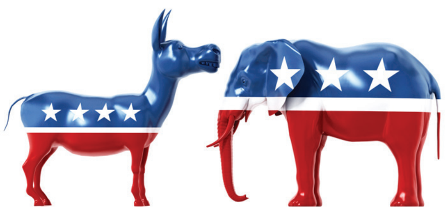
It's not politics that matter; it's policy and fundamentals



We are increasingly asked how politics might impact the economy and the market, a reasonable question given growing talk of impeachment and the coming 2020 election. And while we seem to be entering – or reentering – a period of greater political uncertainty, we see politics – outside of boosting or weighing on investor sentiment near-term – as having little impact on risk assets and the economy. When it comes to the stock market and economic growth, it isn't politics that matter; it's policy and fundamentals.

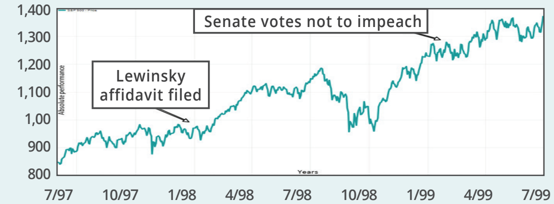
To put a finer point on it, fiscal policy (how the government taxes, spends, and regulates the economy) and monetary policy (how the Federal Reserve (Fed) sets interest rates and the cost of credit), ultimately drive sentiment, spending, the economy, and the market. And when it comes to fiscal and monetary policy, we see more positives than negatives today, including a tax code that incents companies to invest, increased government spending, and a Fed that has cut interest rates twice in 2019. Offsetting those positives is the uncertainty surrounding the US/China relationship. However, we think the US and China will reach an agreement on trade, and see that agreement as a tailwind for the economy and risk assets in 2020.

As to why we are confident politics has little impact on the economy and markets, we point to two periods in our recent past when the US confronted a Constitutional crisis – the early 1970s and the late 1990s. During the Watergate years, the S&P 500 Index (S&P 500) sold off 30%, while during the Whitewater/Lewinsky years, the S&P 500 rallied 20%. One would think if politics mattered to the market, we would have seen comparable return streams during those periods of political discord, but we didn't, as the market cares little about politics and more about policy and fundamentals. And during the early 1970s, the US suffered from stagflation and a discredited Fed, while during the late 1990s the US benefited from productivity gains and low gasoline prices, so risk assets, respectively, sold off sharply and rallied dramatically.

We are always better served as investors when we separate politics from policy and rhetoric from reality.

S&P 500 Index: during the Watergate years

S&P 500 Index: during the Whitewater/Lewinsky years



Stocks, bonds, and commodities (9/30/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2961.79	0.68%	18.15%	1.64%
MSCI AC World ex USA	278.70	-2.25%	9.12%	-3.77%
MSCI EAFE	1895.72	-1.38%	10.22%	-3.95%
MSCI EM	1001.50	-5.06%	3.70%	-4.43%
Bloomberg Barclays US Agg	106.21	1.44%	6.11%	7.08%
Crude Oil WTI	56.18	-3.92%	23.72%	-23.30%
Natural Gas	2.40	3.81%	-15.96%	-20.35%

Treasury rates (9/30/19)

	Price	Yield
2Y	99.232 / 99.23	1.636
3Y	99.244 / 99.25	1.579
5Y	99.220 / 99.22	1.564
7Y	100.000 / 100.0	1.624
10Y	99.152 / 99.15	1.682
30Y	102.196 / 102.2	2.130

Weekly reports

This week

- Chicago PMI
- Nonfarm Payrolls

Last week

- Markit PMI 51
- New home sales SAAR 713K

Chart source: FactSet, as of 9/17/2019. 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

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-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.