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Pandemic Investing:

Finding Safe Havens in an Uncertain Market

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MarketBeat®

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If You Are Wondering What Just Happened, You Are Not Alone

We've just experienced a black swan of such epic proportions it's hard to put into words. The world underwent a paradigm shift that the market is only now starting to comprehend. If you think things will "get back to normal" anytime soon think again. The experts agree it will be a year or more before a reliable remedy is found. Local governments have already begun to reopen their economies … but are you going out without a cure?

SAFE HAVENS NOT SO SAFE

If you are wondering what it is keeping you awake at night it's that nagging little feeling the market could tank another 35% with little to no warning. I'm not going to try and sugarcoat the issue, that is a possibility. The world has gone, quite literally, to hell in a handbasket and it is far from anything resembling normalcy.

Everything got creamed during the market panic, the selling was indiscriminate and not confined by sector, market cap, or value. All of the old rules were thrown out the window, the only goal was to raise cash. Ironically, in the mad process of "preserving capital", trillions were wiped out of global market value.

The good news is that, since then, the market has regained some of its senses. Investors have begun to realize that not all is lost, that there is still a market to invest in and the cream has begun rising to the top.

To fully understand the impact of the pandemic on the market and the future of investing we need to take a step back in time. A step back to when times were equally bad for investors. A time when a baby bull market was about to be born.

Over the course of the next 13,000 odd words, I am going to tell the tale of a market rising like a phoenix from the depths of a recession. A market that rises over the course of ten years to hit new all-time highs over and over only to have it all come crashing down. By the time I am through you will understand what propelled the market to its all-time highs, why the correction was as sharp and deep as it was, and how to invest your money in today's new world.

BLACK SWAN

An event that comes as a surprise to the market, has a profound effect and is often inappropriately rationalized in hindsight.

It Was The Greatest Bull Market Of All Time

On Friday, the 6th of March 2009 the S&P 500 hit a new low. The broad market index had been in decline for nearly 21 months and showed no real sign of that ending.

The world was still in a time of chaos following the Housing Bubble and Global Financial Crisis, there was really no reason to expect a bull market to begin.

And yet, only two trading days later, the market was reversing. On that Tuesday the S&P 500 gained more than 6% to begin a secular market rally that will last more than ten years.

A Secular Trend Is Born

Before I get too deep into this I want to touch base on secular, trend, and secular trends. In this case, the word secular is referring to everybody, the entire population, and forces within the population that drive the market. Those forces can be skewed to the bullish or bearish side resulting in a secular trend. A trend, of course, is a series of predictable movements within a market based on fundamental factors. In the case of the secular trend, those fundamental factors are often demographic in nature as was the case in 2009.

MONTHLY PRICE CHART

Before I move on, I think it important to establish a few facts about the U.S. population and the demographic forces underpinning market action. Today there are three major demographic groups in play within the economy but that was not always the case. Before the Millennials came on the scene, relatively speaking, the economy was driven by the Baby Boomers and Generation X.

There are a number of ways to classify the generational groups, many of which rely on commonalities of thought or expression. The problem with these methods is they use arbitrary time periods to form the groups which naturally makes one group larger than another. For example, if the Baby Boomers are 20 or 30 years of history and Generation X only 10 or 15 and assuming birth rates are constant the Boomers could outnumber Gen Xer's by two to one.

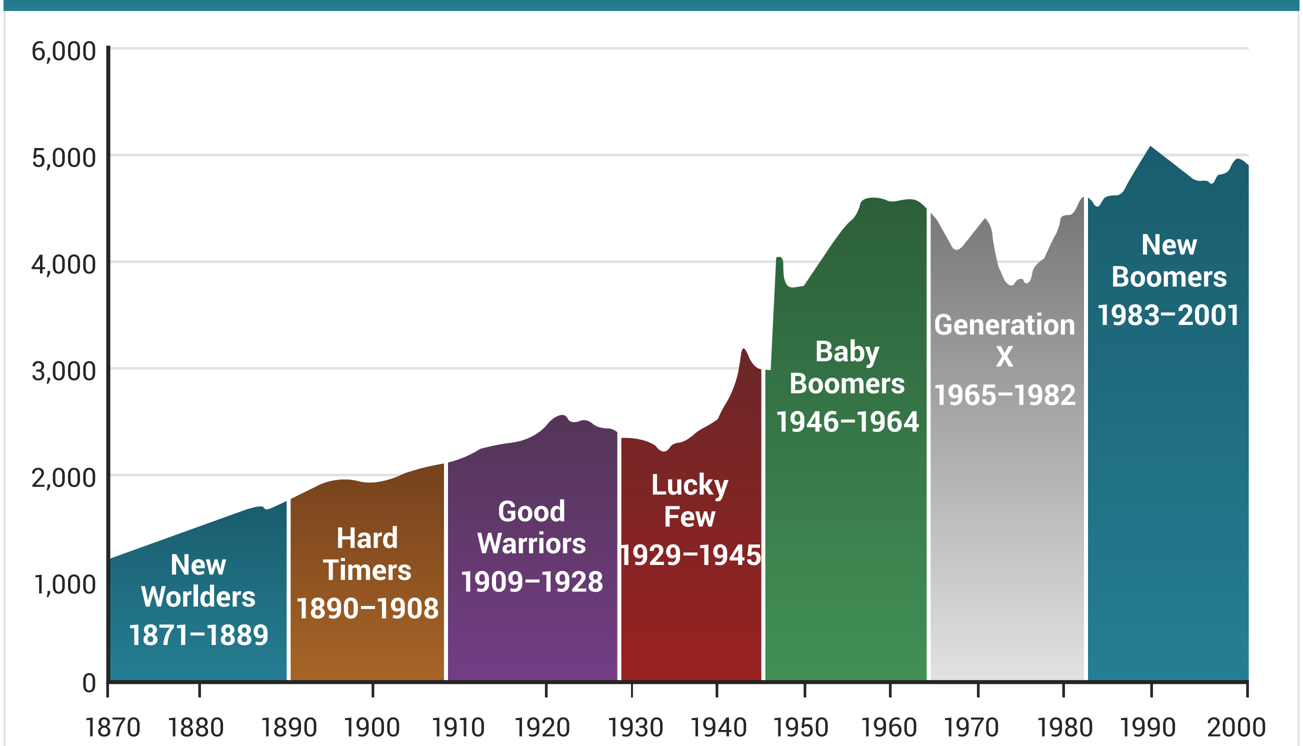
For this purpose, my data is based on 20-year demographic cohorts. I choose this method because it doesn't put emphasis on events in popular culture or skew the data with arbitrary time-periods.

In this paradigm, the Baby Boomers generation began in 1946 and lasted until 1965. Generation X began in 1966 and lasted until 1985, and the Millennials began in 1986 and lasted until 2005. clear differences in the size of the population become apparent in relation to the workforce.

When you couple those differences with conclusions drawn from labor data and trends within the equity market another thing becomes clear. Demographic trends are driving the stock market.

When the Boomers were aged 35 to 55, the age cohort with the highest employment rate, they were the biggest demographic in play. The group behind them was not only smaller but had a higher rate of unemployment. An economic recession was inevitable, or, if not, then at least stagnation was on the way.

THOUSANDS OF PEOPLE, BY YEAR OF BIRTH



The great bear market of the early 2000s may have been sparked by the Tech Bubble, but mark my words, it was demographics that set the market up to crash. Going into the late '90's, the Baby Boomers were the only generation that really mattered. They were the bulk of the workforce and the economy was booming. The fact that tech was the hottest commodity on the planet is coincidental. If it hadn't been tech there would have been something else to grab the market's attention.

Along comes the year 2000, the stock market is trading at new all-time highs and the oldest of the Boomers are about to turn 55. With this monumental birthday often comes thoughts of retirement and with them, plans to rotate from riskier growth assets and into safer havens like bonds. The fact the market was trading at such a lofty level only made the selling more attractive. The fact retirements were at stake made selling a necessity. So, when the bubble burst, it burst big.

1 Secular bear induced by Boomers. The first Boomers turned 55 in 2000 and began selling their risk assets in prepartion for retirement. Luckily for them, the first wave was able to cash in on the Tech Bubble.

The problem for the stock market at the time is that the following generation, Generation X, was so much smaller than the Boomers. To begin with, the Baby Boomers are 30% larger in size than Generation X. AT the same time, there is a higher rate of unemployment among the younger generation, a simple fact of life, and nothing more. This will create a fundamental shortfall of new investors to take on the Boomer's old investments. The conditions are set for a bear market to begin.

GROUP	PARTICIPATION RATE			
	1998	2008	2018	2028
Total, 16 years and older	67.1	66.0	62.9	61.2
16 to 24	65.9	58.8	55.2	51.7
16 to 20	52.8	40.2	35.1	30.9
20 to 24	77.5	74.4	71.1	67.8
25 to 54	84.1	83.1	82.1	81.7
25 to 34	84.6	83.3	82.5	81.6
35 to 44	84.7	84.1	82.9	82.3
45 to 54	82.5	81.9	80.8	81.0
55 and older	31.3	39.4	40.0	39.6
55 to 64	59.3	64.5	65.0	67.9
65 to 74	17.7	25.1	27.0	32.5
75 and older	4.7	7.3	8.7	12.1

The imbalance will last until late in the decade but, before it shifts, there will be another crash to come; The Housing Bubble and Global Financial Crisis. The Secular Bear Market sparked by the Tech Bubble isn't over yet. Along the way, we'll witness the Death of the Middle Manager. Boomers will be forced to work longer than planned, it will create a top-heavy labor market with too many Kings and not enough peasants.

1 Secular bear induced by Boomers.
The first Boomers turned 55 in 2000 and began selling their risk assets in preparation for retirement. Luckily for them, the first wave was able to cash in on the Tech Bubble.

2 The Housing Boom, a second chance for Boomers to sell risk assets in preparation for retirement. The ones that missed out on this opportunity had to extend their workplans but retired much richer for it.

Fast-forward to 2009 and those demographic forces are shifting, the balance is turning back toward the bulls. This year, the first Baby Boomers are turning 65 and retiring. Their retirement-driven equity selling is mostly over so the pressure from the group begins to subside. More importantly, they are leaving the workforce and opening higher-level, higher-pay positions for younger folk to fill.

- The reason wage growth took so long to build momentum is because of demographics. At the low end of the spectrum, there were more and more entry-level employees looking for work, skewing the number of lower-wage workers higher. At the high end, Generation Xers and Millennials were moving into positions of responsibility but at lower compensation levels than their older, more experienced predecessors. Both factors will play a role until labor markets begin to tighten.

At the same time in 2009, the first Generation Xrs are turning 45, the last 25, putting the generation in the driver seat of the economy so to speak. With the Millennials right behind, the two generations are about to overpower the Boomers and drive the market to new highs. It will take some time to gain speed, but momentum is beginning to build within the labor market. That momentum will eventually carry the market to a new all-time high nearly 400% above the 2009 low.

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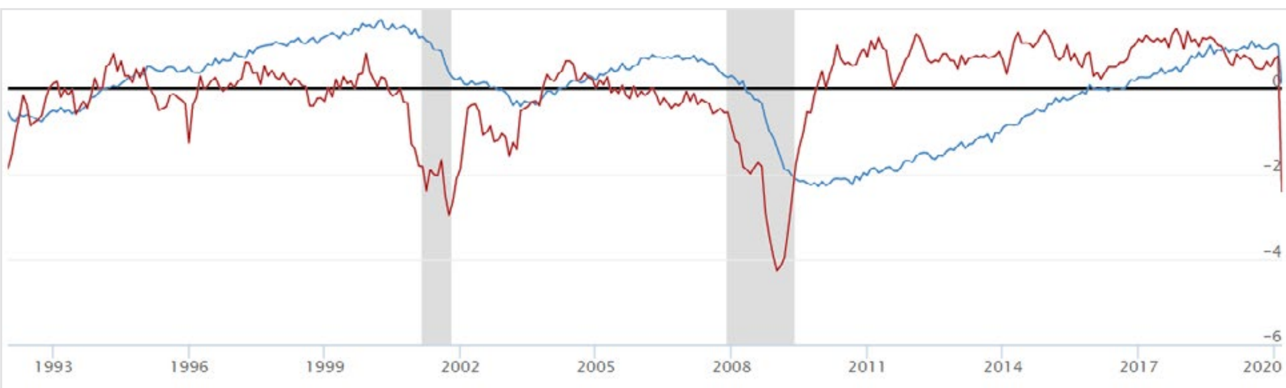
3 Between 2009 and 2014 the demographic balance shifted from the Boomers to the Millenials, a new secular bull was born. Labor market health and earnings growth fuel retirement account growth.

THE UNDERLYING BID...LABOR MARKETS AND PASSIVE FUNDS

There has been scuttlebutt for a long time about an underlying bid to the market, a bid that keeps equities moving higher regardless of fundamental factors, a bid that can inflate prices unnaturally. Much of the complaining is about passively managed funds and their need to own whatever it is their benchmark owns. The explosive growth of passive fund investing has certainly fueled billions worth of buying over the past two decades and that won't stop until the funds are gone. The funds are going anywhere.

At the secular level, there is another passive bid that has been fueling the stock market rally since 2009. The labor market. The labor market has been booming over the past decade and that equals a boom in retirement-driven investment. Whether its 401(k)s, IRAs, pensions, or mutual funds, retirement savings invariably means investments and that, for average investors, means stocks. In most cases what it really means is mutual funds and ETFs, so one passive bid accelerates the other.

There are many ways to measure the labor market and I watch many of them. The single best indicator of economic health relative to the labor market is the Kansas City Fed's Index of Labor Market Conditions. The LMCI is a diffusion index of 24 closely watched labor indicators, the indicators used by the FOMC to set monetary policy. Over its history, the LMCI has predicted every single period of economic boom in our country.



The LMCI bottomed in 2009 along with the broad market and began a steady move higher. By 2015 it had recovered to zero and was on the verge of turning positive, a very bullish sign of the economy. The index hovered near 0 for over a year, waiting on the outcome of the 2016 Presidential Election, before moving up to trigger what would become the two strongest years of economic growth since before the Housing Bubble burst.

