

# Sixty Guilders Monthly Market Dashboard



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Total Return By Asset Class	1 Month	3 Months	1 Year
Oil	17.0%	108.4%	-31.4%
International (MSCI) Index	3.2%	14.3%	-7.8%
<b>S&amp;P 500</b>	<b>2.6%</b>	<b>19.0%</b>	<b>6.1%</b>
60/40 Stock/Bonds	1.9%	12.6%	5.5%
Barclays Agg. Bond Index	0.9%	3.0%	4.5%
High Yield	0.9%	10.2%	-1.1%
Gold	0.8%	8.1%	25.7%
Dollar Index	-0.6%	-2.1%	0.3%

Sector Performance (Total Return)	1 Month	3 Months	1 Year
Information Technology	8.8%	27.1%	31.6%
Consumer Discretionary	7.7%	35.2%	12.6%
<b>S&amp;P 500 Total Return</b>	<b>2.6%</b>	<b>19.0%</b>	<b>6.1%</b>
Industrials	2.2%	17.0%	-5.3%
Real Estate	1.9%	13.0%	-11.6%
Materials	1.1%	24.3%	-4.7%
Financials	0.0%	10.1%	-15.3%
Communication Services	0.2%	19.7%	6.5%
Consumer Staples	-0.3%	7.5%	-0.1%
Energy	-0.9%	30.7%	-39.3%
Health Care	-2.1%	15.3%	10.5%
Utilities	-4.5%	0.3%	-7.8%

## "Are we there yet?" Donkey in Shrek 2

When the characters in Shrek 2 undertake their very long journey by horse and wagon, from the very beginning, the hilarious Donkey played by Eddie Murphy, keeps asking "are we there yet?". In a similar way, just a month after the beginning of lifting of lockdown measures in most US states and globally, the market has kept rallying in anticipation of the end of the pandemic journey. While it is true that the equity market discounts future events, and as a result is probably one of the better leading indicators, from where we stand today, it is hard for us to jump on the enthusiasm bandwagon.

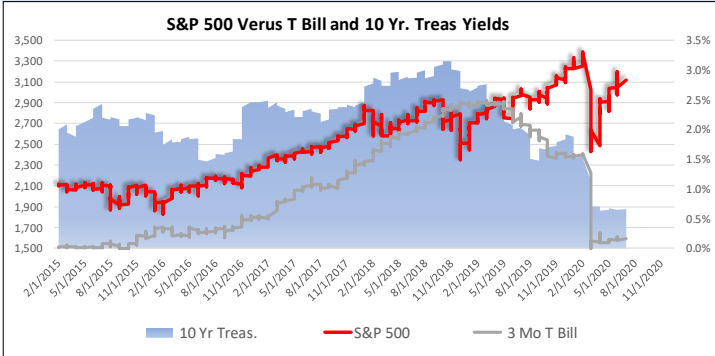
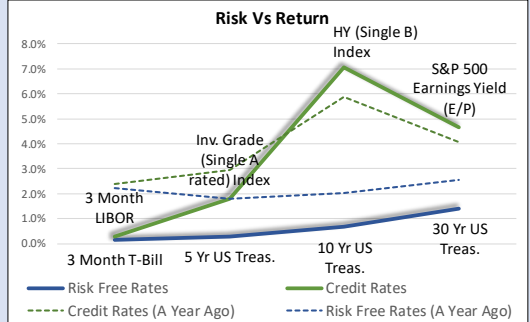
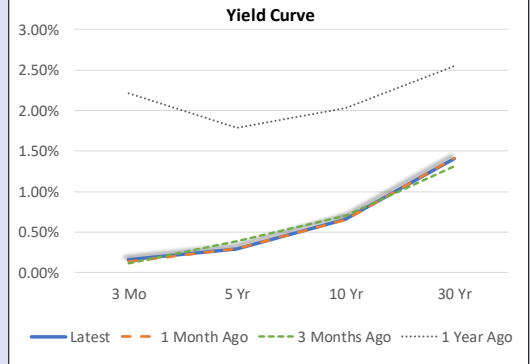
In the last three months, the equity market has risen 19%, with the more economic sensitive sectors leading the rally (discretionary up 35%, tech up 27%, materials up 24%). The equity market P/E ratio is back over 20x as the earnings yield has dropped from 5.3% to 4.7%. During this time rates have remained steady at the new normal (with the 10 year comfortably below 1%). As we noted in last month's letter, the Fed's rapid and massive response to the pandemic lockdown has flooded money that has been forced into assets. This is beginning to feel like a financial game of musical chairs in which as long as the music is playing, each time the Fed throws money to the problem it removes a "risk chair", forcing each market participant to move up to a slightly higher "risk chair" than the one they previously occupied. If you were a Treasury-only investor, you now must buy agency debt to earn what you used to in Treasuries. If you are an agency debt investor, now you have to buy high grade corporates. The high grade corporate investor now has to buy BB junk bonds. The junk bond investor has to now buy equities. The equity investor must now trade volatility. It is no surprise therefore, that the volatility proxy, the VIX, has remained elevated (currently at 33%).

