

Maybe GDPNow can give us all a bit of serenity now



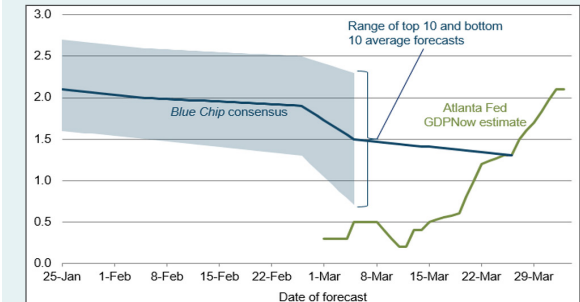
Stocks are correcting, the yield curve is inverting, and US/China relations are deteriorating. If there was ever a time we could all use a bit of 'serenity now', well, it might be now.

In all seriousness, it has been a very bumpy month. Since the US/China trade discourse took a surprising turn for the worse in early May, equities have been under pressure and investors have sought safety in US government bonds, pushing yields lower and inverting the US 3-month/US 10-year yield curve, causing many to wonder if a recession is on the horizon.

Brinker Capital continues to believe the economy is biased higher, and we find support for that position in the Atlanta Fed's GDPNow, a real time estimate of current quarter GDP growth. Constructed by the Atlanta branch of the US Federal Reserve since 2011, GDPNow uses a similar dataset and methodology to what is used to calculate reported GDP, but on a real time, or "nowcast," basis. Today, GDPNow is predicting Q2 GDP growth of 1.2%, see the chart on the right, and while that growth rate is shy of the 3.2% recorded in Q1, it would put us well away from a recession – commonly defined as two consecutive quarters of negative GDP growth.

Of course, GDPNow is subject to change – the model forecast is updated about seven times per month – and its predictive record is spotty. Its final quarterly estimate has historically come in a bit below or above the initial estimate of GDP growth from the Bureau of Economic Analysis. So, we should take an estimate of 1.2% growth with a grain of salt. But for now, GDPNow shows the economy slowing but still expanding, and that feels about right to us.

Evolution of Atlanta Fed GDPNow real GDP estimate for Q1 2019: Quarterly percent change (SAAR)



Equities, Oil & Natural Gas (5/31/19)

Security name	Last	QTD Chg	YTD Chg	12Mo Chg
S&P 500	2752.06	-2.91%	9.78%	0.64%
Russell 2000	1465.49	-4.82%	8.67%	-11.07%
Russell 3000	1200.19	-2.47%	12.94%	1.87%
Growth				
Russell 3000 Value	1542.39	-3.65%	7.15%	-2.86%
Crude Oil WTI (NYM \$/bbl)	54.39	-9.56%	19.78%	-17.35%
Natural Gas	2.44	-8.26%	-14.35%	-17.56%

Treasury rates (5/31/19)

	Price	Yield
2Y	100.156 / 100.1	1.868
3Y	100.262 / 100.2	1.835
5Y	100.172 / 100.1	1.885
7Y	100.252 / 100.2	2.002
10Y	102.100 / 102.1	2.115
30Y	106.104 / 106.1	2.570

Weekly reports

Last week
<ul style="list-style-type: none"> Richmond Fed Index 5.0 Chicago PMI 54.2
This week
<ul style="list-style-type: none"> ISM Manufacturing Unemployment Rate

Brinker Capital Market Barometer

JUNE 2019

The weight of the evidence still leans positive which is in line with our slight overweight to risk in moderate to aggressive portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	←		●		Market momentum weakened
Trend	←←	●			Global equity indices generally below ST and LT moving averages
Investor sentiment	→		●		Investors more pessimistic but not yet reached capitulation
Seasonality				●	Seasonality more supportive in second quarter

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal stimulus continues in 2019
Monetary policy				●	Fed on an extended pause and will end balance sheet reduction
Inflation			●		Fed sees inflation as running below target
Interest rate environment			●		Longer-term rates range-bound; yield curve inversion at short end
Macroeconomic	←		●		US growth solid but ex-US growth weaker; global trade war concerns
Business sentiment			●		Small biz confidence off record high; CEO confidence little improved
Consumer sentiment				●	Remain at elevated levels; still supportive
Corporate earnings				●	US earnings growth still solid; softer outside US
Credit environment				●	Slight widening of corporate credit spreads but few signs of stress

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		US equity valuations at long-term averages; more attractive ex-US
Business cycle				●	Long recovery but has been muted; few signs point to recession
Demographics			●		Mixed (US and emerging markets positive; developed int'l negative)

Source: Brinker Capital. Information is accurate as of June 3, 2019. Themes and specific funds utilized to implement themes are discussed within the context of Brinker Capital's managed asset allocations and are based on current market conditions and constitute Brinker Capital's judgment and opinions, which are subject to change without notice. Past performance does not guarantee future results. Statements referring to future actions or events, such as the future financial performance of certain asset classes or market segments, are based on the current expectations and projections about future events provided by various sources, including Brinker Capital's Investment Management Group. These statements are not guarantees of future performance and actual events may differ materially from those discussed. Brinker Capital Inc., a registered investment advisor.