Over the next two years, job gains will average close to 200,000 monthly. Unemployment will hit record lows across all major metrics. Wages will begin rising at a 3.0%+ pace. And the jobs, there will be so many jobs there won't be enough Americans to fill them. The Labor Situation Summary, otherwise known as the NFP Report, will show the number of available workers shrinks from nearly 7 million to under 6 while the JOLTs report a rising number of job openings. At the peak, there will be a surplus of roughly 2 million jobs, plenty to ensure no one has to work for any job they don't like.

1. From 2009 until early 2020 labor market health and acceleration will drive S&P 500 gains.

2. Between 2009 and 2014 the demographic balance shifted from the Boomers to the Millenials, a new secular bull was born. Labor market health and earnings growth fuel retirement account growth.

THE SECULAR CONSOLIDATION, A TRADE WAR AND CONTINUATION OF TREND

On January 22nd, 2018, U.S. President Donald Trump announced tariffs on solar panels and washing machines imported from China. The move sets off a trade war that will last nearly two years and leave the global economy changed forever. The following week, the S&P 500 began to sell off as it entered a rolling bear market that will shave 20% off the all-time high. During this time, while economic growth slows to a tepid 2.0%, the labor market will remain strong and even strengthen.

What this means for the secular trend is consolidation. The market was trading at a lofty 18X its forward earnings, levels the market will not see again until early 2020, a correction was overdue. The trade war was a coincidence, in the secular sense of the market, just like the pandemic is now.

Regarding those demographic forces? In 2018 the oldest Baby Boomers were turning 72, the youngest 54, sparking one final wave of retirement-driven equity selling. It’s in the data, while money is moving out of passive funds and ETFs it is flowing into bonds. That helped fuel the 2018-2019 market consolidation. By late 2019, the trade war is as resolved as it is going to get, a new “normal” for global business had been established, and the market was breaking out.

ALL THE DATA WAS POINTING TO ECONOMIC ACCELERATION

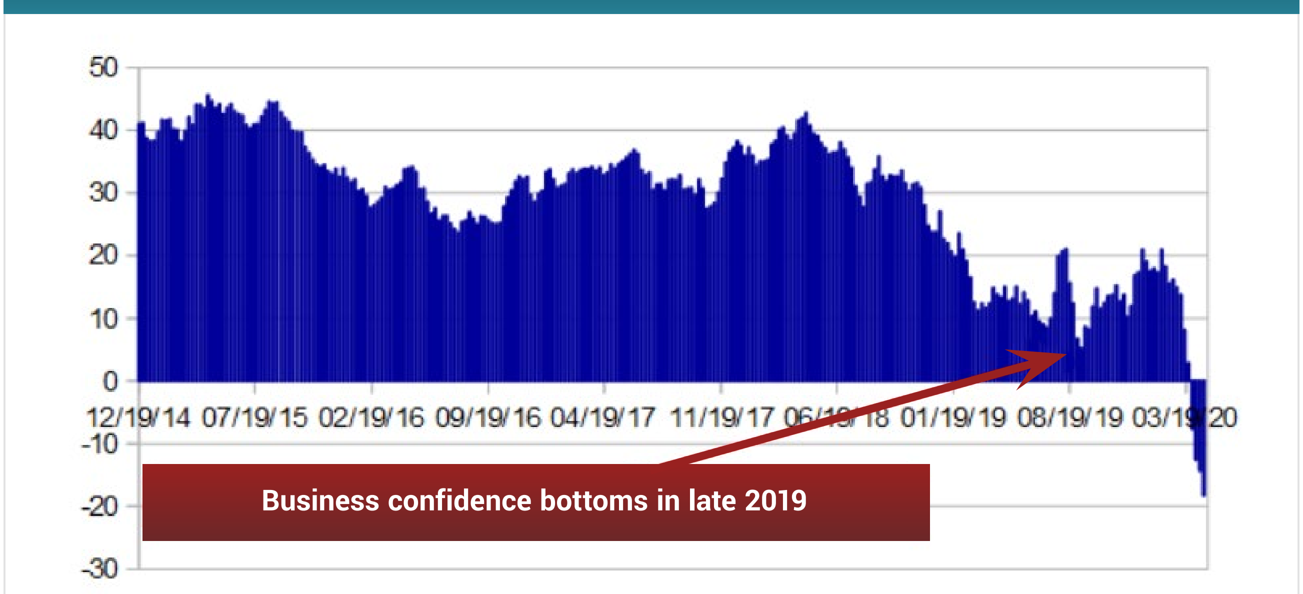
1. From 2009 until early 2020 labor market health and acceleration will drive S&P 500 gains.
2. Between 2009 and 2014 the demographic balance shifted from the Boomers to the Millenials, a new secular bull was born. Labor market health and earnings growth fuel retirement account growth.
3. The secular consolidation coincides with flattening of total U.S. retirement account value. Outflows from ETFs and mutual funds are moving into bonds.

Late in 2019, the end of the trade war was in sight. Not the very end, but enough progress had been made to establish a new world order. Some tariffs would be removed, some would stay, some businesses would be able to remain in China and others, those who’d already begun shifting away from China, those would continue with their plans as well. Times were looking good from the geopolitical perspective, the turbulence was coming to an end.

CHART OF WEEKLY CANDLES

Later in 2019 and then again in early 2020, as the Phase 1 Trade Deal got closer and closer, business sentiment began to improve. You can see this in Moody's Survey of Business Confidence. Business confidence took a big hit when the trade war began, it drifted lower over the next 18 months and then bottomed in mid-2019. From that point on, up to and until the pandemic begins, business sentiment will rise to hit a one-year high.

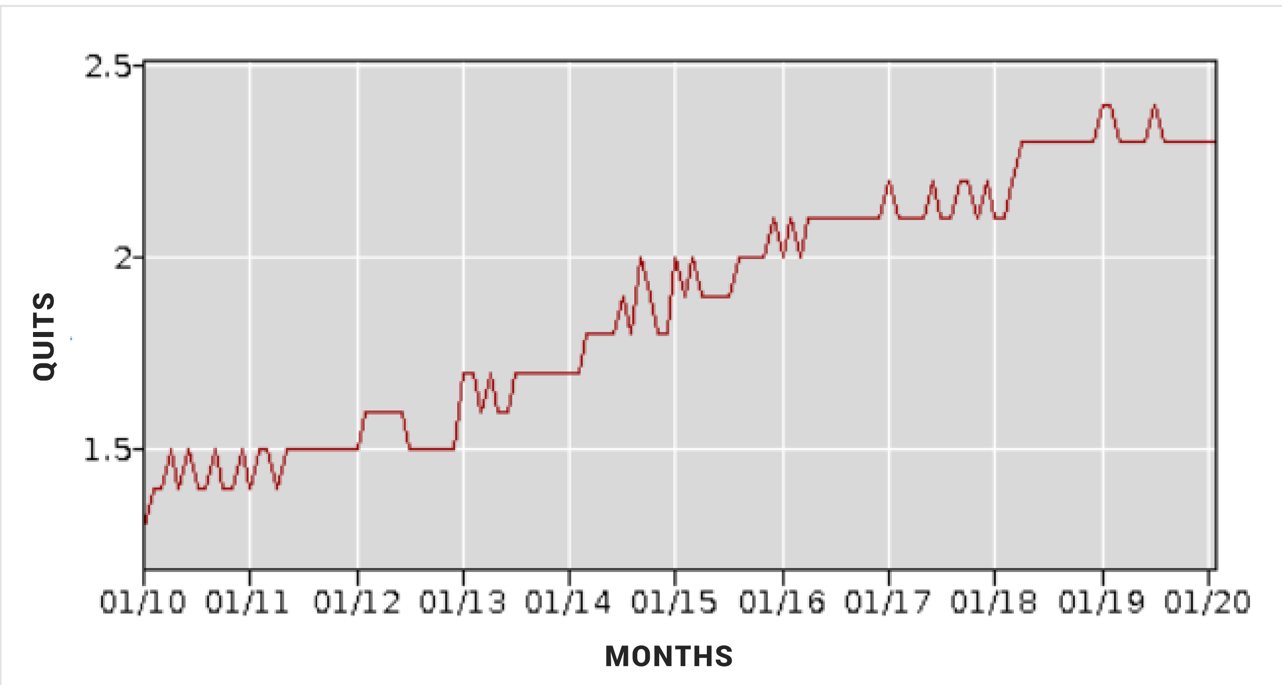
MOODY'S SURVEY OF BUSINESS CONFIDENCE



The data for 2020 was good. Really good. By all accounts, the economy was on track to grow and accelerate from a tepid 2% annual GDP to something closer to 2.5%. On the labor front, job gains continued to average near 200K monthly, the number of available jobs increased, the unemployment level went down, the size of the workforce increased, and wages were growing at a 3% rate YOY.

Now, I want to point out that the labor was so strong it was attracting record numbers of new workers. While the size of the workforce grew, the number of unemployed kept falling showing just how strong the market was. Job creation was outpacing the influx of new workers.

Yet another sign of labor market strength is the quits rate. The quits rate is reported in the JOLTs report and measures the number of voluntary job-leavers. Voluntary job-leavers are a measure of labor market health because they are an indication of labor market confidence. The higher the quits rate the more confident an employee is they will find a newer, better job and the quits rate was running at all-time highs.



How It All Came Crashing Down, A Timeline Of The Coronavirus Pandemic

WHAT'S THAT YOU SAY? A NEW VIRUS …?

The global coronavirus pandemic began on a cold winter day in late December 2019. The rumors first came to light when Dr. Li Wenliang warned of a mysterious illness and patients quarantined in an ER to an online chat group. As they say, a butterfly flaps its wings in China and a hurricane will blow across North America. It will be fully two months before the U.S. equity market reacts.

Dr. Li's warning was not unheard, it sparked official government interest if nothing else. According to reports in the NY Times, Chinese government officials were at his door within hours, forcing him to sign documents promising to remain silent. On December 31st, Chinese officials confirmed rumors there were treating pneumonia of unknown origin. Weeks later China will still be downplaying the issue leaving 11 million+ Wuhan citizens in danger of infection.

On January 1st, China will formally disclose to the CDC they are tracking a new form of pneumonia. On January 6th, the CDC will offer to send a team of specialists to aid in the investigation. The offer is refused. January 9th, China publicly identifies the new virus calling it a novel coronavirus. That day will also be the first official response from the WHO. The World Health Organization issues guidelines for nations to begin screening for coronavirus. By this time the virus has been loose at least three weeks, if not a month or more.

In the first report, China said there was no evidence the virus is spread by humans. Later, documents will show Chinese officials knew the virus was of pandemic quality at least 6 days before they locked down the city of Wuhan. That's fully seven weeks after the illness was first noted by Dr. Li. In that time Chinese citizens were allowed to travel and interact freely, spreading the virus around the world.

THE CRISIS BEGINS TO SPREAD

The first death was reported on January 10th, 2020. An elderly man, a 61-year old regular to Wuhan's infamous wet market, succumbed to the illness. His death comes just days before the Lunar New Year holiday, a time when millions of Chinese travel and gather together.

A wet market, if you are wondering, is a market that sells perishable goods like meat and fish. China's wet markets are well known for exotic foods like unusual reptiles, crustaceans, and even insects, most of which can be purchased lived and consumed on-premise. The virus, now linked to bats (a delicacy of the Wuhan wet market), is thought to have originated there but scientists say we may never know for sure.

Less than a week later, the first cases began emerging outside China. These appeared in South Korea, Japan, and Thailand.

On January 15, the genetic sequence is made public. How long China had the sequence is unknown. Concerns China is not being honest about the outbreak have already arisen. By the time the pandemic reaches its peak, it is generally accepted China knew much more than it told the WHO, long before it let the west in on the secret.

On January 17th, the U.S. will begin tightening controls on entry from China, specifically the Wuhan region. Within the next week, there were growing epidemics in the Middle East, Europe, and by January 21st the first case was reported in the U.S.

A few days later, on January 23rd, Chinese officials will lock down the city of Wuhan effectively cutting it off from the rest of China. Authorities shut down the highways, rail system, air traffic, and ferries. No one was allowed in or out. By this point, at least 17 people had died, nearly 600 were infected, and at least a dozen countries had reported cases. Although still unconfirmed it is now accepted the virus can spread through the human transmission.

THE EQUITIES MARKET BEGINS TO TAKE NOTICE

The move to close Wuhan was the first really shocking news about the virus, shocking enough to move the market, and the S&P sold off the next day. That day, January 24th, the S&P 500 shed less than -1.0% and created a Dark Cloud Cover. The signal was bearish, the market fell the following day, but the bull market was still raging and new highs were soon to follow.

A few days later, the White House Task Force to coordinate the national coronavirus response will meet for the first time.

January 30th, a full month after China confirms the rumors and as much as two months following the disease's discovery, the World Health Organization declares a Global Health Crisis. The announcement, too little too late, helped the world wake up but did little to stop the virus spread. It was already everywhere.

To make matters worse, a paper published in the New England Journal of Medicine confirms transmission by asymptomatic patients. The White House shrugs the report off but by then the damage had been done. The virus, a ticking time bomb within the population, was about to go off.

The State Department warned about traveling to China in response to the WHO's declaration. A day later the Trump administration suspended entry into the U.S. of any person who'd been in China within the previous 14 days. The suspension excluded U.S. nationals, immediate family members, and permanent residents.

At this time there are 9,800 hundred infections worldwide and over 200 dead from the illness. Those numbers will soon begin to grow exponentially. Ironically, this is the day the S&P begins its last bounce, the last hurrah to set the last all-time high right before the panic selling begins in earnest.

Two days later, on February 2nd, the first death is reported outside of China. The man, a Chinese national in his forties traveling to the Philippines, came down with symptoms while abroad. He'd been in the country for more than 10 days by the time he became symptomatic, him and a companion, causing concern the disease was spreading internationally at a rate faster than first estimated. President Trump responds by restricting travel from China. There are now more than 360 dead.

The first corona-virus related death is reported outside of China. In the U.S, economic data points to an accelerating economy.

