Cue the Griswold's... Tis the season for European Vacation

As Christmas approaches, many of us happily turn our attention to our couch and TV, taking time to watch any number of Christmas classics, including "The Year Without A Santa Claus," "It's A Wonderful Life" and, of course, "Christmas Vacation." While "Christmas Vacation" is always worthy of our time and a few laughs, for this late-December weekly wire we are actually more interested in another Griswold family farce, "European Vacation" – "Look kids! Big Ben, Parliament!" – as it appears Europe's economy and markets are taking a turn for the better.

For years, Europe has more often than not proven to be a point of concern for investors. Consider, the European debt crisis of earlier this decade; political instability in Italy and the UK (e.g. Brexit) and disappointing economic performance, particularly of late as the US/China trade dust-up weighed on global growth, a pernicious development for Europe's export-oriented economic model. While Europe continues to face structural headwinds – particularly on the demographic and fiscal fronts – there has been some encouraging news out of the Old World. The UK election has cleared away some of the uncertainty around the UK/EU relationship, and it looks like the former will be leaving the latter in 2020; Eurozone services activity has been accelerating; and German manufacturing activity, while weak, seems to be bottoming. Most importantly, the Phase 1 US/China trade deal should prove a positive catalyst for global investment and trade into the new year. Beyond improving economic fundamentals and a more constructive macro backdrop, we take comfort in the recent performance of European risk assets, as sovereign bonds move lower and yields higher, and pan European indices make multi-year – or even all-time – highs as investors price in a more encouraging outlook for the Continent.

Brinker Capital has been adding to our developed international – including European – and emerging international equity exposure. Valuation has been and remains quite attractive and many investors are under-allocated to both asset classes. With a bit of help from US/China relations, ex-US equities could rally nicely through 2020.

MSCI EU 1999 - 2019

Stocks, bonds, and commodities (12/23/19)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3221.22	8.21%	28.50%	33.29%
MSCI AC World ex USA	300.11	7.96%	17.50%	18.57%
MSCI EAFE	2028.25	7.35%	17.93%	15.70%
MSCI EM	1107.64	10.65%	14.69%	15.70%
Bloomberg Barclays US Agg	105.55	-0.65%	5.46%	5.87%
Crude Oil WTI	60.36	11.63%	32.92%	32.40%
Natural Gas	2.33	-0.04%	-18.31%	-38.97%

Treasury rates (12/23/19)

	Price	Yield
2Y	99.240 / 0.000	1.627
3Y	99.286 / 0.000	1.657
5Y	98.290 / 0.000	1.730
7Y	98.192 / 0.000	1.839
10Y	98.166 / 0.000	1.913
30Y	100.206 / 0.000	2.343

Weekly reports

This week

- Dallas Fed Index
- ISM Manufacturing

Last week

- Capacity Utilization 77.3%
- Philadelphia Fed Index 0.3

Brinker Capital Market Barometer

DECEMBER 2019

The weight of the evidence leans positive, in line with our modest overweight to risk across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum still solid
Trend				●	Trend remains supportive
Investor sentiment			●		Survey data more optimistic but significant equity fund outflows
Seasonality				●	4Q tends to be the most constructive for equities

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Fiscal stimulus potentially offset by tariffs in 2020
Monetary policy				●	Fed likely to pause in December, but remain accommodative
Inflation				●	Global inflation low and inflation expectations muted
Interest rate environment			●		US yield curve has largely “un-inverted” but more progress is needed
Macroeconomic			●		Continued strength in US labor market; US/China trade war concerns
Business sentiment		●			CEO confidence has fallen sharply; small biz confidence ticked higher
Consumer sentiment				●	Measures have declined slightly but remain at elevated levels
Corporate earnings			●		US earnings growth slowing but positive; weaker ex-US
Credit environment				●	Credit spreads have tightened; little sign of stress in financial conditions

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		US equity valuations at long-term averages; more attractive ex-US
Business cycle			●		Longest expansion on record but also the slowest
Demographics			●		Mixed (US and emerging markets positive; developed intl negative)