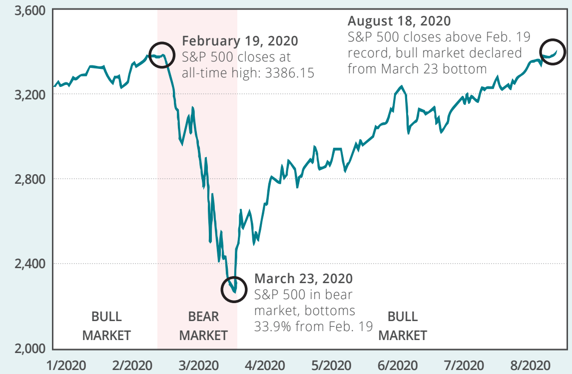
The bear market goes on... until it doesn't

When trying to put in perspective the shortest bear market in US history—at least a bear market that saw the S&P 500 Index (S&P 500) sell off 30%+—there are any number of directions one can go. However, I decided to go with the children's book we read to our son the most when he was a toddler, *Bear Snores On—Llama Llama Red Pajama and Go, Dog, Go!* were also quite popular, but luckily neither were his favorite as they can't help frame a conversation around the end of a bear market!

If you are familiar with the story, Bear is hibernating in his cave and despite a howling wind and animals joining him to find shelter, he keeps sleeping and snoring away, until he doesn't. Sort of like the bear market in US equities, which – after 103 trading days – officially ended last week. More specifically, on August 18 the S&P 500 closed at 3,389, just above its prior record close of 3,386, which it hit on February 19 (before beginning a bear market that would see the Index sell off 35%). Now one can make the case the bear market ended on March 30 once the S&P 500 rallied and closed 20% above it March 23 low of 2,192, but most folks on Wall Street feel a bear market has ended and a new bull market has begun only when the market closes above its prior all-time high. We have no desire to engage in such semantics, and we are aware the S&P 500 trades at about 25x earnings. We are in the seasonally weak period for stocks and the reopening of our economy is happening in fits and starts. Instead, for now, we want to appreciate and celebrate the unprecedented, and we feel appropriate, policy response to this awful pandemic, the remarkable resiliency of corporate America and the US consumer, and this historic – but not unexpected – rally in US equities. And, if you are so inclined, you can find a video of the author Karma Wilson reading *Bear Snores On* **here**. It is a delightful story.

S&P 500 surpasses all-time high



Stocks, bonds, and commodities (8/21/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3397.16	9.58%	5.15%	16.22%
MSCI AC World ex USA	283.65	7.04%	-5.97%	5.21%
MSCI EAFE	1879.90	5.58%	-7.71%	2.77%
MSCI EM	1091.85	9.72%	-2.05%	11.91%
Bloomberg Barclays US Agg	110.95	0.47%	5.06%	4.12%
Crude Oil WTI	42.25	7.59%	-30.81%	-23.67%
Natural Gas	2.44	39.41%	11.51%	13.06%

Treasury rates (8/21/2020)

	Price			Yield
2Y	99.29	/	99.2	0.166
3Y	99.28	/	99.2	0.162
5Y	99.30	/	99.3	0.260
7Y	99.16	/	99.1	0.444
10Y	99.28	/	99.2	0.635
30Y	100.2	/	100.	1.340

Weekly reports

This week

- Consumer Confidence
- Chicago PMI

Last week

- Empire State Index 3.7
- Markit PMI Manufacturing 53.6

Brinker Capital Market Barometer

AUGUST 2020

The COVID-19 pandemic remains the key driver for the economy, financial markets, and confidence over the near term. Fiscal and monetary policy continue to be supportive, and the economy has started to rebound. We expect the equity market to remain range-bound in the near term as we anticipate measured improvement in the COVID-19 data, the November election, and a slow, uneven economic recovery. Overall, the barometer leans neutral to slightly positive, in-line with our modest overweight to risk across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Momentum remains solid
Trend	→			●	US markets above 50-day and 200-day moving averages
Investor sentiment			●		Sentiment still bearish but not extreme; equity outflows continue
Seasonality		●			Seasonality weaker through October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Very strong fiscal response; more debate on fourth package but will get done
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			●		Macroeconomic data has bottomed; uneven improvement following reopenings
Business sentiment		●			CEO confidence improved in 2Q but still weak; small biz optimism improving
Consumer sentiment	←	●			Consumer confidence declined in June, led by the expectations component
Corporate earnings		●			Looking for improvement after negative impact of COVID-19 on 1H results
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 exited recession that began in February; recovery will be uneven
Demographics			●		Mixed - US and emerging markets positive but developed international negative