Brinker Capital

One thing we are NOT worried about today

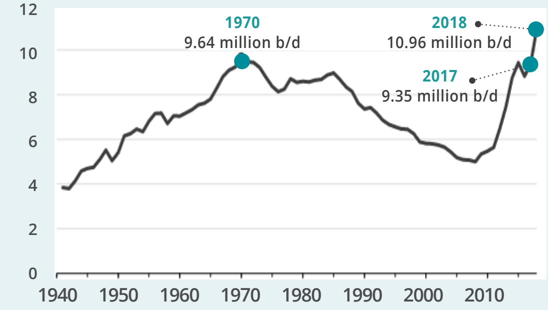
There are many issues that have investors concerned as we are set to say goodbye to summer, including a flat to partially inverted yield curve, deteriorating US/China relations, and a slowdown in manufacturing activity in the US and around the world. As we previously wrote, we don't believe the yield curve is indicating a recession is imminent and we do believe the US and China will eventually solve for trade, an outcome which should prove to be a positive catalyst for manufacturing globally. In the meantime, we can point to one thing we are not worried about as fall approaches, and that is a spike in the price of oil and the price of gasoline that dings consumer sentiment and spending and puts the US economy at meaningful risk of a recession.

Our confidence in steady oil and gasoline prices near-term largely flows from the fact that over the past decade the US has transformed itself into an energy superpower. To put a finer point on that statement, consider that in 2011 the US surpassed Russia to become the world's largest producer of natural gas and in 2018 the US surpassed Saudi Arabia to become the world's largest producer of petroleum, pumping a record 10.96 million barrels of oil a day. The exponential growth in domestic energy production has gone hand in glove with a surge in energy industry capital spending, a surge in energy industry employment, and a surge in energy exports. It has also meant reasonably stable gas prices over the past few years, with most Americans paying about $2.50 for a gallon of regular gas today. Oil and gas prices tend to be driven by supply and demand, and right now we have an ample supply of both commodities.

We don't think we are overstating the benefit of stable energy prices on our economy. Recall that the Arab Oil Embargo of the 1970s led not only to a spike in gas prices and long lines at the pump, but also contributed meaningfully to the "Stagflation" that plagued the US for much of that decade, or that leading up to the Great Recession the price of oil hit $140 a barrel and most Americans were paying more than $4.00 for a gallon of regular gas. Stable to lower energy prices are a meaningful tailwind for our consumer-led economy.

US crude oil production (1940-2018)

Million barrels per day



Stocks, bonds, and commodities (8/23/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2847.11	-3.22%	13.57%	-0.96%
MSCI AC World ex USA	269.61	-5.44%	5.56%	-6.48%
MSCI EAFE	1829.29	-4.84%	6.36%	-6.53%
MSCI EM	975.66	-7.51%	1.02%	-7.10%
Bloomberg Barclays US Agg	106.96	2.16%	6.86%	6.69%
Crude Oil WTI	53.97	-7.70%	18.85%	-21.46%
Natural Gas	2.16	-6.41%	-24.24%	-25.95%

Treasury rates (8/23/19)

	Price	Yield
2Y	100.134 / 100.1	1.523
3Y	100.046 / 100.0	1.446
5Y	101.186 / 101.1	1.414
7Y	102.186 / 102.1	1.480
10Y	100.256 / 100.2	1.536
30Y	105.000 / 105.0	2.026

Weekly reports

This week

- Chicago PMI
- UofM Consumer Sentiment

Last week

- Existing Home Sales SAAR 5,420K
- Initial Claims 209K

Brinker Capital Market Barometer

AUGUST 2019

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)

Source: Brinker Capital. Information is accurate as of August 6, 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. MSCI AC World ex US Growth: An index made up of approximately the top 50% of the MSCI AC World ex US Index as composite ranked by five growth rates. This is a common proxy used to represent the growth segment of the developed international market. MSCI EAFE Index: A market-capitalized weighted index representing developed international equity markets located in Europe, Australia, Asia and Far East (EAFE). S&P 500 Index: An index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-cap universe. Companies included in the Index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. Barclays US Aggregate Index: A market capitalization-weighed index, maintained by Barclays Capital, and is often used to represent investment grade bonds being traded in the US. MSCI Emerging Markets: a float-adjusted market capitalization index representing 13% of global market capitalization. Captures mid and large cap across more than two dozen emerging market countries.