

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



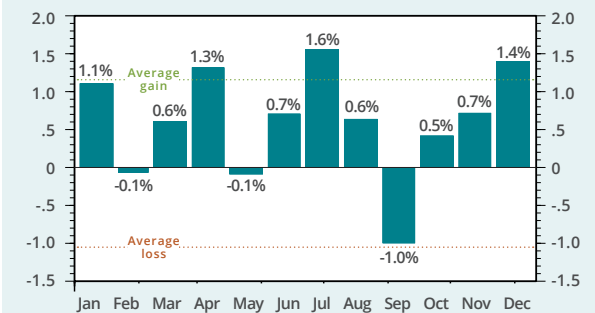
It's been a positive – if somewhat bumpy – year for US equities, with the S&P 500 Index (S&P 500) up about 17% in 2019, despite pullbacks of about 7% in May and August. The robust performance of the US stock market isn't surprising given the US economy has grown about 2.5% year-to-date, corporate profits 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
<ul style="list-style-type: none"> <li>ISM Manufacturing</li> <li>Hourly Earnings Y/Y</li> </ul>
Last week
<ul style="list-style-type: none"> <li>Chicago PMI 50.4</li> <li>UofM Consumer Sentiment 89.8</li> </ul>

# 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-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.