THE CRISIS IS ALREADY OUT OF CONTROL

February 5th, a cruise ship operated by Princess Cruises sailing out of Japan was put in quarantine. The problem is that, upon arrival, officials began screening passengers and discovered the virus was rampant on board the ship. The ship instantly became the single largest pocket of infection outside of China. The event will foreshadow a crisis within the cruise industry that results in multiple quarantined ships and a shutdown of the entire industry.

February 6th, Dr. Li Wenliang, the man who first warned the world of this disease, dies of the coronavirus. The following day, a group of Senators urges the White House to take the virus more seriously.

February 11th, the World Health Organization renames the disease COVID-19, short for Coronavirus Disease 2019. The move is in response to reports of racial violence towards Chinese and Chinese-appearing people sparked by the virus. It is no longer PC to call the virus Wuhan Flu or, the China Virus, or the Chinese Disease.

February 13th, the number of infected in Hubei Province, the epicenter of the outbreak, surges to set a new daily record. The next day, February 14th, France announces the first death outside of Asia. The man, an 80-year old, was a tourist visiting from China. Two days after this, Chinese officials draft legislation to ban the eating of wildlife … good luck with that says I.

February 14th, The Department of HHS and the National Security Council outlined a plan for the U.S. response including distancing and the possibility of an economic shutdown. Two days later, on February 16th, The WHO, including two U.S. doctors, are finally allowed to go to China. At this point, it has been at least two months since the outbreak began.

February 21st, the disease pops up in Iran from an “unknown” source, cough cough secret contact with the Chinese and wreaks havoc within the population. Iran will soon become one of the worst infected countries. In the U.S., the White House Task Force begins seriously talking about locking down the U.S. economy.

The following day, Italy begins to lock down its economy as the number of infected begins to spike. In the U.S., the Department of HHS delivers its plan, The Four Steps To Mitigation. This is the day the U.S. equity market begins to sell off but the first big bear-market decline is still to come. The salient point is that this is the day investors begin to see the pandemic for what it is, the blackest of black swan events, and one that will alter the face of global society forever.

February 27th, The U.S. Army National Center for Medical Intelligence raises a warning that the virus could become a major pandemic. Later, comments from the CDC will confirm the possibility of a major global crisis. In other news, NC Senator Burr(R) is heard telling a private group the virus is “much more aggressive” than anything the U.S. has seen in recent history.

February 29th, Dr. Faucci, director of the National Institute of Allergy and Infectious Diseases (NIAID) since 1984 and now a member of the White House Task Force, goes on TV saying American’s don’t need to worry, there is no need to change habits yet but the time may come soon (for us to begin social distancing and locking down the economy).

Between 2/21 and 2/29 coronavirus cases began to pop up in South America and Sub-Saharan Africa. The number of infected began to escalate in the EU and the UK. On the 29th, the U.S. announces broad travel restrictions to and from all nations. The number of cases now tops 87,000.

The coronavirus pandemic begins to accelerate globally, the market begins to accept a major crisis is at hand.

INTERNATIONAL EFFORTS RAMP UP

March 3rd, the CDC removes all restrictions on testing for the coronavirus after their own efforts to produce a test failed. Since then, dozens of U.S. businesses have announced research and plans to produce, or production of said kits.

March 10th, The WHO finally declares the coronavirus a pandemic, nearly three months after it is first reported by Dr. Li. According to the WHO, the sickness will affect every sector of the global economy.

March 11th, President Trump bans most travel from Europe in an attempt to stave off what is already a global pandemic. Four days later he will declare a national emergency, restrict entry at the borders, and engage the Defense Production Act; the lockdown of America has begun. Over the next week, the EU will lockdown and ban entry for non-nationals for 30 days. The week after, the UK will go into lockdown. Within another two weeks, most Americans will be sheltering in place, trying to ride-out this life-changing event. Market losses accelerate.

March 15th, the FOMC cuts interest rates to zero and offers $700 billion in stimulus spending. The market cheers but takes the news as a sign of economic doom. The next day the SPX opens lower by 7.5% and extends those losses to -10% by the end of the day.

March 19th, fully three months (probably longer) since the first cases emerged, China announces no new local infections. They are still seeing an increase in cases but this is due to incoming infected, not the natural transmission of disease from one citizen to another. This is the day the equity market begins to bottom. The market will still fall for another two days but investors have begun to see a ray of light … there is an end to this thing.

March 26th, the U.S. becomes the leading center of infection with over 81,000 cases and 1,000 reported deaths. The next day, President Trump will sign the coronavirus stimulus package into law. New York and New York City will emerge as the epicenter of the U.S. outbreak and will remain so for the duration. The CDC advises no non-essential travel for 14 days. Over the next week, more than two dozen states will add their own warnings, restrictions, and lockdowns to the mix. By April 2nd there are over 1 million cases worldwide and U.S. labor data shows millions are losing their jobs.

April 6th, COVID-19 has become the leading cause of death in the U.S.

April 8th, a number of companies have started or announced the commencement of vaccine trials for COVID-19. The best guess is that it will be at least a year, possibly 18 months to two years, before a truly effective treatment/vaccine will come to market. Nevertheless, the market cheers the news and takes the S&P 500 rebound up above the 30-day moving average.

A LIGHT AT THE END OF THE TUNNEL

April 13th, China is still under restrictions but much of the country is back to business. Countries across the EU have begun discussing how and when to restart their economies. Within a week U.S. politicians, pundits, investors, and businesses are talking about the same thing.

April 21st, a number of southern states announced plans to begin reopening their economies at the end of the week. The news is met with backlash, Dr. Faucci says the plans will backfire.

At this time, the best guess is for a broad, phased reopening beginning in April, on a State by State basis, and taking several months. The first phase would ease restrictions on non-essential businesses that are able to implement social distancing, schools may reopen in phase 2, and a full return to normalcy will begin with phase 3. Regardless of the opinion of when and how most agree we will need a vaccine and/or effective treatment before the full phase-3 reopening can begin.

Bill Ackman Virus Response

Bill Ackman is the outspoken chief of Pershing Square Capital. Of the many CEOs, hedge fund managers, and captains of industry urging caution during the early stages of the crisis he is counted among the first. According to his own words, given in an emotional interview, his fears were stoked in late January after experiencing a bad dream.

In his vision, he saw a rapidly spreading virus overtake the world and bring capitalism to its knees. Because of it, he went into personal lockdown a month before the average American in order to protect the health of his father.

During the interview, Mr. Ackman pleads with the President and American people to lock-down for 30 days to defeat this thing. He also made several predictions including capitalism can survive a lockdown for 30 days but not 18 months. The least of his predictions is that the hotel and restaurant industries would go bankrupt first, followed by airlines and other related industries. The worst of the predictions is that capitalism would cease to exist.

Ironically, he also made it known he'd been buying stocks all the way down. He had, in fact, bought shares of Hilton, Restaurant Brands, and Starbucks that very day. We'll find out later that Pershing Square Capital shorted the market in January and February and made billions during the market crash. Some insiders speculate Ackman fanned the pandemic flames to help push the market lower but we may never know the true answer. The stock market will bottom three days after his interview.

Bill Ackerman interview, the market bottoms three days later.

Did The Insiders See It Coming?

Reports began to emerge as early as late 2018 that insiders, Wall Street big-wigs were selling their shares. Over the next 18 months the reports will intensify even as the market is making new highs. The fact that the insiders were making their sales at such an opportune time, and in such masses, led some to speculate foreknowledge of the event but I say it isn't so.

To say or assume that insiders, hedge funds, and other big-money investors saw the viral pandemic coming implies clairvoyance akin to Jedi mind powers.

That didn't happen.

No one saw this coming because it emerged quietly from the hinterlands of China, was covered up for weeks, allowed to spread unchecked, and sprung upon the world like the crisis it is.

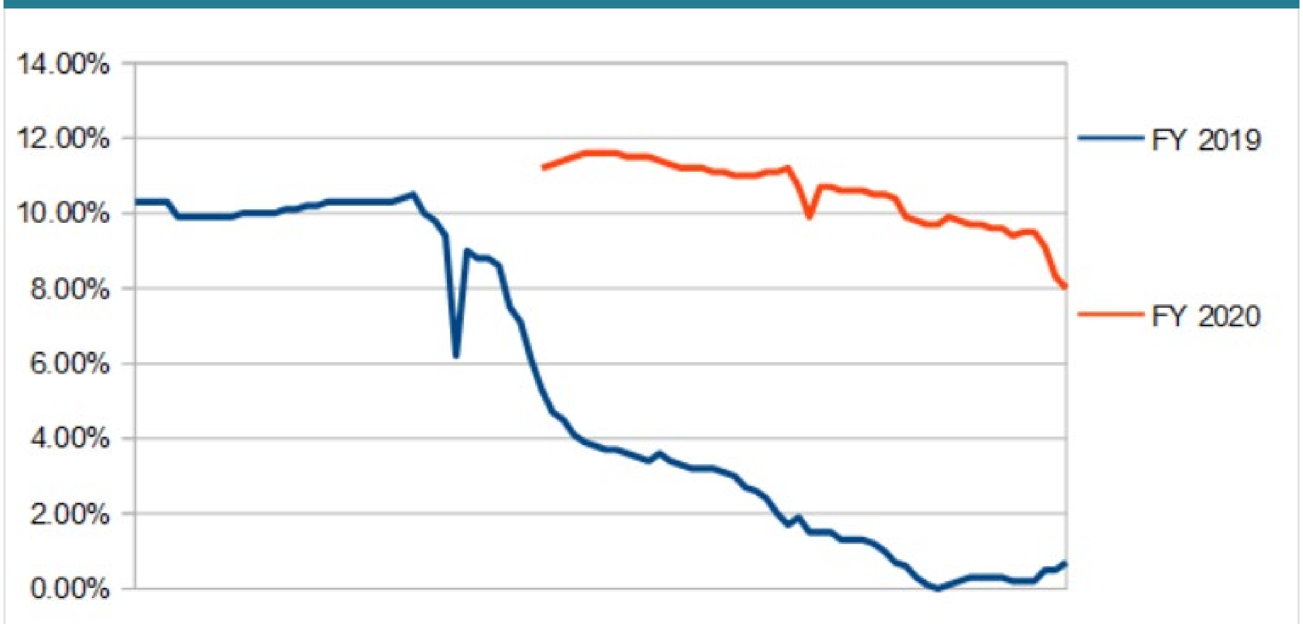
Could we have been more prepared, sure, but hindsight is 20/20. It's impossible to be ready for everything. That's why they call a black swan a black swan.

IT'S ALL ABOUT EARNINGS, AND VALUATION - THE VIRUS WAS THE MOTHER OF ALL EXCUSES

The reason why insiders were selling their shares is simple. The stock market was highly valued and the earnings picture was deteriorating. At the end of 2018, the consensus for S&P 500 earnings growth in 2019 was 10%. Over the course of the next 12 months that will fall below zero and end the year just above. The same is true with the 2020 earnings growth outlook, it began in high-double-digit territory but estimates had been falling for months, without the pandemic, and the decline was accelerating.

Thinking about things from the market perspective, and bringing to mind the discounting quality of the market (the fact that today's prices reflect tomorrow's value) the market was ripe for a correction. When rising prices are based on next year's earnings and the outlook for next year is getting worse there's just no reason for stocks to rise.

S&P 500 EPS GROWTH CENSUS ESTIMATE CHANGE
3/26/18 Through 2/14/2020



I myself have written many articles about the subject, calling for corrections in the range of 20% or more. The unifying theme in each of them is the deterioration of earnings outlook relative to market valuations, and an expectation the market would correct back to the secular trend.

On a technical basis, a correction should have started way back in early 2019 when the S&P 500 reached the previous all-time high and the top of the secular consolidation zone. But it didn't happen. That underlying bid I talked about earlier comes back into play, driving the market higher when no one thinks it should be, driving it up to set another series of new all-time highs.

CHART OF WEEKLY CANDLES

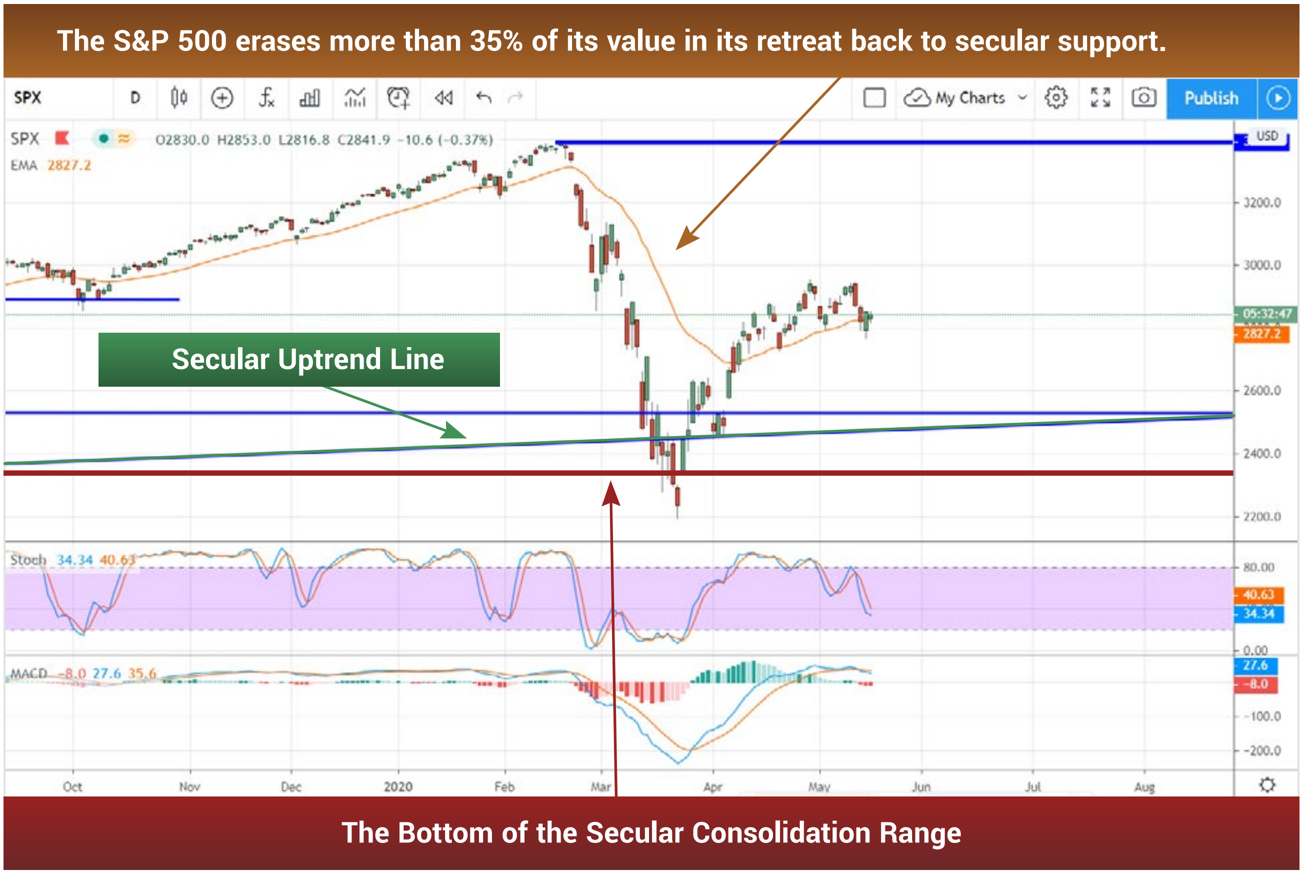
At the peak of 2020's highs, the S&P 500 traded at 19X its forward earnings. That put it well above the five and ten-year averages and at valuations too good for sellers to pass up. This situation, along with the earnings picture, set the S&P 500 up for its massive fall. The market was already on the brink of an earnings-reset, the onset of the crisis sped up the process. Then, as the crisis worsened, the selling took on a new dimension when investors began to discount the very worst possible of all the possible outcomes.

