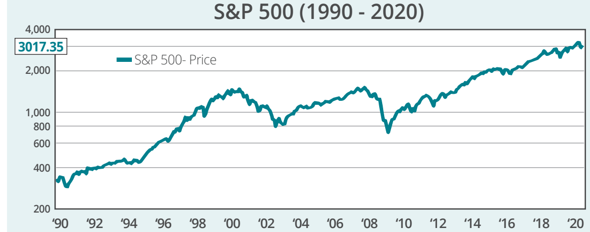
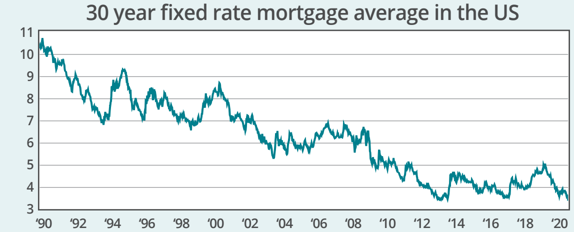
A 30-year perspective, and a bit of perspective on the 30-year mortgage

Adopting a long-term view on investing and the markets is needed most when it is difficult to do—like right now, when stocks are extremely volatile and under pressure as investors try to determine how COVID-19 and this year's election will ultimately impact corporate and consumer sentiment and spending, corporate profits, and the pricing of risk assets. We do think a global, coordinated policy response and the modern, healthcare industry will see the economy and markets through—consider that the Federal Reserve (Fed) has already cut rates by 50 basis points, Congress approved an $8+ billion aid package, and the IMF and World Bank launched multi-billion dollar rescue funds. With that said, how do we look past recent weeks and take a long-term view of things, say a 30-year view of things? First, we can focus on the 30-year fixed rate mortgage, the bedrock of the US housing market, which just hit an all-time low of 3.29%. For most Americans, the most important asset they own is their home, and not only are housing prices at an all-time high, the cost to finance—or refinance—a traditional, 30 year mortgage is at an all-time low. While the economy is clearly in for a bit of a rough patch as COVID-19 makes its presence felt, the US consumer is supported by an exceptionally strong housing market, underpinned by very low borrowing costs, which will likely move even lower as the Fed cuts rates further. Unlike the mid-2000s, there is no sign of a housing bubble, as supply remains tight and affordability high. Pivoting to an actual 30-year view of risk assets, we see that over the past three decades the S&P 500 Index has provided us with a total return of 1,666%, and an average annual return of 10%. Volatile markets are never fun, but we do know this too shall pass.

S&P 500 (1990 - 2020)



30 year fixed rate mortgage average in the US



Stocks, bonds, and commodities (3/9/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2972.37	-8.00%	-8.00%	8.13%
MSCI AC World ex USA	277.15	-8.13%	-8.13%	0.08%
MSCI EAFE	1856.73	-8.85%	-8.85%	-0.07%
MSCI EM	1039.34	-6.76%	-6.76%	-0.40%
Bloomberg Barclays US Agg	111.18	5.28%	5.28%	10.06%
Crude Oil WTI	41.57	-31.92%	-31.92%	-26.63%
Natural Gas	1.73	-20.92%	-20.92%	-39.60%

Treasury rates (3/9/2020)

	Price	Yield
2Y	101.066 / 0.000	0.504
3Y	102.156 / 0.000	0.516
5Y	102.244 / 0.000	0.559
7Y	103.040 / 0.000	0.665
10Y	107.166 / 0.000	0.713
30Y	119.156 / 0.000	1.220

Weekly reports

This week
- NFIB Small Business Index
- Initial Claims

Last week
- ISM Manufacturing 50.1
- Nonfarm Payrolls 273K

Chart sources: Top, FactSet, as of 3/5/2020. Bottom, Federal Reserve Bank of St. Louis, as of 3/5/2020. 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

MARCH 2020

The weight of the evidence shifted more neutral in March, and now remains slightly tilted in favor of the positives overall. Our equity allocation in portfolios has drifted lower due to the recent sell-off in global equity markets that was prompted by fears of COVID-19, and now portfolios are positioned in-line with this more neutral view.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	←		●		Market momentum has abated in recent sell-off
Trend	←		●		Trend has weakened; watching for the formation of a trading range
Investor sentiment	→		●		Shifted from excessive optimism back into neutral, not yet washed out
Seasonality				●	Seasonality supportive in 1Q2020

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal policy supportive; could see additional support in response to the virus
Monetary policy				●	Emergency rate cut by Fed; expectations of further cuts to support economy
Inflation				●	Global inflation low and inflation expectations muted
Interest rate environment	←	●			Treasury yields have fallen well below record lows, a concerning signal
Macroeconomic	←		●		US economy in strong position to start the year, but impact of virus unknown
Business sentiment		●			CEO confidence likely to remain weak due to virus and election uncertainty
Consumer sentiment				●	Consumer confidence remains elevated and supportive of economy
Corporate earnings			●		Expected improvement in global earnings, but will be impacted by COVID-19
Credit environment				●	Some widening of credit spreads but few signs of credit market stress

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		Recent sell-off has improved valuations, but still at long-term averages
Business cycle			●		Longest expansion on record but also the slowest
Demographics			●		Mixed with US and emerging markets positive; developed intl. negative

Source: Brinker Capital. Information is accurate as of March 6, 2020. 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.