



Skeptical About the Market Rally? You're Not Alone

Description

Economists, billionaires, and hedge fund managers are painting a gloomy picture, despite the current stock market rally. There's a mystery happening, because stocks should be tanking in an economic downturn. Somehow, the market behaviour is defying logic.

Don't think you're the only person noticing the odd situation. Robert Shiller, Mark Cuban, and Leon Cooperman are puzzled as you are. The three gentlemen believe the [market rally is not sustainable](#) and will eventually sputter.

Experts' views

According to influential American economist and Nobel Prize winner Robert Shiller, economic fundamentals and market outcomes are diverging. Notwithstanding the bad news arising from the coronavirus outbreak, investors' confidence remains high and is driving stock markets. Shiller fears a lasting economic and psychological toll from the pandemic.

Mark Cuban is saying the stock market rally, particularly in the technology space, reminds him of the dot.com bubble in the early 2000s. The parabolic ascent of stocks is a prelude to the market bubble burst. Cuban said the U.S. Federal Reserve stimulus packages are supporting the appetite on Wall Street.

For hedge fund billionaire Leon Cooperman, the stock market overlooks a lot of things and, therefore, is overvalued. The market is shunning the risks such as the U.S.-China tension, [ballooning national debt](#), and the coming presidential elections. Cooperman is sure the market is fickle, and the party will be over soon.

Nothing strange

There's nothing strange about the rise of gold stocks amid the spreading COVID-19. The yellow metal is the go-to investment when the market environment is filled with uncertainties. Gold equities such as **Sandstorm**

and **Teranga** are suddenly gaining investors' attention. However, **Aura Minerals** ([TSX:ORA](#)) is shining the brightest.

The shares of this \$939.94 million gold and copper producer are riding high in 2020. From \$25.78 on January 2, 2020, the stock is trading at \$200.60 as of July 24, 2020, or an astronomical climb of 678.11%. Had you invested \$10,000 at the start of the year, you'd be richer by \$67,811 today.

COVID-19 is also impacting on gold, silver, and copper production, although not significantly. Based on the preliminary operational results in Q2 2020 (quarter ended June 30, 2020), Aura's output in terms of a gold equivalent ounce fell by 5.22% versus the previous quarter. Year on year, the drop was 0.98%.

Aura's mines in Honduras, Mexico, and Brazil continue to operate without much restriction in the wake of the health crisis. The company is currently engaged in increasing production capacity by around 30%. Management's target date is later this year.

News sensitive

Canada's main stock market index is news sensitive in recent weeks. The TSX rose 154.8 points on July 15, 2020, when news of a potential coronavirus vaccine came out. It was the highest climb since the March 2020 selloff. News is influencing investors' sentiment and market behaviour.

Cooperman might be correct in saying the market rally is occurring only because of the stimulus packages in place. However, managing an enormous national debt would mean slower economic growth. Lastly, he said valuations are extremely high relative to the uncertainty.

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