A DISCOUNTING MECHANISM GONE MAD

When the selling started on February 20th I don't think anyone thought the sell-off would reach the crescendo it did. What first began as a small-crisis quickly grew into the worst of our lifetime. What began as a simple readjustment of value soon became a mad rush to the door, a need to get out of the market at any price, and here we are today.

The selling began in an orderly fashion, shaving a quick 15% off of the S&P 500. After that, a short bounce set us up for a series of quick, jerky, selloffs that can only be described as panic selling. Panic. A panic that erased 37% of the S&P 500's value in under a month. The move was so severe it took the market all the way down to the secular trend line in under a month effectively ending the last decade of bull market.

The reason why the correction was so deep and so severe is this. The market was already on the brink of correction, the pandemic triggered that correction and more. The pandemic is not only the catalyst of one correction, but it's also the cause of another. What we just experienced was two corrections crashing down on top of each other, a double-downdraft if you will.



DON'T BE ANGRY AT THE INSIDERS

You shouldn't be angry at the insiders. I know it's easy to point the finger their way but they had no idea this thing was coming. If they were selling their stocks over the past quarter or two it's because they saw the same thing coming I did. A massive market correction caused by a deteriorating earnings picture and overvalued stocks.

I mean, seriously, it's their job to know that type of correction is possible, if not imminent. In other circumstances, they'd be guilty of negligence if they didn't take action in the face of all that evidence. Not to mention the fact that most of them let a financial advisor handle most of their investment decisions. If your financial professional can't see the need for some defensive positioning you need another advisor.

If you want to be angry at someone, be angry at the government that first tried to cover the epidemic up and then be angry at the World Health Organization for their slow response. Those two, together, more than anyone else, bear responsibility for the pandemic we're experiencing today. They allowed it to fester and spread unchecked around the world. When you're done being angry at them though, you can thank them, thank them for sparking the sell-off that led to the greatest buying opportunity of our generation.

How The Government Tried To Help - The Fiscal Side Of The Story

In late January, White House Advisor Peter Navarro became the first high-level official to take the full measure of the coronavirus pandemic seriously. In a memo to the President, he outlines a potential economic impact counted in the trillions.

Navarro then recommends asking congress for funds to fight the spread. In the memo, he recommends at least $3 billion, the figure requested is closer to $2.5. By the time Congress passes what will later be termed “Phase I of Congressional Response To The Coronavirus Pandemic” the number is closer to $8.5 billion. Phase I passed the first week of March, just one month after the first documented case in the U.S.

Later in March, on March 18th, three days after the FOMC cuts interest rates to 0.0%, Congress will pass Phase II of the Congressional Response. Labeled the Families First Coronavirus Relief Act, the bill is worth $104 billion and is aimed at supporting unemployment and extended sick-leave benefits.

What will become the CARES Act is first introduced to the House in mid-February but doesn’t pass until late March. The original bill asked for about $1 trillion in aid, the final version topped $2 trillion by the time it was passed. In terms of stimulus, it is the single largest stimulus aid package ever passed and worth 10% of the U.S. GDP. They’re still haggling over the next wave of fiscal stimulus.

The problem here is that it took the bill over a month to pass. Partisan bickering on Capital Hill kept the bill in limbo while Representatives and Senators haggled over the pork. During that time, the U.S. economy will begin to shed jobs by the millions. The week the bill is passed, the number of newly unemployed will surpass 10 million.

To make matters worse, the Paycheck Protection Program is tapped heavily by what may consider being “big business”. The fund ran out within days. Many intended to benefit were left in the cold. Names listed on Wall Street like Shake Shack are among the transgressors. The backlash was near-instant and resulted in many of them, Shake Shack included, to give the money back.

Included in the bill is $500 billion in direct payments to U.S. citizens. But, because the IRS system is unable to handle the load, most of those payments still need to go out. For many Americans, like with the Nation, the damage has been done by now, the payments will be too little too late.

How The Government Tried To Help - The Monetary Side Of The Story

The FOMC may not have fired the first shot in the effort to stem the effects of the pandemic but its cannon was heard the loudest. On Tuesday, March 3rd, the committee held an emergency meeting in which they cut interest rates by 50 basis points. The cut was not unexpected but the timing was. The emergency meeting is only a few weeks before the regularly scheduled meeting and taken as a sign more cuts are on the way. This happens just before the second major wave of equity selling takes place.

Later, on Sunday, March 15th, the FOMC held another emergency in which they cut interest rates to zero. This cut was also not unexpected but again, its size and timing were. The emergency meeting comes just a week before the regular meeting and brings with it a massive round of monetary stimulus, $700 billion.

Within the week, the FOMC will begin back-stopping capital markets of all form. Before their done, the FOMC will pledge its unending support of U.S. financial markets, whatever it takes.

March 17th	CPFF - The Commercial Paper Funding Facility
	PDCF - Primary Dealer Funding Facility
March 18th	MMLF - Money Market Lending Facility
March 19th	US dollar liquidity swap arrangement expanded internationally
March 20th	Liquidity swaps frequency altered to daily
	MMLF will begin accepting Municipal Debt
March 23rd	FOMC announces new, broad measures to support the economy.
	Expands QE facilities
	Establishes three new lending facilities
	Expands PDCF and CPFF
	Announces Main Street Lending Program, soon to come,
	THIS IS THE DAY THE MARKET BOTTOMS.
March 24th	Fed cuts back on non-critical oversight
March 26th	Provides reporting relief for smaller institutions
	NY Fed begins buying commercial mortgage-backed securities
March 30th	The Fed and banking regulators ease the impact of rulemaking, in one case the way they measure counterparty risk and in another delaying a new rule that would adversely affect the computation of expected credit losses.

March 31st	The Fed establishes a new repo facility.
April 1st	The Fed loosens capital requirements in an attempt to spur lending
April 6th	The Fed adopts the CARES Act Community Bank Capital Ratio requirements
	Implements three new lending facilities as per the CARES act.
	The Fed expands on all previously announced lending facilities.
April 23rd	The Fed commits to Transparent Disclosure of Companies Receiving Financial Aid Increases the availability of intraday credit
April 24th	The Fed announces over $84 billion has been released through the emergency lending facilities.
April 27th	The FOMC expands access to Municipal Lending Facility to include more towns and counties in all 50 states.

RATS FLEEING A SINKING SHIP

One of the worst stories to emerge from the pandemic is the apparent insider-trading scandal that emerged on Capitol Hill. Four Senators, three Republicans and a Democrat, were caught red-handed selling securities after a key briefing and well before the scale of the pandemic was common knowledge.

If you are still looking for someone to be angry at, be angry at them, but you have to understand something. Senators Burr, Inhofe, Loeffler, and Feinstein have little direct control over their own investments. As Senators they're bound by laws restricting them from profiting from their positions, their assets tend to be managed by third-party professionals. Professionals who'd be neglecting their fiduciary duties if they didn't take action when the time is right.

This is the statement issued by Diane Feinstein's office.

"All of Senator Feinstein's assets are in a blind trust, she has no involvement in her husband's financial decisions."

In the case of Loeffler, her husband is the chairman of the NYSE, if anyone should know a big market drop is coming it should be him. According to Loeffler "This is a ridiculous and baseless attack. I do not make investment decisions for my portfolio. Investment decisions are made by multiple third-party advisors without my or my husband's knowledge or involvement,"

Senator Inhofe wasn't even at the briefing and also has a plausible excuse. According to him, he instructed his financial manager to move him out of stocks and into bonds (long before the crisis began) and his record of sales backs this up. His portfolio shows regular sales all the way up to and through the market crash.

"I instructed my financial advisor to move me out of all stocks and into mutual funds to avoid any appearance of controversy. My advisor has been doing so faithfully since that time and I am not aware of or consulted about any transactions," Senator Burr, who is slated to retire at the end of the term in 2023, is the only one to have had a say in the sales. According to his statements, he spoke with his advisor and initiated stock sales in early January because of the coronavirus coverage he saw on TV. When word of the sales gets out, he'll ask Congress to investigate.

What Does the Market Look Like Today?

A News Driven Market

Because this crisis is still unfolding we really don't know what the true impact will be. The biggest unknowns are #1 how long will the pandemic last and #2 when/if it will come back. According to all the experts, regardless of the path of the pandemic, we can expect it to affect our lives well into 2021, if not longer.

Regarding the economic data, because the crisis escalated so fast the best data we have is outdated before it is released. Unemployment claims, now topping 40 millions newly jobless, is the most current of the news and even that is a week old. What traders need to know is what's happening now and that's hard to do.

It's very hard for investors and traders to make decisions because the fundamental story is largely unknown and constantly changing.

What that leaves is the news. What the news is best at doing is stoking emotions and we all know emotions and investing don't mix well. Especially when the emotion is fear, fear can cause a lot of volatility as we've just seen. A little bit of good news is enough to spark a buying frenzy, a little bad the opposite, causing daily whipsaws and massive swings in the indices.

If you doubt me or still believe in an unbiased media, remember this. The news media all work for television channels that give away their product for free. They make money selling ads. In this paradigm, you are the commodity, the more people they get to watch the more money they make. This is a well-understood fact of the Internet that some folks can't seem to understand applies to the news media too.

Skittish, Scared, Waiting For The Other Shoe To Drop

The pundits began throwing around the term "Vee Shaped Recovery" right from the start. The general expectation is that this recession isn't really a recession, not in the classical sense, and the economy will bounce right back.

Think about it. At no time has a market collapsed or a bubble burst, credit conditions didn't deteriorate unexpectedly, and businesses had no other reason to lay off 40 million workers. This recession isn't a recession, it's a pause of activity and when the pause is over the activity will resume. Right?

While I believe in the idea in general, I think the Vee-shaped recovery will be more like a Wanky-W. The market is rebounding now but now investors are still waiting for the other shoe to drop. Sooner or later we're going to get another round of selling. The next round(s) of selling could be sparked by negative virus news, disappointing market expectations regarding treatments/vaccines, deteriorating earnings outlook, or the market's now-record-high valuation.

Just before the crash the S&P 500 traded at 19X its forward earnings. Since the crash that valuation has fallen below 15X forward earnings and bounced right back to set a new high over 20X forward earnings. At this level, it's not irrational to think sellers who missed out on the first wave of the bear market will be eager to jump in on a second.

The ray of light is that many states have begun to slowly reopen. The slow reopening will help support the economy as we struggle through the crisis but don't expect too much to come from it. Many if not most Americans will continue to shelter/social distance until the soft-openings are proven safe. The salient point is that the depths of the recession are behind us, whatever you want to call it, all that lies ahead now is recovery.

The Strongest Trend-Following Entry You Will Ever See

It's taken a while to get to this point but this is when I tell you that all is not lost. Now that the recovery has started the nation can begin to heal and heal it will. What this means for us today is that the economy will rebound, just like the phoenix, rising once more from the ashes. This time things will be different, just like they were different last time, and the equity market will recover with it.

Now, if we go back and take another look at the monthly chart of the S&P 500, a strong, secular-grade trend following entry is at hand. But not for all stocks. That's the caveat. The virus is changing global society and that is causing a massive rotation from high-risk names, pure growth stocks, and businesses dependent on warm bodies into safer-havens like blue-chip stocks insulated from viral fallout and pay dividends.

CHART OF WEEKLY CANDLES

1. From 2009 until early 2020 labor market health and acceleration will drive S&P 500 gains.
2. Between 2009 and 2014 the demographic balance shifted from the Boomers to the Millenials, a new secular bull was born. Labor market health and earnings growth fuel retirement account growth.
3. The secular consolidation coincides with flattening of total U.S. retirement account value. Outflows from ETFs and mutual funds are moving into bonds.

4 The coronavirus pandemic sparked a correction to trend, the secular trend, where support is evident.

5 A strong trend-following entry point for long-term investors.

When the S&P 500 corrected, it corrected hard and fast. All the way down to the secular uptrend line. Where the S&P 500 found support. Strong, secular-grade support at a proven and accepted technical level. The bottom of the secular consolidation range. The consolidation range I suspect will eventually become a continuation pattern. A continuation of the primary secular trend. A trend that is driven by demographic forces. A trend that could easily last another eight (8) to then (10) years.