As every kid knows, musical chairs ends with a single winner, and even the winner may doubt the games worth given the stress of playing. In a backdrop like this, where risk is elevated but return increasingly diminished, we believe a defensive stance is warranted.

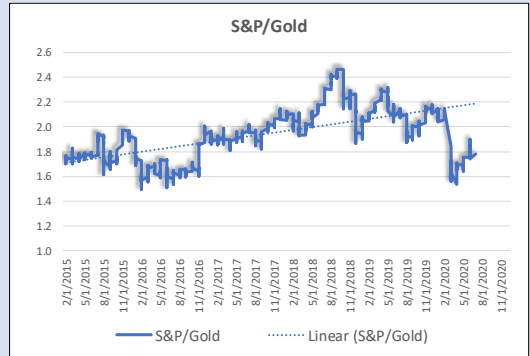
	Latest	1 Month Ago	3 Months Ago	1 Year Ago
<b>Economy</b>				
Economic Growth (Real GDP)	↓ -5.0%	↑ -5.0%	↑ 2.1%	2.1%
Inflation (Ex. Food & Energy)	↓ 1.2%	↑ 1.4%	↑ 2.4%	2.2%
Nominal GDP	↓ -3.8%	↓ -3.6%	↑ 4.5%	4.3%
Unemployment Rate	↑ 13.3%	↓ 14.7%	↓ 3.5%	3.7%
<b>Money &amp; Commodities</b>				
Gold (\$/Troy ounce)	↑ 1,748	↑ 1,734	↓ 1,617	1,390
Oil (WTI Crude, \$/barrel)	↑ 40.60	↑ 34.70	↓ 19.48	58.91
TIPS (breakeven rate)	↑ 1.3%	↓ 0.0%	↓ 0.0%	0.3%
<b>Rates</b>				
3 Month T-Bill	↓ 0.16%	↓ 0.14%	↑ 0.12%	2.21%
5 Yr US Treas.	↓ 0.29%	↓ 0.30%	↑ 0.39%	1.79%
10 Yr US Treas.	↓ 0.66%	↓ 0.65%	↑ 0.70%	2.03%
30 Yr US Treas.	→ 1.41%	→ 1.41%	↑ 1.31%	2.55%
<b>Credit Markets</b>				
3 Month LIBOR	↓ 0.3%	↓ 0.4%	↓ 1.2%	2.4%
Inv. Grade (Single A rated) Index	↓ 1.8%	↑ 2.1%	↑ 3.0%	3.0%
HY (Single B) Index	↓ 7.1%	↑ 7.1%	↓ 10.0%	5.9%
<b>Equity Market</b>				
S&P 500	↑ 3,118	↓ 3,044	↑ 2,633	2,964
Price/Book	↑ 3.3x	↓ 3.2x	↑ 3.3x	3.4x
P/E	→ 21.5x	↓ 20.6x	↓ 19.6x	24.6x
Earnings Yield (E/P)	↓ 4.7%	↑ 4.9%	↓ 5.1%	4.1%
Volatility (VIX)	↓ 32%	↓ 30%	↑ 47%	26%
<b>International Snapshot</b>				
MSCI	→ 1,781	↓ 1,725	↑ 1,558	1,932
Dollar/Yen	↑ 107.2	↑ 107.5	↓ 108.2	107.5
EUR/Dollar	↑ 1.12	↑ 1.10	↓ 1.10	1.14
10 Japanese Bond Yield	↑ 0.04%	↑ 0.00%	↓ 0.00%	-0.11%

