two weeks. Germany is in weald. Every country in Europe virtually is now talking about a reopening. With social distancing and measures in place. This will be important. We will need to monitor. Tests are being ramped up rapidly, and that was one of the criteria that Cuomo and many other governors have—we need a certain level of tests and it has been rather ramped up. And we will have to monitor those tests to see whether we can continue this selective opening up with the distancing. Again, we can't become complacent. And most certainly we may see this virus fade partly force seasonal or just because of the way that it hits those whose is either genetically or medically most susceptible in the first wave. And as we all know, it was the second wave of the Spanish pandemic, which was by far the most deadly starting in September. So, we there's a lot of room for optimism here, but there's also a tremendous amount of caution.

I do want to go to the data that I'm following in very great detail, and that is the monetary debt—money supply, debt. And as I've mentioned here, it comes out every Thursday after about 4:00 to 4:15 PM. As I had mentioned to you, it is increasing at the fastest rate that I have ever seen in in the last four weeks. The M1 money supply. It's all types of transactions, accounts, not just savings. There's what's called the unlimited transactions accounts where people write checks or they have money transferred in and out of the money supply. Those in the last four weeks have increased by 14 percent, which just about matches the entire increase following the financial crisis from the leave and bankruptcy up to a year later in four weeks. We have increased the money supply by the same amount as it took us all year following the financial crisis. And I expect that liquidity in the system to continue to increase at a rapid rate. I believe, as I've mentioned to you, that we're going to have a period of repressed demand. Things are close now, but money is piling up in bank accounts.

Now, I know there are people laid off and I know there's a lot of struggling out there. And I think all our hearts go out to all those. There are a lot of people and businesses that are in it. I'm not trying to downplay them. But I'm also saying we all know that there are a number of articles that have shown that with the six hundred bonus on the unemployment compensation, that the weekly unemployment rates, compensation rates are now higher than the wages of those that were unemployed and about two thirds of the states in the United States. So, they're getting more now since they've been laid off, two-thirds of the states. I have a little grocery store—I live in a condominium down in a little shopping plaza. He said, I'd love to hire somebody, but I can't. match the unemployment rate now. And we can argue whether it was planned correctly or not. It was done very quickly. And by and large, you know, I have praised the government and the Federal Reserve. We see the flaws in the Fed. They should have limited the first group of public companies. It's all coming out now. Yes.. But on the whole, it was quite a remarkable stimulus plan. And I'm not going to, you know, just slam into the government. I'm hoping they will do corrective action on the few pretty egregious abuses. And in fact, we've had a lot of voluntary remittances for people who feel OK. I don't want to take the money from someone somewhere else. But this there is this build-up of liquidity.

Once we get effective therapeutics and or our vaccine is going to, in my opinion, explode on the scene in two thousand twenty one and twenty two and going to be a very strong recovery, a very strong recovery, and one where we're going to have for the first time in decades, inflation of 3, 4, maybe 5 percent or more. I also and I repeat what I've been saying for several weeks. This is the end of the 40-year bull market in bonds. We will look back at the half percent Treasury that we see today as the low point of maybe the decade. Maybe the. Sure. Again, nothing is a guarantee. I thought when we won 39 understand here, which was the low following the financial crisis, we wouldn't see that at all. And now we're almost a point lower. But again, the difference here is unprecedented liquidity into the system. That's going to lead to a rise in spending in

2021. Stocks do pretty well in the moderate inflation 3, 4, 5 percent scenario, which I see as will be in the U.S. faster after spending returns with the confidence of effective therapeutics and or a vaccine.