With the Boomers out of the picture, employment and equity-wise, that leaves us with Generation X, a smaller demographic cohort, and the Millennials, a bigger demographic cohort. The oldest Generation Xrs are about 56/57 which puts them right on the cusp of retirement selling but don't worry. The next generation is more than large enough to soak it up, theoretically at least, and their numbers will continue to swell the labor force for another 10 years or so.

Don't Forget About All That Stimulus

When the economic recovery starts, and believe me it will start, it is going to be a strong one. For starters, the economy was in a very strong place just before the pandemic struck. It will take time for economic momentum to build but the initial gains of activity are going to be huge. Think about it, companies that have been in Nation-wide shutdown are going to reopen. The job gains are going to be in the millions, not enough to recover all we've lost, but enough to get America back on the track it was in February.

And don't forget, all that economic stimulus is still floating around the economy. It will help drive growth over the longer-term, once we get reopened and folks feel like going out. The Federal government has injected over $3 trillion of aid and we're expecting more to come. As for the FOMC, They've issued over $4 trillion in lending and we can expect interest rates to remain at their rock-bottom level for several years at least. This all adds up to liquid, easy-money conditions the likes of which we've never seen.

And then you add in the possibility of four more years of Trump. Trump's business-friendly policy and deregulation have been fueling economic growth since he took office. The combination of four more years, all that stimulus, and an America eager to get back to work and the odds of a strong rebound become virtually guaranteed.

The warnings I have for you here is that the recovery and rebound is not going to be a Vee-shaped one like so many of the talking heads like to think. At best, we can expect a W-shaped recovery but even that is optimistic. At least according to Jerome Powell, Chief of the FOMC. Looking at my charts, I think the recovery could take up to six years to fully regain what the market lost and in that time could be several whipsaws.

Between then and now, I think we'll see the S&P 500 continue to consolidate within its now larger consolidation zone. Rallies will be met with resistance, sell-offs by support, so investors need to be prepared for some volatility. The good news is that the sell-offs will be buying opportunities to load up on high-quality dividend-paying stocks, the peaks times to take profits.

Those Generation Xrs and Millennials with the stomach to wait out the rallies and buy on the dips are going to retire rich, and possibly very early.

1. **The coronavirus pandemic sparked a correction to trend, the secular trend, where support is evident.**
2. The secular uptrend line
3. A strongest trend-following signal you may ever see
4. Consolidation, recovery, and rebound could take several years.
Be prepared for the index to retest the trend line.

Oh, The Times They Are A-Changing

To say the times are a-changing is an understatement. The times have changed, now we (society, all of us) have to catch up and the catching-up is going to take some time. Even if the pandemic flags and new cases retreat to zero, the trend of social-distancing is here to stay. Never again (at least in my lifetime, I think) will a human leave their home without some thought to this outbreak or making some effort to control "germs".

Businesses around the world will have to adapt to this new paradigm or fall by the wayside. Ecommerce, once a novelty and recently a trend, will become the primary avenue for businesses and consumers to connect as we move forward. Digitization is the path to ultimate social distancing. We are at the dawn of the true "Cyber Age". An age in which advances in technology will allow all contact through virtual means.

- Online ordering, curbside pickup, and delivery are going to become standard, not just commonplace. eCommerce and digital presence are now a requirement for business to succeed.

When you add 5G into the mix, the outlook for technology gets really interesting. The 5G revolution will lead to the full exploitation of the IoT, the Internet of Things. Faster data transmission means IoT will be able to function in real-time, as it is intended, and that will facilitate the Internet of Emotions.

The Internet of Emotions is at once awe-inspiring and something to be feared. It won't be long until the digital world will be able to predict and manipulate your emotional responses in real-time, pushing you toward purchases and decisions you may not have made otherwise. Lots of opportunity for bad things to happen and fraud is only the tip of the iceberg. What this means for tech is opportunity, opportunity, opportunity.

Other things may change and for the better, too. Think about Boeing and the airline industry. Those guys have been struggling with each other, with regulation, with the unions, and the public almost since the industry was born. Not one of them will make it through the crisis without government aid, most have already tapped into the several hundred billions of dollars worth of aid offered to-date, which begs the question, should we let them go back to business as usual?

What if, somehow, we organized a national air fleet that ran efficiently instead of the overcrowded jumble of fleets we have now? We'd still have to pay for our tickets, just like the city bus, but this would be a national network of overlapping and inter-linking routes where a single ticket could get as far as the fare was worth. Think about it.

Timeline For The Cure: Good News Or Just More Hype?

If you look back at history, at past pandemic outbreaks, only one has ever ended without a cure or vaccine. With that in mind, thinking about the time it takes to research, create, test, and distribute such medicine the end of the coronavirus pandemic is still far, far in the future.

The bubonic plague lasted for a decade and had recurrences for CENTURIES after the initial outbreak. Most pandemics take 18 months to 2 years to run their courses. We've been looking for a cure for AIDS since the early '80s and still haven't found one. This thing could last forever.

There is really no way to know when a cure will be found until we find it. That may be tomorrow, next year, or years from now and even then it may be months or years before it becomes widely available.

News about timelines is good though, the market craves information, but it is all speculation until we have a cure in hand. So far, there has been a lot of speculation about the virus, how it operates, its expected spread rates, and the outlook for deaths, but little of it has been correct. If anything, an overload of misinformation, however well-intended, helped fuel the scare.

Any news around timelines and possible cures should be taken with care. Until we actually have a cure the only thing news is going to be good for is market volatility. Good news and less-bad-than-expected news may lift the market, the danger is the next headline could do the opposite. My advice, keep up with the vaccine-timeline news and speculate on it if you must, but don't make any major decisions based on it.

Right now, as I write this, there are tests and trials underway for a dozen different possible treatments and vaccines. Assuming one of them is the right one, at best, we can expect to see a usable vaccine by the fourth quarter of 2020 but even that is optimistic. Dr. Faucci says a vaccine by January is "doable" but once again, that may be overly optimistic for a field that usually takes a decade to produce usable products.

Policy Change, It's Coming Too And Will Impact Your Investments Forever

The economy is already starting to reopen but it's going to be a slow and painful process. The economy will be slow to reopen because of two reasons; public fear and policy. On the one hand, employees and consumers may hesitate to venture out while on the other, businesses will be shackled with new rules intended to prevent future outbreaks and pandemics.

The need to meet new and evolving standards with state of the art technology is costly and time-consuming. Some businesses won't be able to meet the demand, others will choose not to, those with the wherewithal to follow through on the change will end up operating in a world with less competition. The biggest hurdles will be proper PPE for employees and operating with safe social-distancing for the public.

Kentucky is one of the first states to try a slow reopen. Governor Bashear's plan is for a phased reopening starting with businesses that pose the least threat. In order to open, businesses must meet ten guidelines that make it impossible for many to operate.

- **Telecommute** - businesses are urged to telecommute whenever possible but for many, it is just not an option.
- **Phased reopening** - Business are urged to open slowly, offering pick up or delivery if possible, before initiating a full reopening.

- **Onsight Temp Controls and Health Checks** - Businesses are required to provide on-sight temp and health checks to ensure the health of their staff. In all cases, this means additional equipment and staffing.
- **Universal PPE and Masks.** This is an added cost that will either 1) cut into profits 2) result in higher consumer prices or 3) both 1 and 2.
- **Close common areas.** Businesses that reopen must close their common areas like lunchrooms, break rooms, lounges, and workspaces. All those modern businesses using the Silicon Valley model of open, shared, collaborative spaces will have to remodel or move before they can reopen.
- **Enforce distancing.** Again, this means altering current work-spaces and hiring additional staff.
- **Limit-Face-to-Face contact.** Businesses that can telecommute won't find this hard but others will. Some businesses rely on face to face contact which means we won't be going to restaurants, the theater, or concerts any time soon. Others, like barbers and hairdressers, will have to come up with some novel solutions.
- **Sanitizer and handwashing stations.** Again, expenses related to work-space alteration. Plumbing for sinks isn't cheap or easy to install in a building that already exists, assuming there is space for one.
- **Special accommodations.** Businesses that can't comply with other rules will have to make special accommodations. Special accommodations take special time and special money to complete.
- **Testing plan.** Businesses will have to have a testing plan. Testing is one of the leading issues with this pandemic. Tests are time-consuming and may take up to two weeks to read, the results have so far been unreliable, and testing is largely unavailable except for emergency use and those who think they may have the disease.

Safe Haven's, Back In Vogue And For Good Reasons

Although the safe-haven assets got hammered along with the rest of the broad market many are bouncing back. And bouncing back hard. The ones that you want to own are, anyway.

What these assets tend to have in common, aside from viral insulation, are stable, predictable revenue streams that generate steady, stable, predictable returns for investors. You know, the qualities that make for one boring asset, an asset that tends to underperform during boom times but one that can deliver solid returns year in and year out regardless of market cycles.

Dividend Kings and Dividend Aristocrats are a good place to start. The Dividend Kings and Dividend Aristocrats are groups of stocks that have been increasing their dividends for at least two decades. The Dividend Aristocrats have been increasing their dividends annually for at least 25 years, the Dividend Kings at least 50. What this means in terms of a stock is blue-chip companies with foresighted management able to withstand decades of market swings and economic conditions.

Think about it, the Aristocrats, as a group, have survived the Tech Bubble, the Housing Bubble, the Global Financial Crisis, the Trade War, at least six previous epidemic/pandemics and now COVID-19. The Kings have lived through the Vietnam War, the OPEC Oil Embargo, Hyper-Inflation, Trickle-down Economics, Black Monday, and two Iraq wars and that's just the beginning.

Through it all, the Aristocrats and Kings have maintained slow and steady growth and paid their dividends without fail. If there are any stocks on the market you can count on to deliver their dividends its the Aristocrats and Kings.

The Consumer Staples is the first sector-level group to spring to mind. This group manufactures, distributes, and sells all the products we need and use in daily life. Stuff we can't live without. Things like food, basic clothing, household supplies, and yes, even Sin Stocks like alcohol and tobacco.

In today's world, you can add pet supplies to that list along with some forms of technology. Where once an Internet connection was a luxury it is now a necessity. How else are people going to work from home, order their groceries, and connect with the outside world? Staple-companies that are also Dividend Aristocrats or Kings are a bonus.

eCommerce is another industry booming because of the pandemic. I think it was Target that said it, every day is like CyberMonday, and that is the truth. Sales through eCommerce channels are skyrocketing and likely to remain high after the pandemic, according to all the experts. The stay-at-home, social-distancing, pantry-loading trend has sparked a double-digit surge in an industry that was already growing by double-digits.

Real Assets are going to be another hot-ticket item over the next few years. The caveat, like with all equities, is that not all Real Assets will produce the same returns or have the same attractiveness in today's investment environment. For example, infrastructure plays like the Utilities, telecom REITs, and data centers are going to outperform MLPs and toll roads.

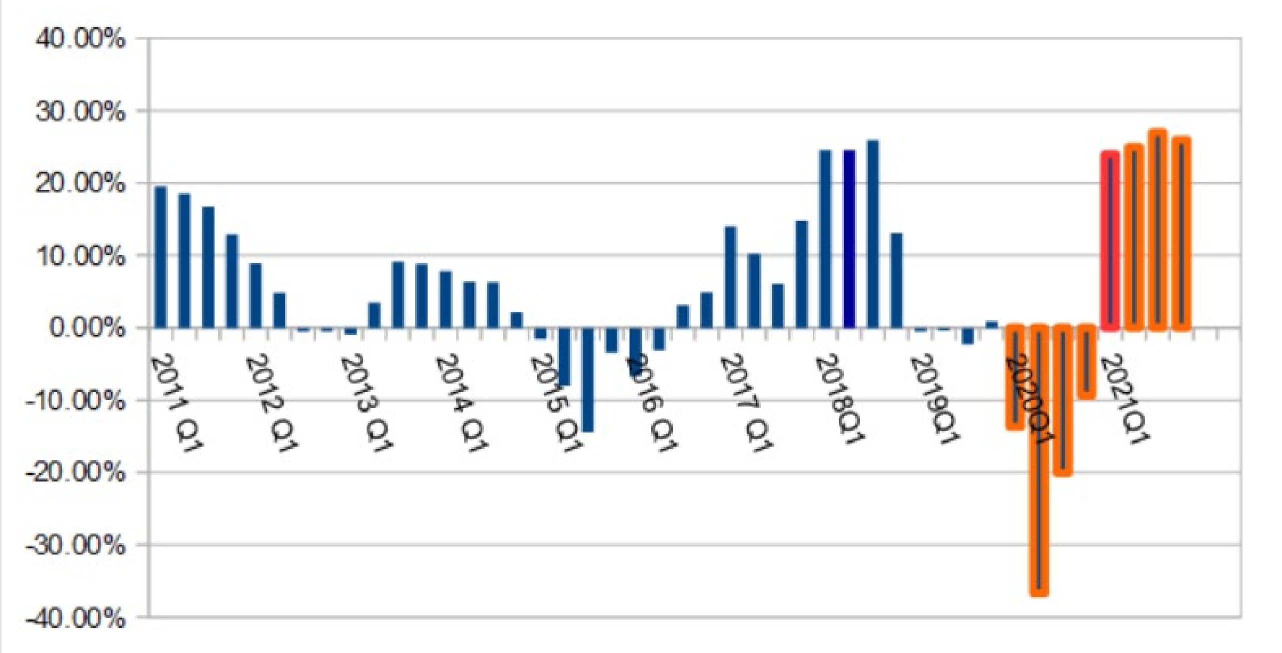
Technology is also emerging as a leader. Once a pure-growth story, tech is emerging as a new age of infrastructure/consumer staple. The pandemic is proving that we need technology and that technology can work for us. To that end, we need networks of fiber optics, data centers, routing stations, hardware manufacturers, software makers, services providers, and connectivity. Within the group names like Amazon, Apple, Microsoft, Intel, Nvidia, Juniper and others have established niches that garner blue-chip status … and some of them even pay decent dividends.

Remember, It's Really About Earnings

The outlook for an economic rebound and earnings growth is positive and strong. It is, in fact, this outlook that will drive the market back up to retest its all-time highs before too long. If not now, then sometime in the not-too-distant future, for sure by the end of 2023.