## Longer Term Trends

- \* The US economy is contracted 5.0% in Q1, with the brunt of the Corona virus lock-down impact expected in Q2.
- \* Gold has continued to outperform, up 9% in Q1 in light of the global economic shock, while oil has cratered.
- \* The yield curve has witnessed a massive steepening, accomplishing in 30 days what the Fed was unable to orchestrate during the multi-year economic growth cycle.
- \* LIBOR swap spreads have tightened dramatically in the last month, as risk aversion has abated.
- \* Similarly, corporate spreads have tightened, with the high yield index trading under a 7% yield, down from almost 12% in late March.
- \* The VIX (volatility index) at 33%, is quite elevated, but down from 76% at its peak in late March.



- \* The equity market has performed an about face from its lows in late March, exiting its bear market, about as quickly as it got there.
- \* The flight from cash, has also fueled hard assets and cash alternatives such as gold. As a matter of fact, the S&P, in gold terms, has barely moved in four years.



## Sixty Guilders Value Research Industry Sectors & Valuations

Industry Sector	Valuation						Leverage, Capitalization and Volatility				
	EV/ LTM EBITDA	EV/ Forward EBITDA	10 Year Bond Yield	Estimated P/E	Estimated Earnings Yield (E/P)	E/P Yield to Bond Yield	Debt/EV	Equity/ EV	Relative Market Capitalization	Relative Price/Book Ratio	Beta
Autos	10.0x	12.0x	6.0%	9.9x	10.1%	1.7x	53%	47%	65%	34%	1.7x
Advertising	6.3x	9.0x	3.6%	10.2x	9.8%	2.7x	76%	24%	24%	79%	1.1x
Aerospace-Defense	12.8x	10.9x	5.2%	17.0x	5.9%	1.1x	29%	71%	99%	112%	1.5x
Agriculture	9.4x	9.4x	3.8%	13.4x	7.5%	2.0x	42%	58%	130%	54%	0.9x
Apparel	22.9x	15.9x	4.2%	13.1x	7.6%	1.8x	25%	75%	67%	56%	1.3x
Beverages	23.5x		2.7%	22.1x	4.5%	1.7x	12%	88%	187%	401%	0.8x
Internet	17.1x	13.7x	2.9%	18.4x	5.4%	1.9x	19%	81%	153%	215%	1.2x
Biotechnology	19.2x	17.5x	3.0%	22.0x	4.5%	1.5x	11%	89%	145%	143%	1.1x
Chemicals	10.7x	10.6x	3.9%	17.2x	5.8%	1.5x	34%	66%	80%	67%	1.4x
Coal	50.2x	-23.2x		33.1x	3.0%		65%	35%	12%	12%	1.2x
Commercial Serv.	12.0x	10.3x	4.7%	15.9x	6.3%	1.3x	26%	74%	61%	83%	1.2x
Computers-Office Equip	10.8x	8.0x	4.7%	14.3x	7.0%	1.5x	23%	77%	129%	80%	1.0x
Diversified Finan Serv	16.4x	15.3x	3.1%	20.0x	5.0%	1.6x	11%	89%	163%	90%	1.0x
Utilities	11.7x	10.3x	3.4%	16.0x	6.3%	1.8x	45%	55%	127%	54%	0.4x
