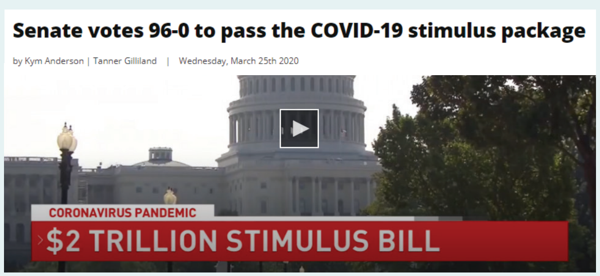
Putting politics aside

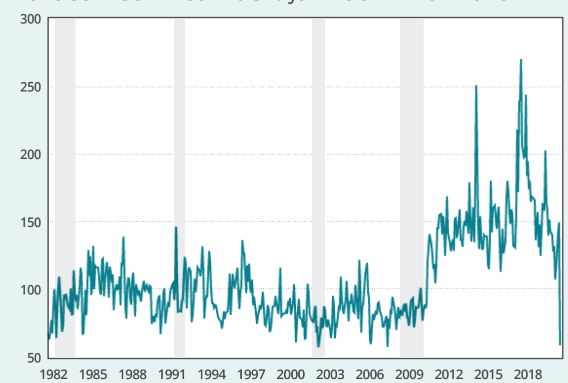


We live in red or blue states; we tune into liberal or conservative media outlets; our President is either Making America Great Again or an existential threat to our Republic; on it goes. Yet, consider how policymakers—including House Speaker Pelosi, Senate Majority Leader McConnell, and their respective legislative bodies—have responded to COVID-19, in particular the speed and deliberateness with which they passed the $2.1 trillion Coronavirus Aid, Relief and Economic Security (CARES) Act. Working off of a legacy piece of legislation that passed the House in January 2019, the Senate first amended the legislation and then approved it 96 – 0, sending it back to the House where it was approved by a near-unanimous voice vote. In less than a week, the largest economic rescue package in our nation's history was passed by Congress and signed into law. Beyond mitigating the impact of the COVID-19 driven economic downturn, the CARES Act is a powerful reminder our leaders can, and will, set aside personal animus and philosophical differences to do what is in the best interest of our nation. In that spirit, it is worth pointing out the Philadelphia Federal Reserve Partisan Conflict Index has plunged to a near 15-year low. The "PCI" tracks the degree of political disagreement among US politicians at the federal level by measuring the frequency of newspaper articles reporting disagreement in a given month. Higher index values indicate greater conflict among political parties, Congress, and the President.

When we wrote about politics in the past we consistently made three points:

1. Politics is very different from policy
2. One must always differentiate between politics and policy and never let one's political biases drive investment decisions
3. Our job at Brinker Capital isn't to tell anyone they are right or wrong when it comes to politics but to understand fiscal policy and how it might impact the economy and risk assets, and position our clients' portfolios accordingly. We will be keeping all three points in mind as the November election approaches.

Partisan Conflict Index: Jan 1981 - Mar 2020



Stocks, bonds, and commodities (4/17/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2874.56	11.22%	-11.03%	-1.05%
MSCI AC World ex USA	240.89	4.88%	-20.15%	-16.17%
MSCI EAFE	1622.30	4.02%	-20.36%	-15.52%
MSCI EM	901.31	6.21%	-19.14%	-17.50%
Bloomberg Barclays US Agg	109.78	1.46%	3.95%	7.82%
Crude Oil WTI	25.14	22.75%	-58.83%	-60.76%
Natural Gas	1.76	7.38%	-19.55%	-29.28%

Treasury rates (4/17/2020)

	Price	Yield
2Y	100.106 / 100.1	0.198
3Y	100.000 / 100.0	0.247
5Y	100.216 / 100.2	0.360
7Y	100.224 / 100.2	0.521
10Y	108.044 / 108.0	0.642
30Y	118.064 / 118.0	1.264

Weekly reports

This week

- Initial Claims
- PMI Composite

Last week

- Capacity Utilization
- 72.7%
  Philadelphia Fed Index
  (-56.6)

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