

Jobs Surprise? Not to Professor Siegel

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Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

Anyone who has been following Professor Siegel's commentary should not be that surprised with Friday's jobs report—many were overly pessimistic on both the unemployment rate levels and expecting continuing job losses. While the expectations for unemployment levels were to see another 7 million of job losses, instead there were 2.5 million of gains.

The markets continued to move higher—approaching all time highs in the S&P 500 on the positive re-opening news—with major factor and sector rotation within the markets. Many 'work from home' stocks were negative on Friday, while small cap value and the depressed sectors like travel, airlines, hotels, oil, and financials made significant gains. The relative performance has been striking for large growth and small value and there could be more catch up to do.

Professor Siegel believes the lows are in for the 10-year interest rates—reiterating his calls for the end of the 40-year bull market in bonds, given all this unprecedented liquidity entering the system and big deficit spending programs that provide relief to those most impacted by the virus. This is just the beginning of the march up in yields that we saw last week.

Professor Siegel continually emphasizes all this liquidity built up in the system will unleash high economic activity as we open up—that was evident in the jobs report, but other anecdotal reports are coming in. We are seeing images of large crowds in casinos. A Citadel securities report cited the Hard Rock Biloxi—having slot and table win results that were 30% and 150% higher than last year's comparable period.

While many will be cautious of engaging in those types of activities on fears of the virus, if there is no major spike in new cases over the next few weeks, there will be more rapid opening up of the economy. Professor Siegel will not be the first one to jump on a plane, but he will closely consider following if there is no jump in cases. We expect many will do the exact same.

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