With apologies to the Dave Brubeck Quartet, here's our "Take Five"

Even casual fans of jazz – which we believe to be the great American art form – can easily recognize the opening cords to The Dave Brubeck Quartet's classic, "Take Five." Released in 1959 and penned by the quartet's alto saxophonist Paul Desmond, "Take Five" was the first jazz single to sell one million copies and is the biggest selling jazz single of all time. So, with apologies to the great Dave Brubeck and The Dave Brubeck Quartet, here is our "Take Five," or five things we think are worth thinking about as we move into the second half of 2020.

1. **We are a ways away from November.** We would advise against getting too caught up in Presidential (or Congressional) polling today. Regardless of the outcome of the election, we see the odds of a dramatic shift in fiscal policy – at least near term – as low. Said differently, fiscal policy will likely remain supportive of the economy for the foreseeable future
2. **The big stock market rally is real and rationale.** The policy response (monetary and fiscal), the market as a leading indicator, and now improving economic data all speak to that point
3. **Deficits don't matter, at least for now.** The bond market is behaving itself and so is the US dollar. The fiscal policy response is appropriate and warranted given the demand destruction of early 2020. For now, investors have no problem with the pace and scale of government borrowing and spending
4. **Don't fight the Federal Reserve.** The Fed has been and will continue to be exceptionally supportive of risk assets and the real economy. Consider, the Fed has spent about \$100 billion out of \$2.6 trillion in capital allocated to help mitigate the impact of the coronavirus - \$2.5 trillion is a tremendous amount of dry powder
5. **Lean into the US and lean into growth.** Clearly, the US isn't out of the woods yet on the coronavirus front, but we have the wherewithal and resources to take on the virus. The rest of the world probably won't start growing until we start growing. Finally, growth equities should continue to do well in an environment marked by modest economic growth and very low interest rates

We will circle back often to the election, the link between risk assets and the real economy, and monetary and fiscal policy over the coming months. In the meantime, we hope you all had a wonderful 4th of July!


FEDERAL RESERVE

Powell is correct that the Fed is not out of ammunition 'by a long shot'

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Stocks, bonds, and commodities (7/3/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3130.01	0.96%	-3.12%	4.48%
MSCI AC World ex USA	269.91	1.85%	-10.53%	-6.27%
MSCI EAFE	1807.66	1.52%	-11.26%	-7.08%
MSCI EM	1023.48	2.85%	-8.18%	-3.41%
Bloomberg Barclays US Agg	110.68	0.22%	4.80%	5.34%
Crude Oil WTI	40.32	2.67%	-33.97%	-29.68%
Natural Gas	1.75	-0.06%	-20.05%	-23.58%

Treasury rates (7/3/2020)

	Price		Yield
2Y	99.30 /	99.3	0.153
3Y	100.0 /	100.0	0.184
5Y	99.24 /	99.2	0.297
7Y	99.31 /	100.0	0.501
10Y	99.17 /	99.1	0.672
30Y	95.18 /	95.2	1.431

Weekly reports

This week

- ISM Non-Manufac-turing
- Continuing Jobless Claims

Last week

- Chicago PMI 36.6
- Unemployment Rate 11.1%

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