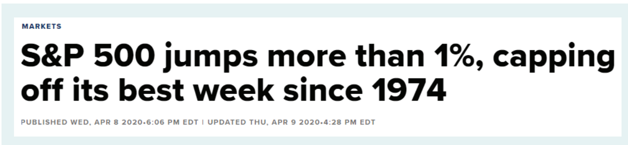
Brinker Capital

Getting back to even


MARKETS

S&P 500 jumps more than 1%, capping off its best week since 1974

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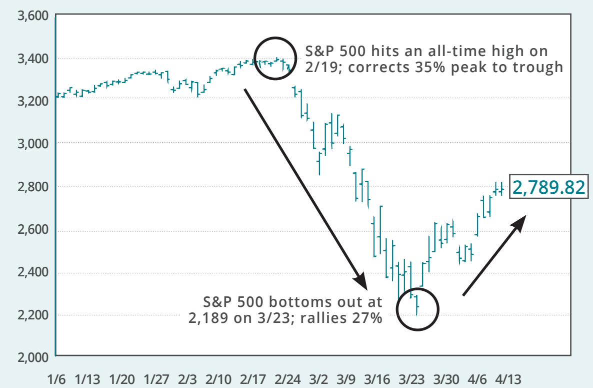
US equities have rallied sharply the past few weeks, with the S&P 500 Index (S&P 500) now 27% above its March 23 intra-day low of 2,189. We believe the March 23 low will—in hindsight—prove to be the low for this market cycle. What we find noteworthy about the stock market and S&P 500 today is that despite the unprecedented volatility of the past few months and the 35% correction in the S&P 500, it wouldn't take much to get us back to the index's all-time high of 3,393. Today the S&P 500 is off about 17% from its all-time high of 3,393, but consider that overtime the index tends to return about 10% a year. For the sake of argument, let's posit that the market is flat from here until year end, and the S&P 500 closes out 2020 at 2,789 and the market goes onto return 10% in 2021 and 2022—a reasonable assumption considering market history. Were all this to happen, we would close out 2022 with the S&P 500 at 3,373, just 20 points or 0.5% shy of its all-time high. We recognize over two years is a long time to wait for the market to reclaim its former highs, but it should be a period well within the time horizon of most investors. Of course, were we to see the economy and corporate profits rebound rapidly from the COVID-19 driven downturn, which we think is probable, market gains going forward could exceed historical rates of return.

While we expect markets to remain volatile, and we brace ourselves for more bad news concerning both COVID-19 and the economy, we think the move higher in risk assets of late has been justified, as investors respond positively to the unprecedented steps being taken by the US Federal Reserve and the US Federal Government to mitigate the impact of the current healthcare crisis. More importantly, we have begun to receive some good news regarding COVID-19, as several nations start reopening their economies and rates of infection and hospitalizations improve in some of the hardest hit areas in the US. Going forward, the focus will remain on how well we are containing the pandemic, how effective US monetary and fiscal policy is proving in aiding the states, companies, and Americans most impacted by the healthcare crisis, and when the US economy might reopen.

S&P 500 - Price



Stocks, bonds, and commodities (4/9/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2789.82	7.94%	-13.65%	-3.41%
MSCI AC World ex USA	238.23	3.72%	-21.03%	-16.80%
MSCI EAFE	1606.93	3.04%	-21.11%	-15.89%
MSCI EM	887.58	4.60%	-20.37%	-19.02%
Bloomberg Barclays US Agg	109.12	0.85%	3.33%	6.85%
Crude Oil WTI	22.76	11.13%	-62.73%	-64.77%
Natural Gas	1.73	5.67%	-20.83%	-35.81%

Treasury rates (4/9/2020)

	Price	Yield
2Y	100.096 / 100.1	0.216
3Y	99.270 / 99.27	0.300
5Y	100.126 / 100.1	0.417
7Y	100.062 / 100.0	0.595
10Y	107.100 / 107.1	0.728
30Y	115.300 / 116.0	1.348

Weekly reports

This week
- Capacity Utilization
- Philadelphia Fed Index

Last week
- Initial Claims 6,606K
- Hourly Earnings Y/Y 3.1%

Brinker Capital Market Barometer

APRIL 2020

The COVID-19 pandemic remains a weight on the economy, financial markets, and confidence. We continue to view this crisis as more of a temporary disruption to the economy, where a coordinated healthcare response and a powerful policy response—both fiscal and monetary—is needed to bridge the gap. The Federal Reserve (Fed) has swiftly gone all-in on promoting liquidity and market functioning, and we can expect easy monetary policy for the foreseeable future. Congress followed through last week with a $2 trillion fiscal package that provides support to individuals and businesses until we can reopen the economy again.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Markets have bounced off bottom but momentum still weak
Trend		●			Trend remains weak despite recent bounce; likely retest of lows
Investor sentiment				●	Extreme pessimism levels with bears outnumbering bulls; equity fund outflows
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 low and inflation expectations muted
Interest rate environment	→		●		Treasury yields remain at low levels; yield curve has normalized
Macroeconomic		●			Significant growth decline in 2Q due to measures taken to prevent the spread
Business sentiment		●			CEO confidence likely to remain weak due to virus and election uncertainty
Consumer sentiment			●		Virus has started to have a negative impact on consumer confidence
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 attractive relative to long-term averages
Business cycle		●			US recession now the base case given disruptions caused by COVID-19
Demographics			●		Mixed - US and emerging markets positive but developed international negative