
ACTIONABLE IDEAS FOR THE CURRENT MARKET

WisdomTree ETFs
04/20/2020

U.S. Equities

The impact of the coronavirus outbreak on equity markets has been swift and severe, with no corners of the market spared. On top of that, the dissolution of the OPEC+ alliance and subsequent collapse in oil prices has wreaked havoc on energy companies of all sizes. [Fundamentals](#) take a backseat to sentiment in environments like this. While it is too soon to definitively say we have already hit the bottom, [valuations](#) now look attractive to us and we are cautiously optimistic given the recent monetary and fiscal responses. We maintain our bias toward [high-quality](#) exposures as these companies have been able to weather the storm better than the broad market. A [value](#) headwind have weighed on income-focused portfolios as the factor lagged the market in Q1, so we believe it is imperative to utilize strategies that have high profitability and low [leverage](#) to avoid [value traps](#).

Investment Ideas:

[WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#)

[WisdomTree U.S. LargeCap Dividend Fund \(DLN\)](#)

Developed International Equities

Europe has become an epicenter of the coronavirus outbreak, and its impact on an already fragile economic path will likely be sharp. The implementation of long-overdue fiscal stimulus from Germany may help, but we expect more pain ahead. We would like to see signs of stabilization from the region before we turn more positive. While Japan remains the cheapest equity market in the developed universe, a likely global recession will weigh on exporters. The sharp contraction in economic growth along with the postponement of the Olympics means Japan's policymakers need to be creative in stimulating domestic demand. That said, the massive cash positions of corporate Japan may help act as a buffer in the months ahead. We continue to lean into strategies that have a focus on high-quality exposures as well as those with lower [dividend](#) payout ratios that are less at risk of forced cuts in the months ahead.

Investment Ideas:

[WisdomTree International Hedged Quality Dividend Growth Fund \(IHDG\)](#)

[WisdomTree Global ex-U.S. Quality Dividend Growth Fund \(DNL\)](#)

Emerging Markets Equities

Despite its traditionally higher [beta](#) profile, emerging markets (EM) slightly outperformed the U.S. market from peak to trough after the sell-off began in late February¹. We think this reflects both China's ability to charge ahead following its shutdown and the impact that lower valuations have on relative [volatility](#). Economic growth will unquestionably be weak in the first half of the year, but we expect an earlier and sharper rebound in EM than in the developed world. We continue to favor a core of [ex-state-owned enterprises](#) and think investors should consider taking a fresh

Look at this year's surprise best-performing major country: China.

Investment Ideas:

[WisdomTree Emerging Markets ex-State-Owned Enterprises Fund \(XSOE\)](#)

[WisdomTree China ex-State-Owned Enterprises Fund \(CXSE\)](#)

Fixed Income

The market dislocations created by the coronavirus and the dissolution of the OPEC+ alliance were swift and pronounced. The losses in corporate bonds—both investment-grade and high-yield—in the two-week period from March 9 to March 23 were the worst on record (using returns dating back to 1998). While the corporate market was the epicenter, no fixed income market emerged unscathed, as many safe haven assets like [U.S. Treasuries](#) failed to offer relief during the period. Market structure came under attack and the [Federal Reserve \(Fed\)](#) quickly responded with unprecedented quantitative stimulus, providing support to nearly every corner of the fixed income market. The monetary infusion seeks to preserve and facilitate the inner workings of the global funding markets, while the fiscal injection is the necessary driver to support the U.S. economy. Although there are likely to be additional setbacks, indiscriminate selling in many sectors has created long-term opportunities, particularly given continued strong support from the Fed and well-capitalized financial institutions.

Investment Ideas:

[WisdomTree Yield Enhanced U.S. Aggregate Bond Fund \(AGGY\)](#)

[WisdomTree Floating Rate Treasury Fund \(USFR\)](#)

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DEFINITIONS

Fundamentals...: Attributes related to a company's actual operations and production as opposed to changes in share price.

Valuation...: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Quality...: Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over time.

Value...: Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

Leverage...: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.

Dividend...: A portion of corporate profits paid out to shareholders.

Beta...: A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark.

Volatility...: A measure of the dispersion of actual returns around a particular average level.

Ex-SOEs...: ex-state owned enterprises or companies that are neither wholly or partially owned and operated by a government.

Treasury...: Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

Federal Reserve...: The Federal Reserve System is the central banking system of the United States.