In terms of earnings and the pandemic recession, the 2nd quarter of 2020 should be the trough in the EPS recession. From that point on, quarter-over-quarter growth will be positive until YOY growth returns in the first quarter of 2021. In the interim, investors have a couple of things to worry about.

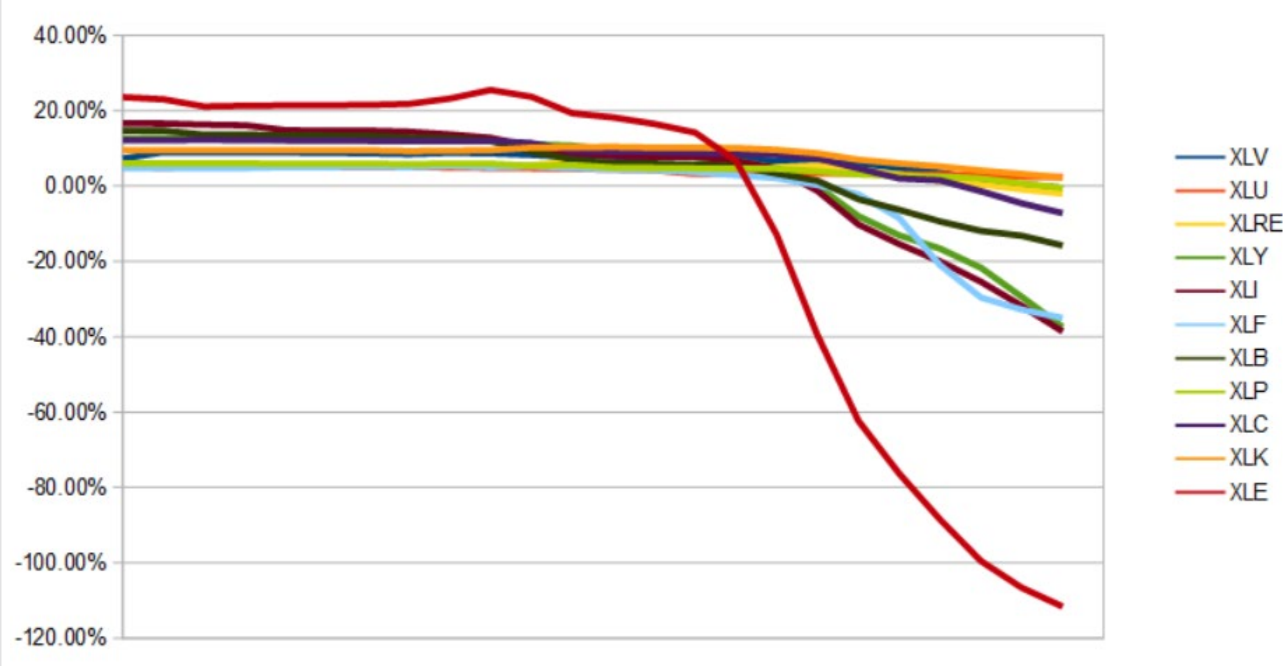
QUARTERLY S&P 500 EARNINGS GROWTH



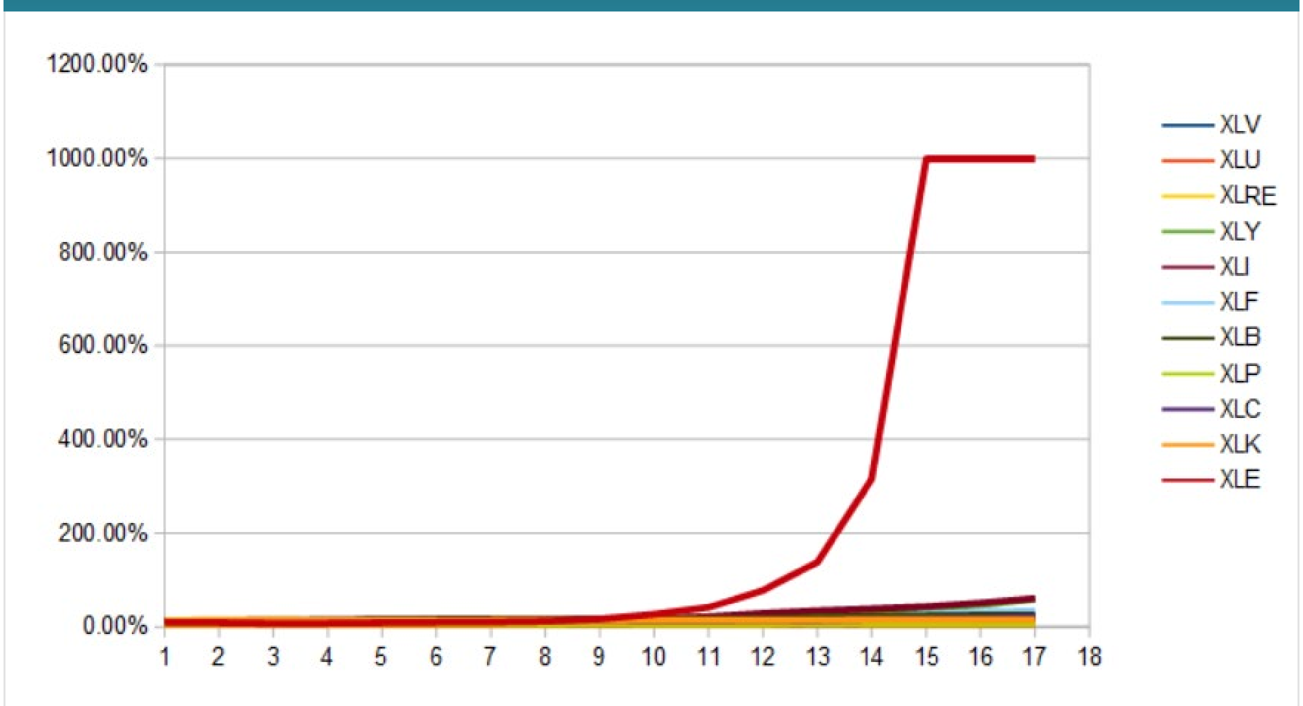
The first big worry, when it comes to earnings for the broad S&P 500, is that the outlook for 2020 and 2021 is driven more by oil prices than anything else. When the oil market collapsed the outlook for EPS growth in the energy sector for 2020 fell below -100%. With each tick lower, the outlook for 2021 Energy Sector growth ticked higher, and higher, until reaching a point the analysts just aren't tracking it any more. Well over 1000%. These numbers are skewing the broad market data.

The risk in the outlook is oil prices. They may rebound and they may not, and if they do rebound, they may not get that high, or stay high. There is a lot of oil out of the ground and enough pumping capacity to keep it that way for a long time. The Oil Crisis of today is where we put it all while we wait to use it.

2020 SECTOR LEVEL EPS GROWTH ESTIMATE
11/18/2019 Through Present

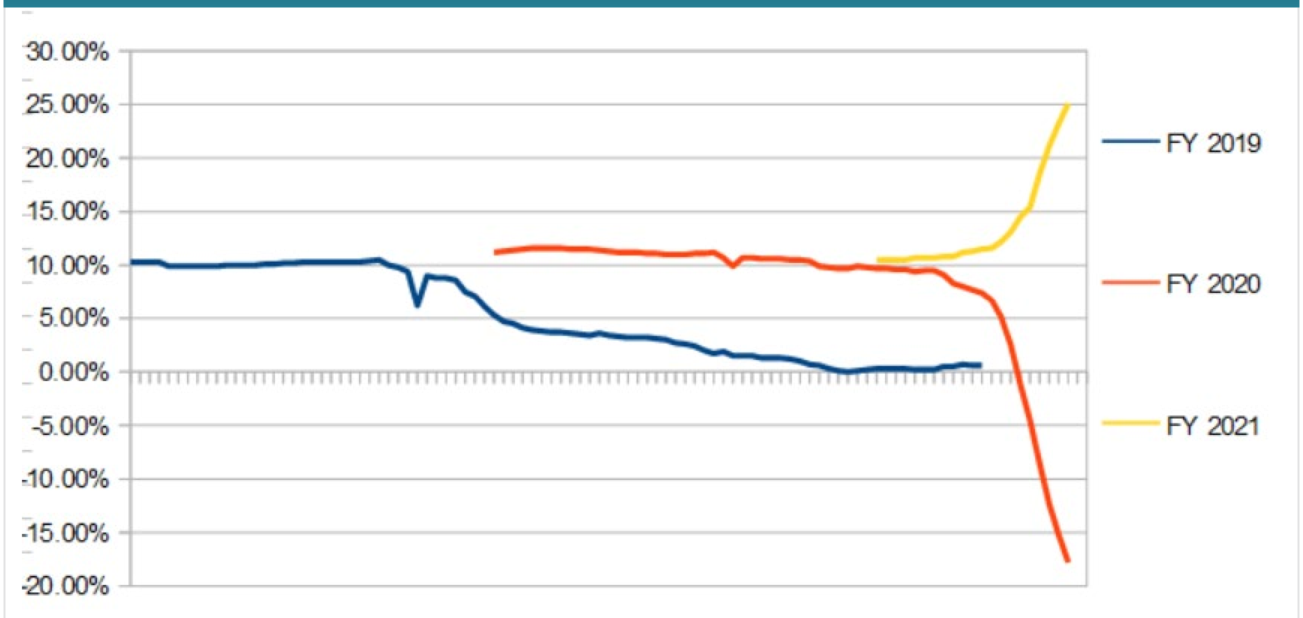


2021 SECTOR LEVEL EPS GROWTH ESTIMATE
1/10/2020 Through Present



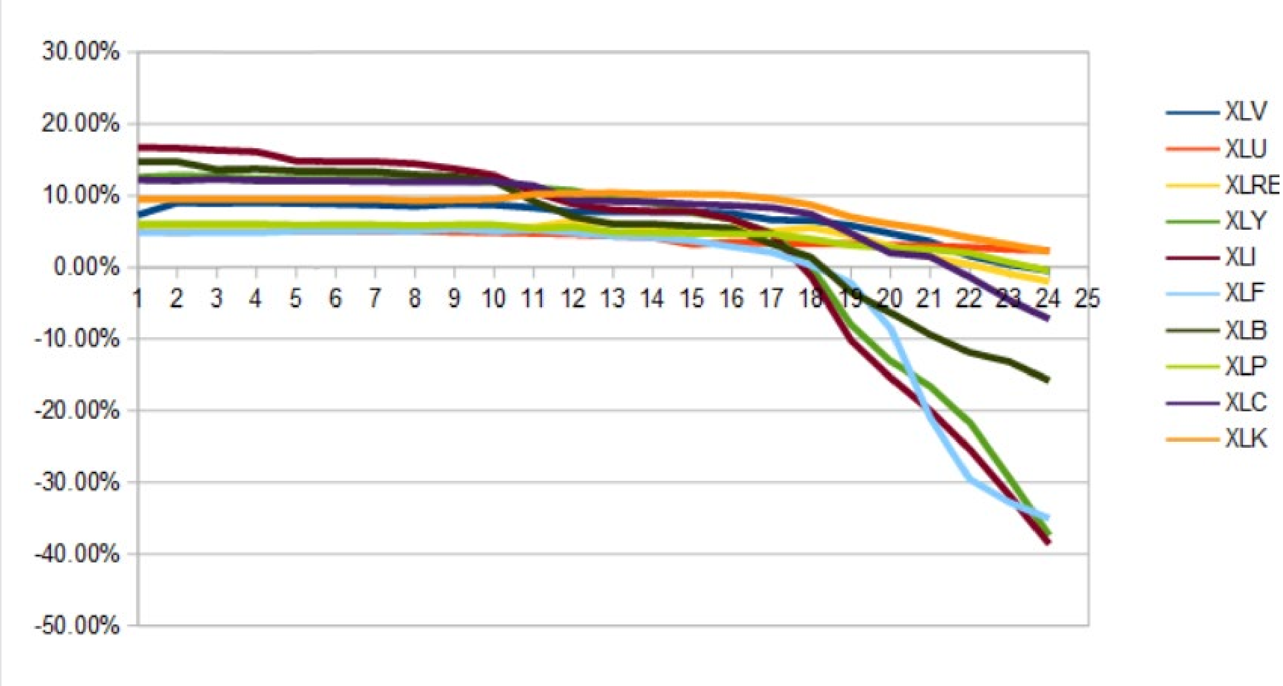
The second big worry is the analysts haven't really been adjusting their targets for revenue or EPS growth in 2021. That means the steady increase in the 2021 consensus outlook is more a function of this year's downward revisions than anything else. Each time 2020 EPS growth is revised lower it makes next year's growth look better. When the analysts begin re-assessing 2021 we could be in for some serious downward revisions. Regardless, any change in consensus for the energy complex is going to have a big impact on the broad market outlook. Be prepared.

