

4 thoughts for the 4th quarter



When it comes to cultural tie-ins associated with the number four one can go in any number of directions, including superhero, think Fantastic 4; popular music, think The Four Tops; and sports, think The Four Horsemen of Notre Dame. Well, as we focus on 4 thoughts for The 4th quarter we go toward entertainment, specifically the boardgame Connect4. Since, well, we have four thoughts on the quarter we wanted to pass along and they are very much connected. There is also the year Connect4 made its debut, 1974, but more on that in a bit.

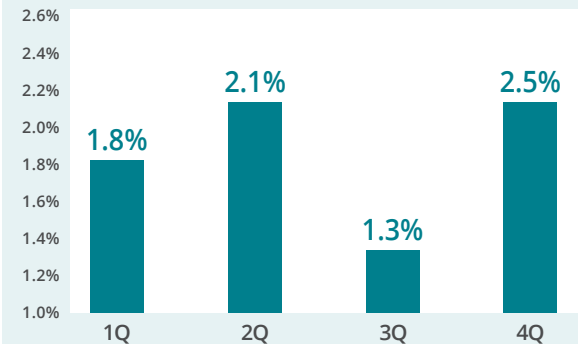
So, here we go...

- The calendar is about to become our **Friend**
- We remain **Overweight** US equities
- Trade **Uncertainty** weighs heavily on ex-US markets
- Interest **Rates** are likely to be cut again

We are overweight US equities for several reasons: the US economy is outperforming most others while geopolitical uncertainty – specifically the US/China trade discourse – is both pulling capital into US financial assets and weighing on global growth and ex-US markets. As long as that uncertainty persists, the Federal Reserve is likely to remain accommodative and cut interest rates by 25bps in October and/or December, further supporting our market and our economy. Those factors, along with the calendar (Q4 has historically been the strongest quarter for the S&P 500 Index) point toward further gains for US stocks.

Now to square the circle on Connect4 and the year of its debut, 1974 may have been an auspicious year for board games, but it was an inauspicious year for stocks with the S&P 500 off 26%, the worst annual return for the index since the Great Depression. But the more interesting point is that since 1974 through the end of September the S&P 500 has produced a total return of 11,890%, a period that includes the awful year of 1974, the double-dip recession of the early 1980s and the Great Recession. What the market provides investors over time is remarkable.

S&P 500 Quarterly Performance: Since 1928



Stocks, bonds, and commodities (10/14/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2963.74	-0.44%	18.23%	7.11%
MSCI AC	279.23	0.44%	9.33%	2.80%
World ex USA	1896.65	0.39%	10.28%	2.48%
MSCI EAFE	1011.54	1.05%	4.74%	3.21%
MSCI EM	105.90	-0.32%	5.80%	7.43%
Bloomberg Barclays US Agg	105.90	-0.32%	5.80%	7.43%
Crude Oil WTI	53.43	-1.18%	17.66%	-25.11%
Natural Gas	2.29	-1.55%	-19.54%	-27.43%

Treasury rates (10/14/19)

	Price	Yield
2Y	99.262 / 99.26	1.589
3Y	99.142 / 99.14	1.562
5Y	99.230 / 99.23	1.558
7Y	99.282 / 99.28	1.642
10Y	99.012 / 99.02	1.730
30Y	101.046 / 101.0	2.196

Weekly reports

This week
• Philadelphia Fed Index
• Capacity Utilization
Last week
• NFIB Small Business Index 101.8
• UofM Consumer Sentiment 96.0

Brinker Capital Market Barometer

OCTOBER 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			●	
Trend			●	
Investor sentiment	←		●	
Seasonality	→ →			●
<p>Momentum has continued to improve</p> <p>S&P 500 Index remains in an uptrend</p> <p>Sentiment survey data shifted more neutral; equity flows still negative</p> <p>4Q tends to be the most constructive for equities</p>				
INTERMEDIATE-TERM FACTORS (6-36 months)				
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE
Fiscal policy			●	
Monetary policy				●
Inflation				●
Interest rate environment			●	
Macroeconomic			●	
Business sentiment			●	
Consumer sentiment				●
Corporate earnings			●	
Credit environment				●
<p>Fiscal stimulus potentially dwarfed by tariffs in 2020</p> <p>Expect additional Fed rate cuts; global easing cycle continues</p> <p>Global inflation low; US wage growth has increased modestly</p> <p>Significant amounts of debt trading at negative rates; curve inversion</p> <p>Global growth slowdown but still positive; US/China trade war concerns</p> <p>Small business confidence still elevated; CEO confidence more pessimistic</p> <p>Measures have ticked down but remain at elevated levels</p> <p>US earnings growth slowing but positive; weaker ex-US</p> <p>Credit spreads have remained in check; Fed aware of repo market issues</p>				
LONG-TERM FACTORS (36+ months)				
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE
Valuation			●	
Business cycle				●
Demographics			●	
<p>US equity valuations at long-term averages; more attractive ex-US</p> <p>Long recovery but has been muted; increasing fears of US recession</p> <p>Mixed (US and emerging markets positive; developed int'l negative)</p>				

Source: Brinker Capital. Information is accurate as of October 4, 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.