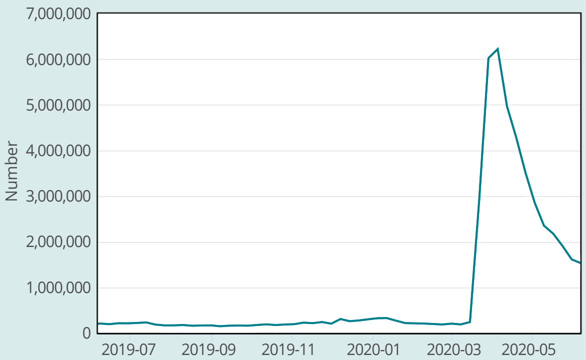
Two bits of good news. And, what are two bits, anyway?

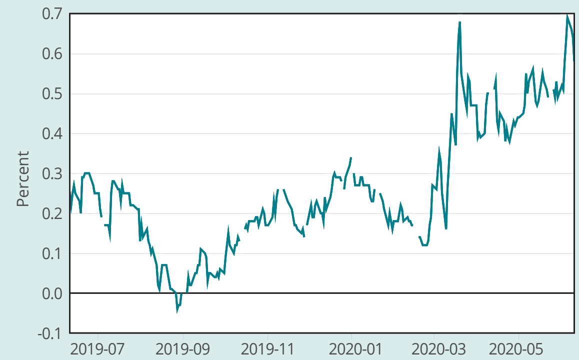
Initial claims



The economic headlines of late have been driven by – and understandably so – BIG pieces of news, both bad and good. There was Q1 GDP contracting by 5% and an April unemployment rate of 14.7%. Conversely, there was the unprecedented policy response to the COVID-19 caused economic downturn from the Federal Reserve and the Federal Government, and the economy adding 2.5 million jobs in May. While we are all paying very close attention to the more meaningful economic data of late, and what it says about the ongoing economic recovery, our focus this week is on two smaller bits of news, both of which are quite positive for the economy and the markets and both of which haven't necessarily gotten the attention they deserve.

The first is the ongoing improvement in weekly initial jobless claims, a number that spiked to and peaked at 6.9 million in late March and most recently came in at 1.5 million in early June. This is reflective of both the damage done to the labor market by COVID-19, as well as the slow, steady, and meaningful improvement to the labor market. The second is the ongoing steepening of the US Yield Curve, and more specifically the increasing spread between the US 2 Year Note and the US 10 Year Note, which sits at 50 basis points - the yield on the US 2 Year Note is approximately 0.20% and the yield on the US 10 Year Note is 0.70%. As we have written about in the past, the yield curve is a reasonably reliable harbinger of economic activity to come – with a flat or inverted yield curve signaling the likelihood of an economic slowdown or outright recession, and a steepening, positively sloped yield curve signaling the likelihood of a pick up in economic activity and higher interest rates. As it concerns "two bits," you may or may not know that two bits is a slang term for the American quarter dollar. As it concerns the origin of the term, it seems during the American Colonial period, a common form of currency was the Spanish dollar, and a "bit" was a common coin worth 1/8 of the Spanish dollar or 12 ½ cents. Hence, two bits were said to be worth 25 cents, an understanding and application that overtime shifted from the Spanish dollar to the US dollar.

10 Year treasury constant maturity minus 2-year treasury constant maturity



Stocks, bonds, and commodities (6/12/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3041.31	17.67%	-5.86%	5.18%
MSCI AC World ex USA	262.92	14.47%	-12.85%	-5.42%
MSCI EAFE	1768.14	13.37%	-13.20%	-5.92%
MSCI EM	987.01	16.31%	-11.45%	-3.43%
Bloomberg Barclays US Agg	110.28	1.92%	4.42%	6.03%
Crude Oil WTI	36.56	78.52%	-40.12%	-30.07%
Natural Gas	1.75	6.40%	-20.28%	-24.95%

Treasury rates (6/12/2020)

	Price	Yield
2Y	99.27 / 99.2	0.201
3Y	100.0 / 100	0.232
5Y	99.18 / 99.1	0.336
7Y	99.23 / 99.2	0.539
10Y	99.07 / 99.0	0.703
30Y	94.31 / 95.0	1.457

Weekly reports

This week
- Capacity Utilization
- Philadelphia Fed Index

Last week
- NFIB Small Business Index 94.4
- U of Michigan Sentiment 78.9

Chart 1 source: US Employment and Training Administration, fred.stlouisfed.org. Chart 2 source: Federal Reserve Bank of St. Louis, fred.stlouisfed.org

Brinker Capital Market Barometer

JUNE 2020

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

Source: Brinker Capital. Information is accurate as of June 2, 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.