S&P 500 ANNUAL EPS GROWTH ESTIMATE

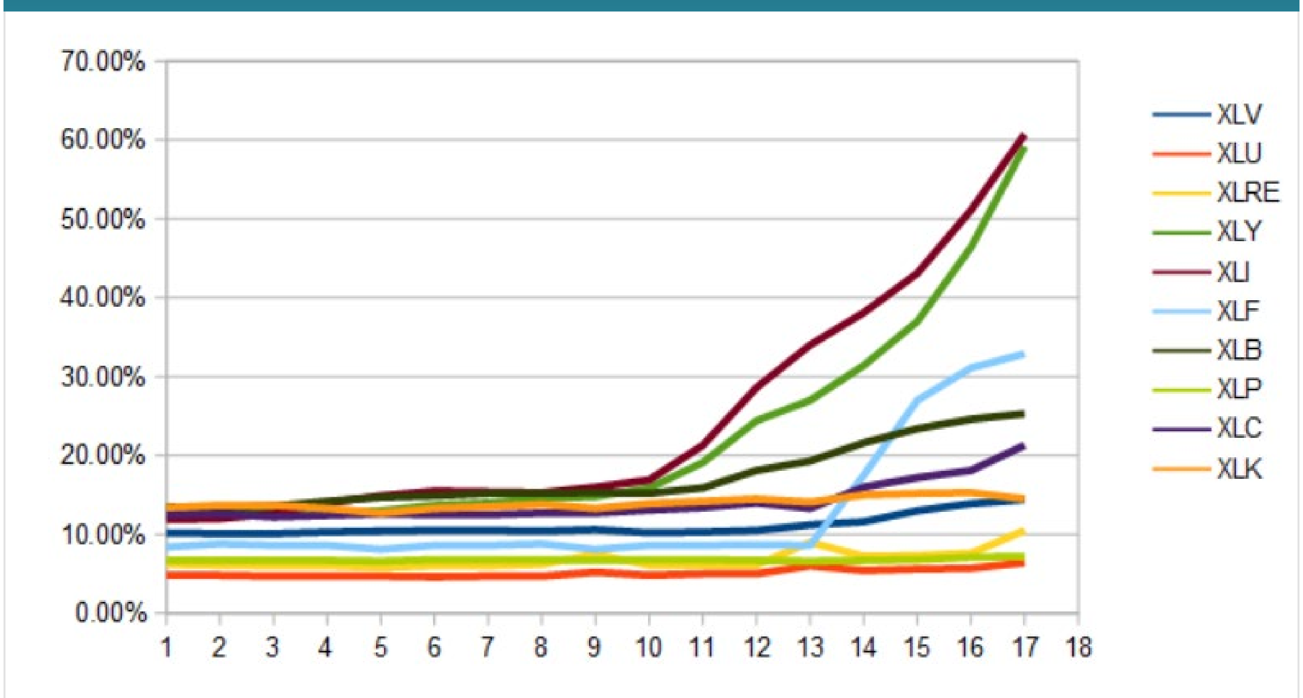


The third concern is the sectors with the highest consensus outlook for EPS growth in 2021 will see the biggest contraction of EPS in 2020. Because the consensus figures for 2020 continue to fall, and guidance for the year is not forthcoming, this raises some serious doubts about what to expect next year. Further, the four sectors we're talking about are the Financials, Consumer Discretionary, Materials, and Industrial sectors; sectors that will feel the longest-lasting impacts from the pandemic and related economic fallout.

SECTOR LEVEL EPS CONSENSUS CHANGE
Ex Energy 11/18/2019 Through Present



2021 SECTOR LEVEL EPS CONSENSUS CHANGE
Ex Energy 1/10/2020 Through Present



What this leaves us with is a couple of sectors with what I can call steady and reliable EPS growth (or near to it) over the next two years. The Utility Sector, arguably the most reliable revenue stream in the investing world, will see the weakest growth in 2021 but the strongest growth in 2020. While not a reason to expect a major rally, it is reasonable to believe in steady capital gains and healthy, growing dividend payments. The Technology Sector will see the second strongest growth in 2020, assuming the estimates don't fall any further, and that will accelerate to a robust double-digit rate next year so for me, this is the best sector for growth investors.

The other two sectors of interest for me right now are the Consumer Staples and Healthcare sectors. Both are supported by pandemic trends, both have blue-chip appeal, and both pay good dividends. By good dividends I mean the average is above the market average and the payouts are safe relative to other industries. Regarding future growth, the Consumer Staples sector is expected to produce a high-single-digit growth rate in 2021 while the Healthcare sector should see its growth in the range of 15%.

Virus-Resistant Safe Haven Dividend Stocks With High Yields

I've compiled this list of higher-yielding stocks based on a number of factors including sector, revenue and earnings stability, growth outlook, and an ability to withstand market downturns like the one we are now experiencing. There are many good stocks not on this list, it is not comprehensive if they aren't here it's most likely because of the dividend. They either don't have one or it's too low to be of interest.

My baseline for yield is at least what the S&P 500 is paying which is just above 2.0% at today's prices and payout. If a stock isn't beating that I'm not really interested.

Another reason why some good, often great, stocks are left off my lists is because of the dividend history, the outlook for future dividend increases, or earnings. Or I may have just missed one, there are a lot of good stocks trading at cheap prices right now.

What I've done is form seven (7) groups of stocks loosely based on sector, investment thesis, or both. Each grouping includes the SPDR Sector ETFs tracking the related sector or industry for comparison. In most cases, investors are better off focusing on one or a few stocks within each category rather than the broader ETF. The ETFs, like all funds, tend to group the bad with the good and often pay sub-par dividends.

This group of pandemic-safe-havens, as a whole, is fairly diversified as are most of the companies within it. MDU Resources, for example, is an integrated play on U.S. infrastructure. The company operates in five segments including electric utility, gas utility, construction materials, and specialized construction for the utility/infrastructure industry. If you want to add some Real Asset/ Infrastructure to your portfolio MDU Resources is a great way to do it.

Stick With Stocks With A Proven History Of Dividend Increases

I tend to like the Dividend Aristocrats and Dividend Kings for the simple fact they have proven to be reliable dividend growers. This doesn't mean other stocks aren't growing their dividends, or that a stock is a good buy today simply because it is an Aristocrat or King, just that those groups area good place to start.

Dividend increases, as a measure of stock health, can be misleading if you don't dig deep enough. A few names on this list have little to no reported history of dividend increases but that data masks the true story.

At face value, General Mills has zero (0) years of dividend increases but that's because they stopped increasing payouts in 2017. Before that, General Mills' history shows semi-regular increases over the course of 30 years with no reductions in payouts. With the company looking at revenue and earnings growth over the next two years, a low payout ratio, and well-managed debt the odds of future distribution increases are high.

Likewise with Kraft-Heinz. The company only has seven years of dividend history since the merger and that includes a single dividend decrease. The first few years of the company's existence saw distributions increase annually but, in late 2017, the company decided to cut the distribution to free up cash-flow and pay down debt.

The decision to pay down debt has paid off in spades for Kraft, the company's debt load has been reduced to only 7X free-cash-flow and 37% of net assets. Looking forward, with business supported by stay-at-home trends, there is no reason to fear another cut and every reason to think a future increase is in the cards. Regardless, KHC is paying a safe and highly-attractive 5% yield.

Abbott Laboratories is another interesting dividend story. The company, which is essentially a health-products-based consumer staples business, has only increased its distribution for 6 years. The underlying story, though, is that Abbot increased its payout every year of existence up until 6 years ago. Six years ago Abbot spun AbbVie into existence and cut the payout because of it. Since then, Abbot has increased the payout every year. The bottom line? Abbot is a Dividend Aristocrat bordering on royal status, but the data doesn't show it.

AbbVie is another great dividend payer, just lay me say that too, and an example of something else I want to point out. Some of these companies are growing organically and some are growing through acquisition. Organic growth is, I don't want to say easy, but easier to predict than unpredictable future acquisitions. AbbVie just got antitrust-approval for its takeover of Allergan, a move that will boost revenue by 40%. While this deal has been in the works for some time and is baked into the cake, who's to say what future deals may come. Or for which companies.

ECOMMERCE/STAY-AT-HOME

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLY	**$132.32**	**$113.24**	-14.42%	**$1.65**	**2**	**1.46%**
XRT	**$46.10**	**$36.31**	-21.24%	**$0.76**	**1**	2.09%
AMZN	$2,170.00	$2,345.00	8.06%	$0.00	0	0.00%
TGT	$118.00	$114.90	-2.63%	$2.64	51	2.30%
WMT	$117.69	$123.60	5.02%	$2.16	46	1.75%
W	$82.30	$180.00	118.71%	$0.00	0	0.00%
CHWY	$29.24	$41.00	40.22%	$0.00	0	0.00%
HD	$247.00	$225.70	-8.62%	$6.00	11	2.66%
COST	$324.08	$310.00	-4.34%	$2.80	15	0.90%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLY					-37.40%		59.20%
XRT							
AMZN	0.00%	0.00%	$23.01	$19.83	-13.82%	$37.90	91.12%
TGT	51.76%	38.65%	$6.40	$5.10	-20.31%	$6.83	33.92%
WMT	42.60%	39.78%	$4.94	$5.07	2.63%	$5.43	7.10%
W	0.00%	0.00%	-$8.00	-$4.12	-48.50%	-$3.99	-3.16%
CHWY	0.00%	0.00%	-$0.64	-$0.50	-21.88%	-$0.29	-42.00%
HD	62.63%	55.15%	$10.25	$9.58	-6.54%	$10.88	13.57%
COST	32.52%	30.01%	$8.20	$8.61	5.00%	$9.33	8.36%

eCommerce is one of the hottest trends resulting from the pandemic. Already growing with a projected CAGR in the double-digits, the pandemic accelerated the shift of secular shopping habits to the online marketplace. The bad news for dividend investors is that retail is not a great dividend-paying sector and those with the most exposure to digital don't pay dividends at all. The upshot is that eCommerce pure-plays are wicked hot growth stocks and still growing.

Regarding eCommerce and where best to put your money, Amazon, Chewy, and Wayfair are by far the best choices because they are all pure-play with one exception. Amazon is the standout, Amazon is not exactly pureplay on eCommerce but the other revenue streams are equally attractive. AWS, Amazon Web Services, is a fast-growing segment of business focused on cloud computing and related services, another trend I will touch base with in a bit. What AMZN, CHWY, and W have in common is a robust expectation for growth.

Chewy Inc is a pure-play eCommerce for pets and pet care. If you're doubtful the company can make money let me tell you this. Chewy is the leading eCommerce portal for an industry expected to grow at a 5% CAGR for the next five years. Yes, that's right, global trends have pet ownership on the rise and rising and, along with it, the amount of money spent per animal on an annualized basis. One of the leading verticals is premium-branded food, a vertical Chewy has been capitalizing on and there are two tailwinds supporting it.

What makes Chewy interesting for dividend investors is its recurring revenue. The company is cashing in big on auto-shipped business and growth in that segment is accelerating. In last report, the company's revenue from auto-shipped items such as food and medicine accounted for more than 70% of the business. That means steady, stable and safe income once the growth phase is over, income that may one day support a dividend.

If you must have dividends there are a couple of other names of interest. Walmart, Target, Costco, and Home Depot are far from being eCommerce pure-plays but they have something in common. The push to compete with Amazon Prime delivery services spurred them all to build out their own eCommerce platforms. Now, all four are reporting solid increases in their digitally-sourced revenue along with steady if not strengthening e-commerce business.

In addition to their attractiveness as plays on eCommerce, Costco, Walmart, Home Depot, and Target are all supported by consumer trends. Based on the stock metrics, Walmart is by far the best choice for dividend-growth investors, it's on the verge of King status with the best outlook for earnings growth. The downside is that Walmart is only yielding about 1.75% which makes Target or Home Depot the more attractive choice for yield. Target has Dividend King-status going for it, Home Depot a slightly higher 2.66% yield.

TECHNOLOGY AND COMMUNICATIONS

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	10	2.03%
XLK	**$101.72**	**$92.03**	-9.53%	**$1.20**	12	**1.30%**
XLC	**$56.99**	**$49.99**	-12.28%	**$0.47**	1	**0.94%**
AAPL	$320.30	$301.50	-5.87%	$3.28	7	1.09%
CSCO	$46.85	$41.55	-11.31%	$1.44	8	3.47%
JNPR	$24.30	$22.60	-7.00%	$0.80	3	3.54%
KLAC	$167.30	$166.15	-0.69%	$3.40	10	2.05%
INTC	$65.45	$59.65	-8.86%	$1.32	6	2.21%

	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLK					2.20%		14.50%
XLC					-7.20%		21.30%
AAPL	26.56%	22.19%	$11.85	$12.35	4.22%	$14.78	19.68%
CSCO	48.16%	45.71%	$3.09	$2.99	-3.24%	$3.15	5.35%
JNPR	51.95%	44.69%	$1.72	$1.54	-10.47%	$1.79	16.23%
KLAC	34.69%	33.70%	$8.48	$9.80	15.57%	$10.09	2.96%
INTC	29.33%	28.14%	$4.72	$4.50	-4.66%	$4.69	4.22%

The entire tech complex will get a boost from the pandemic, if not immediately. The switch to remote working, work-from-home, eCommerce and entertainment that has been going on the last two decades just got a boost of adrenaline. Now, the need for technology and tech-infrastructure will be more important than ever.

Within this group, you'll find Apple, a consumer products company, but one with its finger on the pulse of global tech trends. Products like Apple Pay (a service that means you don't have to touch anything) are going to come into their forte in the post-pandemic world. Others on the list include two network-systems manufacturers, the world's leading chipmaker, and a chip-industry service provider.

The XLK and XLC ETF's don't pay much in the way of dividends so it's easy to count them out. The stocks on my list, except for Apple, all pay at least what the broad market is paying and two are yielding roughly 3.5%. KLA Corporation, the chip-industry service provider, has the best outlook for growth but the weakest dividend after Apple. Juniper, on the other hand, pays the highest yield (and a safe distribution) but has a mixed outlook for growth.

The best play in this space is diversification. Assuming you already own Apple, either as a stand-alone investment or part of a fund, there are four quality dividend-paying tech stocks to choose from. Taken together, KLAC, CSCO, INTC, and JNPR yield 2.4%, have a solid history of dividend increases, and a positive outlook for growth in both 2020 and 2021.

ENTERTAINMENT TECHNOLOGY

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLC	$56.99	$49.99	-12.28%	$0.47	1	0.94%
VIAC	$29.99	$14.88	-50.38%	$0.96	1	6.45%
NFLX	$386.00	$434.26	12.50%	$0.00	0	0.00%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLC					-7.20%		21.30%
VIAC	24.94%	20.38%	$4.45	$3.85	-13.48%	$4.71	22.34%
NFLX	0.00%	0.00%	$4.13	$6.41	55.21%	$8.56	33.54%

A subset of the Communications and Technology sectors, the online and digital media industry is large and growing As with the eCommerce sector, the digital entertainment stocks don't typically pay dividends but that doesn't mean there aren't investments for dividend-growth investors.

