Brinker Capital

AUGUST 2019

Brinker Capital Market Barometer

The weight of the evidence still leans positive; however, a number of factors have added to global uncertainty in the near term, increasing the potential for additional volatility. Given this outlook, portfolios will maintain a relatively neutral overall risk positioning.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	←		●		Market momentum has weakened with recent sell-off
Trend	←	●			Still support at 200-day moving average for S&P 500 Index
Investor sentiment	→			●	Investor sentiment moved to pessimism with recent sell-off
Seasonality		●			Seasonality remains a headwind until mid-October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal stimulus expected to increase leading up to 2020 election
Monetary policy				●	Fed beginning insurance cuts; 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			●		Global growth slowdown but still positive; US/China trade war concerns
Business sentiment			●		Small biz confidence off record high; CEO confidence little improved
Consumer sentiment				●	Remains at elevated levels; still supportive
Corporate earnings				●	US earnings growth rates declining but still positive; still soft ex-US
Credit environment				●	Credit spreads have remained in check

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)

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SUMMARY

Within the **short-term factors**, both market momentum and trend moved directionally weaker, with momentum neutral and trend now in the negative column. Recent market action has caused major market indices to fall below their key moving averages. However, investor sentiment shifted from a neutral to a positive, as survey data touched extreme pessimism territory. Seasonality remains negative and that factor has historically served as a headwind for markets until mid-October.

The **intermediate-term factors** remain neutral to positive overall. Monetary policy is positive with the Fed beginning a round of insurance cuts; however, expectations were for a more dovish tone following the July meeting. Further rate cuts will be required to help normalize the yield curve. With inflation low and inflation expectations falling, the Fed has greater flexibility to ease. As we experienced in September and May, the trade war rhetoric has heated up again in August. While negotiations between the US and China are still expected to resume in September, we will be watching for evidence of the impact of the trade war threats on US economic data, including capital expenditures and CEO confidence, as well as corporate earnings.

There were no changes to our evaluation of the **long-term factors.** While the duration of the economic recovery has been the longest in history, few signs point to an imminent recession.

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