

Cumberland Advisors Midweek Update on Market Conditions, Bonds & Equities with McAleer & Mousseau

Thank you for joining Cumberland Advisors for this midweek update on market conditions, bonds & equities with Matt McAleer and John Mousseau.



First up is John Mousseau, Cumberland Advisors' CEO & Director of Fixed Income. He tells us what he's seeing in the bond market, credit, what's happening with treasuries, and how Cumberland Advisors is responding.

Direct link to video: <https://youtu.be/hYYffU5fz7w>

"We've seen great upheaval in the bond market. It started over a week ago when you saw treasury bond prices spiking because of Saudi's buying of oil and buying Treasury Bonds. That in turn affected all of the bond dealers who no longer could hedge with Treasury Bonds because they would have lost their shirt. And so they withdrew from bidding on bonds. Things like corporates, and munis, and mortgages, etc.

“So we started to see yields rise on those bonds. The stock market, which we’ve seen the carnage, and Matt will talk about. That caused people to sell almost everything that wasn’t a Treasury. Munis, bond funds, as we see REITs, commodities, etc., were all selling because people wanted cash. And by the end of the week and continuing, now they were also selling Treasury bonds. What are we doing about it? What we’re doing about it is we’re looking at this opportunistically. We’re very fairly short duration going into this mess, and the unravelling that we have seen has shown us some extraordinary bond values out there that we haven’t seen in well over a year. So, whereas a week ago you were looking at almost all municipal bonds with one or two percent type yields, it has moved up 150-200 basis points in some cases where we’re able to buy 3% yields. In some cases, close to 4% yields on AA, AA+ type paper in munis. That really has nothing to do with credit. You need to be careful on credit. The things that we worry about are things that you might have looked for as an essential service bond before, but through the prism of the virus you don’t think of the essentiality of that service any more. Like a bond backed by subway fares in New York. Or an airport. Things of that nature. We really don’t want to own those. But we want to own very high grade bonds that have really been thrown under the bus by the selling that’s gone on. So what we’re trying to do is pick up yield that we haven’t seen in over a year and try to extend durations to lock that in and try to take advantage of the fear that we’ve seen out there.

“We’ve gone through these cycles before. We haven’t seen it in this fast a timeframe. And clearly what’s going on with the virus and its effects on all markets has created some of this gapping effect that’s gone on there. We’re encouraging people that have had money on the sidelines for bonds that now is a very propitious time to start putting some of that to work. It’s not only just in the long end, everywhere it’s cheap. So you think about a long Treasury bond at a 175 and you’re

buying long municipal bonds at 3 1/2, in some cases close to 4; I don't need to do those yield ratios for you. So what we think is, over time that gap narrows and we think the total return on munis can be quite good from these levels when things settle down. We know there's a lot of cross currents out there. There's going to be a lot of fiscal spending coming. We know, and Matt will talk about it, this Equity market will find a floor here at some point. Right now it's fear and panic driving everything. But I want you to know, that as a Total Return Bond Manager, we are now moving to take advantage of what we see as an extremely oversold situation. Thanks a lot," John Mousseau.

Matt McAleer, Cumberland Advisors' Director of Equity Strategies, delivers his view of what's happening in the stock market, how he's positioning things, along with an invitation for clients to contact Cumberland Advisors with any questions or comments.

We appreciate you taking the time to join us.

View the video in the player above or via this direct link:
<https://youtu.be/hYYffU5fz7w>

Links to other websites or electronic media controlled or offered by Third-Parties (non-affiliates of Cumberland Advisors) are provided only as a reference and courtesy to our users. Cumberland Advisors has no control over such websites, does not recommend or endorse any opinions, ideas, products, information, or content of such sites, and makes no warranties as to the accuracy, completeness, reliability or suitability of their content. Cumberland Advisors hereby disclaims liability for any information, materials, products or services posted or offered at any of the Third-Party websites. The Third-Party may have a privacy and/or security policy different from that of Cumberland Advisors. Therefore, please

refer to the specific privacy and security policies of the Third-Party when accessing their websites.

Sign up for our [FREE Cumberland Market Commentaries](#)

Cumberland Advisors Market Commentaries offer insights and analysis on upcoming, important economic issues that potentially impact global financial markets. Our team shares their thinking on global economic developments, market news and other factors that often influence investment opportunities and strategies.