

Brinker Capital Market Barometer

The COVID-19 pandemic remains the key driver for the economy, financial markets, and confidence. We continue to view this health crisis as more of a temporary disruption to the economy, where a powerful policy response—both fiscal and monetary—has been put in place to bridge the gap. We expect the equity market to remain range-bound in the near term as we wait for continued improvement in the COVID-19 data and assess the gradual reopening of the economy.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	→		●		Signs recovery is beginning to become more broad-based, but more is needed
Trend	→		●		Expect trading range until more clarity on therapeutics and economy reopening
Investor sentiment	←		●		Sentiment still leans bearish but not extreme; equity outflows moderated
Seasonality			●		Seasonality neutral in second quarter

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Strong response but unclear on speed of implementation and if more is needed
Monetary policy				●	Fed all in to support markets and economy; Global central banks taking action
Inflation				●	Global inflation is low and inflation expectations are muted
Interest rate environment	→			●	Treasury yields remain at low levels but stable; yield curve has normalized
Macroeconomic		●			Significant growth decline in 2Q due to lockdowns to contain COVID-19
Business sentiment		●			CEO confidence likely to remain weak due to virus and election uncertainty
Consumer sentiment	←	●			Consumer confidence dropped to levels last seen in 2011
Corporate earnings		●			Global revenues and earnings will be negatively impacted by COVID-19 in 2020
Credit environment			●		Credit environment challenging but Fed has implemented support measures

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation	←		●		Equity valuations back at long-term averages after April's move higher in prices
Business cycle		●			US recession expected given disruptions caused by COVID-19
Demographics			●		Mixed - US and emerging markets positive but developed international negative

SUMMARY

Within the **short-term factors**, trend and momentum have moved from negative to neutral following the equity market's strong move higher off the March 23 low. Investor sentiment has moved from a positive to a neutral. While investor sentiment is still supportive, it has receded from the extreme pessimism levels we saw earlier in April, and outflows from equity investments have moderated.

Within the **intermediate-term factors**, we have shifted the interest rate environment from a neutral to a positive. Interest rates remain at low levels, but they have been relatively stable, and the yield curve has normalized. Consumer sentiment data has weakened substantially, and it was moved from a neutral to a negative. Overall in the intermediate term, strong monetary and fiscal policy support looks to offset the weak macroeconomic backdrop.

Within the **long-term factors**, valuation has moved from a positive to a neutral after April's strong rebound in prices, valuations are back at long-term averages.

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