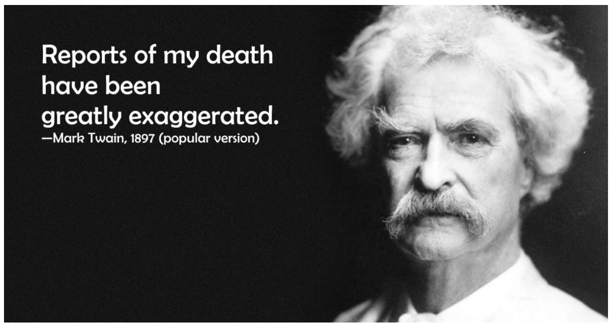
Our great economic expansion isn't dead yet!



The great American writer and humorist Mark Twain was author of many famous sayings, most notably "Reports of my death have been greatly exaggerated." We think that most famous of Mark Twain sayings applies nicely to our ongoing - and now record - US economic expansion.

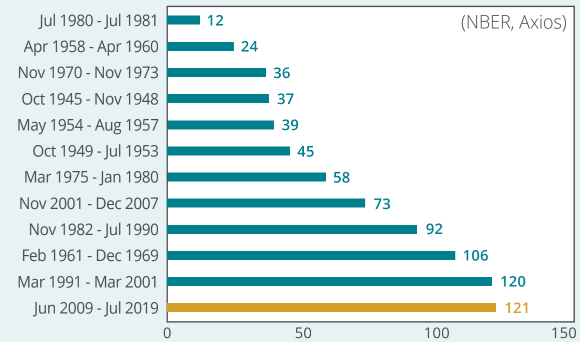
In early June, we learned that the US created a very disappointing 75,000 new jobs in May and that the numbers for both March and April were revised sharply lower. That May report, along with what was, at the time, a very strained US/China relationship, led some market participants to predict both an imminent US recession and significant interest rate reductions by the Federal Reserve (Fed), as our central bank would be forced to try to soften the impact of a pending economic downturn. Well, what a difference a month makes.

In early July, we learned that the US created a much better than expected 224,000 jobs in June and that our long-lived economic expansion became the longest in US history! While most investors - including us - believe the Fed should and will cut interest rates later this month, it is likely the pace and severity of interest rate reduction will prove milder than what most investors expected as recently as late June as the economy remains on reasonably firm footing and the US/China trade discourse has improved.

Finally, if history is any guide, one of three factors typically trips our economy into recession: the bursting of a bubble, an exogenous shock, or the Fed raising interest rates too far, too fast. As we move into the back half of 2019, we can't spot a bubble significant enough were it to pop that the entire economy would be at risk; exogenous shocks - like the Arab Oil Embargo of the early 1970s - are rare, and with the Fed becoming more accommodative, it is likely monetary policy won't upend the economy.

We still have to solve for US/China trade, but if we do, and we believe we will, the US economy should continue to expand into 2020.

Length in months of US economic expansions since 1945



Stocks, bonds, and commodities (7/12/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3013.77	2.45%	20.22%	7.58%
MSCI AC World ex USA	284.88	-0.08%	11.54%	-2.33%
MSCI EAFE	1921.45	-0.04%	11.72%	-2.60%
MSCI EM	1050.90	-0.38%	8.81%	-2.30%
Bloomberg Barclays US Agg	104.25	-0.43%	4.16%	4.03%
Crude Oil WTI	60.25	3.04%	32.68%	-15.15%
Natural Gas	2.44	5.68%	-14.45%	-11.37%

Treasury rates (7/12/19)

	Price	Yield
2Y	99.176 / 99.18	1.853
3Y	99.246 / 99.25	1.825
5Y	99.134 / 99.14	1.871
7Y	99.082 / 99.08	1.989
10Y	102.070 / 102.0	2.123
30Y	104.206 / 104.2	2.648

Weekly reports

This week

- Capacity utilization
- Housing starts SAAR

Last week

- NFIB Small Business Index 103.3
- Initial claims 209K

Brinker Capital Market Barometer

JULY 2019

The weight of the evidence shifted even further into positive territory. Our modest overweight to risk drifted higher in June, aligning portfolios with this view.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	→			●	Market momentum strengthened
Trend	→		●		Global equity indices moved above ST and LT moving averages
Investor sentiment			●		Investor sentiment surveys more optimistic but fund flows muted
Seasonality	←←	●			Third quarter historically weakest for equities

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal stimulus expected to increase leading up to 2020 election
Monetary policy				●	Expectations for a Fed rate cut; global central banks more accommodative
Inflation	→			●	Global inflation low and slowing; inflation expectations muted
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 business confidence off record high; CEO confidence little improved
Consumer sentiment				●	Remains at elevated levels; still supportive
Corporate earnings				●	US earnings growth still solid; softer outside US
Credit environment				●	Credit spreads have tightened

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 intl negative)

Source: Brinker Capital. Information is accurate as of July 2, 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.