
MARKET UPDATE ON THE CORONAVIRUS WITH PROFESSOR SIEGEL – 8 APRIL

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 how the US government may respond down the line to the economic damage caused by Coronavirus once the pandemic has passed.

Please listen to the full recording from the 6 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 housing guidance they need. Please refer to our website for additional insight including a recording of this call. Please note, this call is being recorded, and is for financial professionals only. If you need assistance, dial *0, and an operator will be happy to assist you.

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Professor Siegel: Thank you very much. It's good to be on a call on a day when the Dow is up 1600. If you remember, many of you were on the call last week exactly at this time. I said there were four measures that had to be taken in order to rescue our economy from the coronavirus crisis.

Number one was massive fiscal and monetary support, and last week I checked that box and said it has been offered. The second was flattening the curve.

Last week I said I thought I saw that happening. Some people said, "Oh, Jeremy, you're premature on that," but we are getting good news. We are getting good news particularly from Europe and even from New York. Curves are definitely flattening, the results of social distancing.

The third stage, vaccines and therapeutics. This now must be our focus. Okay, let's assume that the flattening of the curve does work. We won't overwhelm the hospitals, but we have not eliminated the virus, nor have we eliminated the threat. How do we get people back to work? This is the question.

There are two ways. The good, fast, easy way obviously is a vaccine. That might not be here for quite a while. It might be here early, but it might take a year or longer.

Important information: The development of what is termed therapeutics. Now, therapeutics are medicines that will not make you immune to the virus, but they will mitigate the virus if you already have it or will get it to the extent that it becomes no worse than a flu. **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. I am highly optimistic that they are, I think that will be a game changer.

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. I think he's the best in terms of thinking about how to deal with this virus and how to get us back on track. He said that the development of two types of therapeutics, antivirals and antibody drugs—WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

He believes that they very well may be ready by summer. Now, this is not a vaccine. This is for professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down 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 be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

Now, what he calls for and I called for last week is a concerted national effort. All resources should be now devoted to development of therapeutics. It should be like going to the moon in 1969. This is what we need, and everything should be going to that. We need testing. We need to set up testing sites. We need to marshal our resources completely against our enemy, the virus, and if we do so, we can restore our economy to health. WisdomTree makes no warranty or representation as to the 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 appropriate prospectus and after seeking independent investment, tax and legal advice.

So, in my opinion, the rally today—I knew there was going to rally today. I checked hourly rates of infection around the world. I saw it slowing in Spain and Italy, France, and I knew that it would actually begin to slow in New York City. The data today was even better than I thought. I knew we were going to rally, but everything is on this. This document is not, and under no circumstances is to be construed as, an advertisement 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 we may not even get to 100,000 deaths. Maybe we won't get to 50,000, but that doesn't solve the situation if no one's going to travel on the planes, if no one's going to go to restaurants, if no one is going to go to entertainment, if no one's going to go to sporting events. Even if we get the virus rate down another 80%, we have to assure the public that measures are being taken so that they will have an excellent chance of either not getting it, or they get it that it would not be worse than the colds that we 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.

Second issue I want to talk about, and that is the world after the therapeutics or the vaccine. It would take me a while to detail all the economic implications of where we're going, but I can summarize them for you, and it does have investment implications. This is much a work in progress, as I've been racking my own brains, to use all the knowledge that I've gained over half a century of studying macro economy to understand what is going to happen.

Let me give you the short story. The short story is that we're going to increase the national debt by a trillion dollars or more, more than we would otherwise, but more importantly, we're putting that national debt not just into excess reserves and some sort of QE that the Federal Reserve is doing. No. We're putting it right into American bank accounts like we've never done before.

The unemployment insurance extensions and enhancements, the loans to small businesses to keep their employees intact, and other such programs are direct deposits of money into the pockets of Americans. Now, we can't spend them yet because we're still under a shutdown, but once the fears dissipate and the vaccines and the therapeutics come, this money is not withdrawn. This is here.

This is going to be in our pockets. This is going to be in our bank accounts, and looking at 2021, and I'm saying let's assume that no later than December 31st that we can not only solve this but give the confidence of Americans back that they can spend the way they were before this virus, wow. We have purchasing power like we've never had before.

We will have demand for goods and services as we have not had since war time. We will have a booming economy, maybe too much of a booming economy. Maybe for the first time in 10 to 15 years, inflation may, in fact, become an issue. I'm not talking about runaway inflation, but I'm talking on inflation maybe 4%, maybe 5%. Will the Fed stand against it? A bit, but not that much because the economy is booming.

Can we prevent that inflation? In two ways. We could tax people next year. Oh, it's a booming economy, let's reduce the debt and liquidity by a tax increase. It's not going to be popular. We could tell the Fed to squeeze, and they will be raising interest rates somewhat I think, or we could say hey, we have an inflation for a decade. A little inflation never hurt anyone in a booming economy, and guess what. If the price level goes up 10%, we've reduced 10% of the debt, hey that pays for the entire program that we did to stimulate the economy during the coronavirus.

Yes, there's a lot of policy choices, but what do those policy choices mean? They don't mean a good things for bonds. Let me tell you, not if there's inflation. It might be a good thing for gold, precious metals, for one, or commodities in general or collectables or real assets such as real estate.

What about stocks? To the extent that you're leveraged in bonds and low interest rates, wouldn't it be nice to keep on raising the price of your products at the same time having your debt reduced by inflation?

Now, again, I'm not talking about inflation like many of us experienced in the 1970s, severe double-digit inflation which was only stopped by the Fed raising the funds rate to 21% and slamming the economy in the recession. I'm not talking about a more moderate form. Not that much that we used to have in the 60s.

You know, what we might have next year is very much post world war II where we had a lot of liquidity, a lot of consumption we couldn't undertake during world war II because of the war, because of ration coupons, because the automakers weren't producing any cars. We couldn't buy them. In this case, we can't go to sporting events. We can't do a lot of things we want to do, and now we will be able to do it.

Is the Fed going to stand in the way? Is the government going to stand in the way? Will prices tick up a bit? Yes. Hey, also the savings account holders are going to hurt a bit, but you know, the rest of the economy is going to be booming.

This is just something to keep in mind, and it is not for this year because we first have to solve this year. Until this year, people are afraid to consume. Demand is diminished by flat and by fear. No inflation this year, but it might be something for us to seriously consider next year, and by the way, that's sort of a mild/moderate inflation scenario. It's not bad for the stock market. Those are some of my thoughts.