# Brinker Capital



# Don't get down if the markets aren't dancing in September

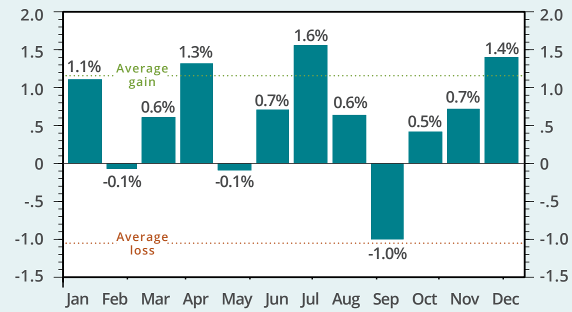

It's been a positive – if somewhat bumpy – year for US equities, with the S&P 500 Index (S&P 500) up about 17% in 2019, despite pullbacks of about 7% in May and August. The robust performance of the US stock market isn't surprising given the US economy has grown about 2.5% year-to-date, corporate profits are up year over year (albeit modestly), unemployment is low, consumer confidence is high, and inflation is muted. Brinker Capital entered 2019 optimistic on US stocks and that thinking holds. However, we wouldn't be surprised if equities struggled in September.

While October seems to get all the credit (if that's the right word) for being the spookiest market month of the year – think the '29 Crash, the '87 Crash, and Halloween – September has historically been the worst month for US equity returns. From 1928 through 2017 the S&P 500 has lost an average of 1% in September, and since 1948 the index has produced a positive return in September just 44% of the time (the lowest percentage of any month).

No one knows why September has proven to be such a difficult stretch for stocks, though the month lands in the seasonally weak May to October period ("Sell In May And Go Away"). Catalysts for September weakness this year include US/China trade relations, monetary policy (will the Federal Reserve disappoint the market when it meets later this month?), and European politics (the latest – and possibly final – Brexit deadline is fast approaching and political instability in Italy will likely exacerbate that country's increasingly tenuous relationship with the EU).

Market drawdowns are never fun, but they happen and often serve a productive purpose, including improving valuation and tamping down overly optimistic investor sentiment. As long as monetary policy, fiscal policy, and economic fundamentals are broadly supportive of risk assets (as they are today), drawdowns should be taken in stride and viewed as potential buying opportunities.

**S&P 500 Index: Average % change each month** (1928-2018)




**Stocks, bonds, and commodities** (8/30/19)

| Security name | Last | QTD chg | YTD chg | 12mo chg |
|---|---|---|---|---|
| S&P 500 | 2926.46 | -0.52% | 16.74% | 0.86% |
| MSCI AC World ex USA | 271.80 | -4.67% | 6.42% | -5.97% |
| MSCI EAFE | 1842.58 | -4.15% | 7.13% | -6.09% |
| MSCI EM | 984.33 | -6.69% | 1.92% | -6.78% |
| Bloomberg Barclays US Agg | 107.12 | 2.31% | 7.02% | 7.03% |
| Crude Oil WTI | 55.16 | -5.66% | 21.47% | -20.97% |
| Natural Gas | 2.28 | -1.21% | -20.03% | -21.81% |

**Treasury rates** (8/30/19)

| | Price | Yield |
|---|---|---|
| 2Y | 99.312 / 99.31 | 1.508 |
| 3Y | 100.060 / 100.0 | 1.432 |
| 5Y | 99.102 / 99.10 | 1.390 |
| 7Y | 99.152 / 99.15 | 1.453 |
| 10Y | 101.046 / 101.0 | 1.499 |
| 30Y | 106.144 / 106.1 | 1.963 |

**Weekly reports**

**This week**

- ISM Manufacturing
- Hourly Earnings Y/Y

**Last week**

- Chicago PMI 50.4
- UofM Consumer Sentiment 89.8

Image source: https://i.pinimg.com. Chart source: Standard & Poor's and Haver Analytics. *No change (0.00%) month of September 1979. Data are through July 2019. The views expressed are those of Brinker Capital and are not intended as investment advice or recommendation. For informational purposes only.

# 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) |