

# Brinker Capital Market Barometer

The COVID-19 pandemic remains the key driver for the economy, financial markets, and confidence. A powerful monetary and fiscal policy response has helped bridge the gap, and we are now seeing the economic data bottom as areas of the economy begin the slow process of reopening. 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 as we assess the gradual reopening of the economy.

## SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	→			●	Momentum has been broad and impressive
Trend			●		Expect continued trading range until more clarity on economy reopening
Investor sentiment			●		Sentiment still leans bearish but not at extreme pessimism levels
Seasonality			●		Seasonality relatively neutral

## INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Very strong fiscal response; more debate expected on next round
Monetary policy				●	Fed all in to support markets and economy; Global central banks taking action
Inflation				●	Global inflation low and inflation expectations continue to fall
Interest rate environment				●	Treasury yields remain at low levels but stable; yield curve has normalized
Macroeconomic		●			Significant decline in 2Q due to lockdowns; starting to show signs of improvement
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 continues to improve and Fed remains supportive

## LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation	←	●			Equity valuations above long-term averages but not a near-term driver
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**, momentum has moved from a neutral to a positive factor as market momentum over the last few weeks has been impressive and more broad-based.

Within the **intermediate-term factors**, the credit environment has moved from a neutral to a positive factor. The credit markets are functioning well as new issuance already surpassed what we saw in 2019, and the Federal Reserve (Fed) remains committed to supporting corporate credit markets by purchasing investment-grade and high-yield bonds and ETFs. Credit spreads have retreated from the highs reached in late March.

Within the **long-term factors**, valuation has moved from a neutral to a negative factor. While equity market valuations are above long-term averages, we do not see valuations as a key driver of markets in the short-term.

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