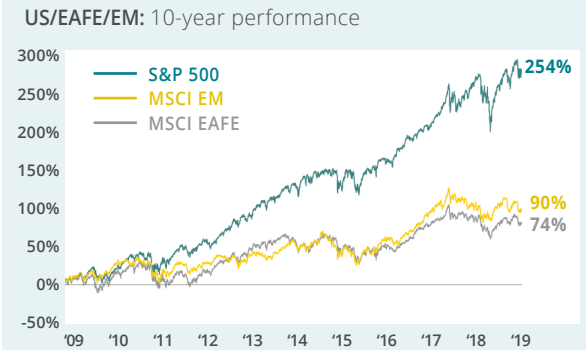


The US continues to lead the global equity market race



When it comes to the global equity market race, well, it hasn't been much of a race. With US equities – as measured by the S&P 500 Index (S&P 500) – up 254% over the past 10 years and 18% in 2019 vs. developed international equities – as measured by the MSCI EAFE Index – up 74% and 10% and emerging international equities – as measured by the MSCI EM Index – up 90% and 7%, respectively, through the end of August. As Brinker Capital has a bias toward US equities, the return differential isn't an unwelcome phenomenon, though the severity of the performance gap begs two questions: 1) Why the dramatic difference in US – EAFE – EM return streams? 2) When might EAFE and EM equities gain on US equities?

We would argue the seeds of US outperformance were planted during and immediately following The Great Recession, as Washington, D.C. and Wall Street took dramatic steps to confront the economic fallout of the burst housing bubble, including the rapid recapitalization of the US banking system, while the Federal Reserve (Fed) pursued unconventional measures to both push liquidity into our economy and risk assets higher (think Quantitative Easing), and a new crop of world-beating US companies began to emerge, including Facebook, Google, and Netflix. More recently, strong year-to-date US equity market returns reflect strong US economic performance, as the US consumer – which accounts for about 70% of US GDP – is benefiting from low unemployment, rising wages, and a strong housing market, while other countries, which are much more dependent on global growth, struggle as the US and China trade dust-up continues. Now, the upside to the meaningful underperformance of ex-US equities is that many markets around the world are very attractively valued. However, until we solve for trade in a meaningful way and Europe manages through some of its structural challenges, including Brexit, we think US equities will continue to outdistance their foreign rivals and we expect to remain overweight the asset class.



Stocks, bonds, and commodities (9/16/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3007.39	2.23%	19.97%	3.53%
MSCI AC World ex USA	282.85	-0.79%	10.74%	-0.60%
MSCI EAFE	1919.61	-0.14%	11.61%	-1.00%
MSCI EM	1026.61	-2.68%	6.30%	-0.19%
Bloomberg Barclays US Agg	105.06	0.34%	4.97%	5.68%
Crude Oil WTI	54.82	-6.24%	20.72%	-20.54%
Natural Gas	2.62	13.56%	-8.07%	-5.28%

Treasury rates (9/16/19)

	Price	Yield
2Y	99.136 / 99.14	1.794
3Y	99.080 / 99.08	1.755
5Y	97.202 / 97.20	1.749
7Y	97.006 / 97.01	1.832
10Y	97.172 / 97.17	1.898
30Y	97.120 / 97.13	2.372

Weekly reports

This week
• Capacity Utilization
• Philadelphia Fed Index
Last week
• NFIB Small Business Index 103.1
• Initial Claims 204K

Brinker Capital Market Barometer

SEPTEMBER 2019

The weight of the evidence remains moderately positive, in line with our neutral to slight overweight overall risk positioning in portfolios.

SHORT-TERM FACTORS (< 6 months)					
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum			●		Improvement in new highs
Trend	→		●		S&P 500 Index breakout from recent range
Investor sentiment				●	Sentiment surveys show pessimism; equity fund flows negative
Seasonality		●			Seasonality remains a headwind until mid-October
INTERMEDIATE-TERM FACTORS (6-36 months)					
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy	←		●		Fiscal stimulus potentially dwarfed by tariffs in 2020
Monetary policy				●	Expect additional Fed rate cuts; global central banks accommodative
Inflation				●	Global inflation low; US wage growth has increased
Interest rate environment			●		Significant amounts of debt trading at negative rates; curve inversion
Macroeconomic			●		Global growth slowdown but still positive; US/China trade war concerns
Business sentiment			●		Small biz confidence improved; CEO confidence moderately pessimistic
Consumer sentiment				●	Measures have ticked down but remain at elevated levels
Corporate earnings	←		●		US earnings growth slow but positive; weaker ex-US
Credit environment				●	Credit spreads have remained in check despite equity market volatility
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; increasing fears of US recession
Demographics			●		Mixed (US and emerging markets positive; developed int'l negative)

Source: Brinker Capital. Information is accurate as of September 10, 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-weighted 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.