Electronics	17.7x	11.7x	3.9%	17.8x	5.6%	1.4x	13%	87%	155%	109%	1.1x
Food	14.0x	11.1x	3.4%	16.9x	5.9%	1.7x	27%	73%	105%	83%	0.6x
Forest Products-Paper	7.6x	7.1x	14.1%	25.7x	3.9%	0.3x	66%	34%	19%	40%	1.9x
Healthcare-Services	16.4x	13.6x	4.3%	18.5x	5.4%	1.2x	20%	80%	126%	103%	0.9x
Homebuilders	9.4x	8.8x	5.4%	10.8x	9.3%	1.7x	40%	60%	61%	36%	1.7x
Household Products	22.2x	15.1x	2.6%	19.6x	5.1%	2.0x	11%	89%	145%	121%	0.8x
Iron-Steel	6.9x	8.2x	6.0%	11.5x	8.7%	1.5x	30%	70%	90%	37%	1.4x
Lodging	15.7x		7.3%	29.1x	3.4%	0.5x	42%	58%	90%	106%	1.9x
Machinery	13.3x	15.2x	3.6%	18.5x	5.4%	1.5x	20%	80%	110%	98%	1.3x
Metal Fabric.-Hardware	6.3x	7.9x	10.1%	20.3x	4.9%	0.5x	36%	64%	31%	21%	1.6x
Media	8.9x	8.3x	5.9%	14.6x	6.8%	1.2x	54%	46%	103%	34%	1.3x
Mining	10.0x	9.9x	4.0%	13.8x	7.2%	1.8x	32%	68%	36%	53%	1.7x
Oil-Gas_Sector	8.7x	8.1x	6.6%	15.4x	6.5%	1.0x	46%	54%	50%	26%	2.1x
Packaging-Containers	10.7x	9.3x	5.0%	14.8x	6.8%	1.4x	40%	60%	115%	125%	1.2x
Pharmaceuticals	13.1x	9.5x	3.2%	12.0x	8.4%	2.6x	26%	74%	190%	128%	0.8x
Hand-Machine Tools	11.6x	11.2x	3.1%	18.3x	5.5%	1.8x	21%	79%	53%	56%	1.5x
Real Estate	9.5x	10.8x	4.9%	12.1x	8.3%	1.7x	34%	66%	61%	49%	1.7x
REITS	15.5x	18.8x	5.1%	14.2x	7.1%	1.4x	39%	61%	93%	62%	0.9x
Retail	15.0x	15.1x	4.1%	17.0x	5.9%	1.4x	31%	69%	78%	100%	1.3x
Software	26.0x		4.0%	27.7x	3.6%	0.9x	8%	92%	112%	214%	1.1x
Airlines	9.7x	-10.8x	10.0%	16.1x	6.2%	0.6x	42%	58%	96%	35%	1.5x
Telecommunications	7.4x	6.6x	3.8%	16.2x	6.2%	1.6x	43%	57%	106%	82%	0.7x
Transportation	13.0x	12.2x	3.1%	18.7x	5.3%	1.7x	19%	81%	135%	148%	1.1x
Building Materials	14.2x	11.0x	4.2%	16.6x	6.0%	1.4x	21%	79%	95%	81%	1.4x
Leisure Time	14.0x	12.7x	8.5%	28.4x	3.5%	0.4x	40%	60%	103%	113%	1.9x
Semiconductors	17.5x	15.7x	2.7%	17.4x	5.8%	2.1x	10%	90%	167%	155%	1.3x
<b>Sixty Guilders Coverage Index</b>											
<b>Average</b>	<b>14.7x</b>	<b>9.8x</b>	<b>5.0%</b>	<b>17.3x</b>	<b>6.2%</b>	<b>1.5x</b>	<b>31%</b>	<b>69%</b>	<b>100%</b>	<b>100%</b>	<b>1.3x</b>
Median	13.0x	10.7x	4.2%	16.6x	6.0%	1.5x	29%	71%	99%	82%	1.3x
Standard Deviation	7.7x	7.1x	2.4%	5.2x	1.7%	0.5x	16%	16%	44%	67%	0.4x

### Color Definitions

Favorable Variance Greater Than One Standard Deviation
Favorable Variance Within One Standard Deviation
Unfavorable Variance Within One Standard Deviation
Variance Greater Than One Standard Deviation

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