I will quickly point out that I did not include Disney on my list and that is because of two reasons. The first is the yield, far enough below the broad market average to be uninteresting, and the pandemic risk. The risk is that the parks and cruise ships generate the bulk of revenues and are highly vulnerable to future outbreaks. Disney may end up being a top-tier post-pandemic investment but we won't know that until after the fact. Who knows when Disney may have to shut down the parks again.

The leading digital entertainment stock is Netflix and Netflix does not pay a dividend. What Netflix does have is a double-digit projected CAGR for the next 10 years, high free-cash-flow, and high-margins. It will continue to grow and deliver value to shareholders for many years.

The next best choice is ViacomCBS. The recent re-merger created the single largest television broadcaster in the U.S. and one with a commanding market share in all major categories. The company has tens of thousands of episodes and movie titles with most available for streaming. The recent news is that sequential improvements in quarterly results are expected to continue for the foreseeable future. Oh, and ViacomCBS pays a nice, relatively safe 6.5% yield.

CONSUMER STAPLES

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLP	$64.54	$57.01	-11.67%	$1.61	6	2.82%
GIS	$54.13	$59.33	9.61%	$1.96	0	3.30%
CLX	$164.17	$202.15	23.13%	$4.24	18	2.10%
K	$65.70	$64.10	-2.44%	$2.28	15	3.56%
KMB	$142.17	$136.00	-4.34%	$4.28	47	3.15%
KHC	$27.40	$29.40	7.30%	$1.60	0	5.44%
CL	$75.16	$68.70	-8.59%	$1.76	19	2.56%
PEP	$145.16	$131.40	-9.48%	$4.09	47	3.11%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLP					-0.50%		7.20%
GIS	56.32%	56.65%	$3.22	$3.48	8.07%	$3.46	-0.57%
CLX	61.54%	59.97%	$6.34	$6.89	8.68%	$7.07	2.61%
K	60.16%	58.31%	$3.94	$3.79	-3.81%	$3.91	3.17%
KMB	57.30%	55.51%	$6.88	$7.47	8.58%	$7.71	3.21%
KHC	68.67%	67.80%	$2.85	$2.33	-18.25%	$2.36	1.29%
CL	61.54%	57.70%	$2.83	$2.86	1.06%	$3.05	6.64%
PEP	76.59%	69.56%	$5.52	$5.34	-3.26%	$5.88	10.11%

The Consumer Staples sector is where things start to get interesting. With this sector, the yields begin to go up as does the expectation for future dividend increases. This group is home to at least two Dividend-King quality stocks, Kimberly-Clark and Pepsico, and both are on track for revenue/eps growth as well. Kimberly-Clark is the leader of the two when it comes to growth, it should see EPS expand this year and next, but Pepsico's outlook doesn't fully include the recent moves in the energy-drink vertical.

Pepsico has made several recent deals that cement it as a competitor in the energy vertical. These include the purchase of Rockstar and a deal to be the sole supplier of Bang energy products in the U.S. Regarding their dividends, both KMB and PEP yield a little more than 3.0%.

Kraft-Heinz stands out as the stock with the highest yield, just over 5.0%, but the outlook for EPS growth is poor and the payout ratio is on the high-side. In its favor, the analysts have not yet begun to raise their estimates following the Q1 results so there could be an analyst-supplied tailwind in the back half of the year. The Q1 results were strong and point to better-than-currently forecast results by year-end.

In terms of growth, Clorox is expecting the strongest growth but it comes with a caveat. Clorox has been a market leader during the rebound and is trading at higher valuations than most of its cohort. The mitigating factors include EPS growth, dividend safety, and the outlook for distribution increases. Clorox isn't a Dividend Aristocrat but I think it's only a matter of time before it makes the grade. This year will mark the 19th consecutive annual increase, more than enough dividend history to help me sleep better at night, and only a few years shy of Aristocrat status.

Colgate-Palmolive is an interesting choice because it has been lagging the group in terms of share prices. What makes it more interesting is that it has one of the better outlooks for 2020/2021 EPS growth and a solid 2.5% dividend. Colgate-Palmolive is also another near-Dividend Aristocrat that would fit nicely into a portfolio of safe-haven stocks.

The XLP Consumer Staple ETF isn't necessarily a bad choice but it isn't the best when compared to individual names within the group. The ETF is one of the lowest-yielding investments in the group and is lagging the broad market recovery by the widest margin. You may make up for the difference in yield with capital gains but that's a risky proposition in today's market.

HEALTHCARE/PANDEMIC INVESTING

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLV	$103.37	$98.91	-4.31%	$1.58	10	1.60%
GILD	$67.00	$77.60	15.82%	$2.72	4	3.51%
PFE	$35.85	$38.70	7.95%	$1.52	10	3.93%
JNJ	$148.30	$149.10	0.54%	$4.04	57	2.71%
CAH	$60.42	$47.60	-21.22%	$1.92	15	4.03%
ABT	$88.46	$91.59	3.54%	$1.44	6	1.57%
ABBV	$94.23	$85.42	-9.35%	$4.72	7	5.53%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLV					-0.50%		14.40%
GILD	43.38%	42.57%	$6.63	$6.27	-5.43%	$6.39	1.91%
PFE	56.30%	53.15%	$2.95	$2.70	-8.47%	$2.86	5.93%
JNJ	52.33%	44.64%	$8.68	$7.72	-11.06%	$9.05	17.23%
CAH	36.64%	34.85%	$5.28	$5.24	-0.76%	$5.51	5.15%
ABT	50.53%	39.02%	$3.24	$2.85	-12.04%	$3.69	29.47%
ABBV	47.97%	43.38%	$8.94	$9.84	10.07%	$10.88	10.57%

The Healthcare sector is, in general, a great dividend-paying sector with a profound history of distribution increases. But you won't see that history looking at the XLV Healthcare ETF, it only pays about 1.6% after ten years of increases which is far less than the best-of-breed names.

The lowest-yielding stock on my list is Johnson & Johnson and it pays closer to 2.75%, well above the XLV yield. Add to that the fact Johnson & Johnson is a King of Dividend Kings with 57 years of consecutive annual increases and the choice here is simple, JNJ.

Within my list are three distinct categories of healthcare stocks. The first includes two stocks, Gilead and Pfizer. They are both pharma companies with a solid expectation for revenue and dividend health. They both pay upwards of 3.5% and have been outperforming the broad market during the rebound. What makes them extra-special today is that they are also top-shelf speculations on the COVID-19 solution. Gilead is the maker of the first approved (emergency approval only, so far) treatment for COVID-19 while Pfizer is one of the front-runners in the search for vaccines.

The next group is a single stock, Cardinal Health. Cardinal Health is the nation's largest healthcare middleman providing services across the healthcare industry. One of its biggest businesses is distributing pharmaceuticals and medical devices, a business that is only growing in size and scope. No pun intended.

Regarding the dividend, Cardinal pays a chunky 4.0% yield, has been growing the distribution for 15 years, and has a positive outlook for revenue growth. The company may see a small contraction in earnings this year but next year will more than make up the difference. In the meantime, the payout ratio is very low at 36% and the company has a rock-solid balance sheet alleviating concerns for distribution safety.

The third category of healthcare stocks on my list is what I call the Consumer Staples of Healthcare. These include Johnson & Johnson and Abbott Laboratories. Johnson & Johnson is a well-recognized Dividend King, Abbott would be a well-established Dividend Aristocrat if not for the AbbVie spinoff, so I think they are an easy sell. The yields are not the highest in the group but together the two are paying 2.3%, have a high expectation of rebounding strongly post-pandemic, and come with a high expectation of future dividend increases.

I included AbbVie in this group too because it is that good of a stock. The company is paying a high 5.5% yield, is only paying half its income to shareholders, and the outlook for growth is robust. Assuming the analysts are right this company will see EPS grow by 10% both this year and next.

TECH-INFRASTRUCTURE REITS

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLRE	$41.71	$32.26	-22.66%	$1.18	0	3.66%
CONE	$68.78	$73.19	6.41%	$2.00	6	2.73%
EQIX	$648.39	$699.79	7.93%	$10.64	4	1.52%
QTS	$63.09	$66.22	4.96%	$1.88	6	2.84%
COR	$112.61	$124.28	10.36%	$4.88	9	3.93%
CCI	$167.00	$157.71	-5.56%	$4.80	5	3.04%
AMT	$247.54	$239.03	-3.44%	$4.32	8	1.81%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLRE					-2.00%		10.50%
CONE	52.08%	48.66%	$3.62	$3.84	6.08%	$4.11	7.03%
EQIX	59.41%	50.86%	$15.54	$17.91	15.25%	$20.92	16.81%
QTS	68.36%	62.25%	$2.63	$2.75	4.56%	$3.02	9.82%
COR	94.76%	89.21%	$5.10	$5.15	0.98%	$5.47	6.21%
CCI	82.62%	76.07%	$5.65	$5.81	2.83%	$6.31	8.61%
AMT	55.96%	51.31%	$7.84	$7.72	-1.53%	$8.42	9.07%

There are other REIT categories besides the tech-infrastructure REITs that are attractive right now but I like this sector best for several reasons. The two most important are 1) that the industry served is growing by double-digits and accelerating under the pandemic conditions and 2) their customers are highly unlikely to default on payments. What that leaves us with is a group of REITs whose businesses are growing and safe. Just what I like.

Within this grouping are two subsets. The first is data-center REITs, the second is communications infrastructure, cell towers, and fiber optic cable network REITs. Together these groups represent the physical entity we call modern-day communications and the Internet.

The first group, data-centers, are where "the cloud" lives. Today's trends are driven by hyper-scale growth, the ability for data-centers to reproduce small-cell services over and over again in a way that allows the businesses the use them to grow without limit.

On the tech end, you have companies like Amazon (Amazon Web Services), Microsoft, Google, and Oracle fueling the growth of cloud and data-center but they either don't pay dividends, the dividends are too small to be attractive, or they ultimately don't own most of the data centers their own services rely on.

Of the data-center REITs, Equinix has the highest outlook for growth but the weakest dividend in terms of return on investment. That said, EQIX is the largest globally operating data-center REIT and is highly-valued because of that fact. Coresite, which mainly operates in North America, is paying closer to 4.0% and also has a positive outlook for growth.

My favorite of the group is QTS Realty Trust. The company operates in North America and Europe with a heavy emphasis on the Eastern Seaboard. The geographic focus, along with the company's industry-leading security, make it a top choice for many government agencies. If the government is good at anything, it's paying its bills. The yield with QTS is just over 2.8% and the distribution is expected to grow this year.

Of the two communications infrastructure REITs I have listed, both are fine investments but Crown Castle International stands out as the better choice. The yield is above 3.0% and the outlook for growth is much better so I expect it will outperform the other.

The XLRE Real Estate ETF is also an attractive choice because of its yield, outlook for growth, and composition. The yield is in-line with the high-end of my group and three of the top-five holdings are stocks I already want to own. Regarding composition, AMT, CCI, and EQIX are about 35% of the total portfolio while the remaining top ten include other names of interest.

UTILITY INFRASTRUCTURE

Ticker	Close 2/20	Close 5/6	% Change	Distribution Amount	Years of Distribution Growth	Yield
SPY	**$3,373.20**	**$2,848.80**	-15.55%	**$57.90**	**10**	2.03%
XLU	$70.46	$54.83	-22.18%	$1.95	16	3.56%
DUK	$101.43	$80.07	-21.06%	$3.78	9	4.72%
D	$89.25	$77.73	-12.91%	$3.76	16	4.84%
SO	$69.81	$53.64	-23.16%	$2.56	18	4.77%
ED	$94.58	$74.38	-21.36%	$3.06	45	4.11%
MDU	$32.20	$20.64	-35.90%	$0.83	28	4.02%

Ticker	Payout Ratio 2020	Payout Ratio 2021	EPS 2019	EPS 2020	2020 EPS Growth	EPS 2021	2021 EPS Growth
SPY					-17.00%		27.00%
XLU					2.40%		6.40%
DUK	73.68%	69.10%	$5.06	$5.13	1.38%	$5.47	6.63%
D	86.24%	81.21%	$4.23	$4.36	3.07%	$4.63	6.19%
SO	81.79%	77.34%	$3.11	$3.13	0.64%	$3.31	5.75%
ED	70.02%	67.11%	$4.38	$4.37	-0.23%	$4.56	4.35%
MDU	49.40%	46.63%	$1.68	$1.68	0.00%	$1.78	5.95%

The Utility Sector is an accepted and respected safe-haven for investors but that status didn't protect it during the correction. The Utility Sector ETF (XLU) fell as hard or harder than any other sector, shedding nearly 40% by the time it hit bottom.

On a technical basis, since bottoming, the Utility sector has been a laggard during the rebound which sets it up for some solid gains once the market gets interested again. And the market will get interested again, if for nothing else than the dividend. The Utility Sector SDPR pays about 3.5% which is nice but low compared to what you can find targeting individual names within the sector.

The highest yield on my list is 4.85%, the average closer to 4.5%, and that comes with a high expectation of future increases. The 4.85% is paid by Dominion Energy which has a 16-year history of distribution increases. The stock with the longest history of increases is Consolidated Edison and it yields over 4.0%. Others in the group fall somewhere in the middle and can be easily described as high-yielding Dividend Aristocrats or nearly so.

The one stand-out in this group is MDU Resources and I have already touched base on that stock. MDU Resources is an integrated play on utility, utility infrastructure, and specialized utility infrastructure construction. It is actively growing through acquisition and on track to grow by mid-single-digits for the foreseeable future. MDU is also a high-yielding Dividend Aristocrat.

This Is What You Need To Do

Whatever the outcome of the pandemic, the lockdown, and the recovery you can rest assured it will take some time for the dust to clear, much less settle. There is no way to predict what the future will bring in the best of times, investors have to make the best-educated guesses they can, so these times are going to be especially difficult to navigate.

What this means is that time and time again, the best investment choices will prove to be solid, blue-chip companies with at least some insulation from the pandemic. The best will pay a dividend, the very best will have a long history of previous increases matched up with a positive outlook for revenue growth. Diversified portfolios built around this concept should not only do fine over the next few years, but they should also substantially outperform the broader market. It's time to pick some targets and develop a buying strategy.