

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

Source: Brinker Capital. Information is accurate as of August 5, 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-weighted 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.