

Show me the money



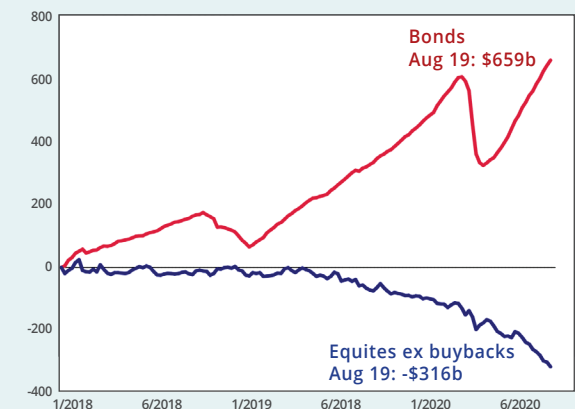
You can count us among the world's cinephiles, with a particular and deep appreciation for the cinematic work of the late, great Burt Reynolds. When it comes to remarkable movies, they all seem to have a few things going for them, including a first-rate cast, compelling characters, an engaging narrative, and of course a memorable tag line. Think "To infinity, and beyond" (Toy Story); "I'll be back" (The Terminator); and "Show me the money" (Jerry McGuire), which brings us to the subject of this Weekly Wire – the money that has – or has not – gone into US equities these past few years, and what it might mean for the durability of this new bull market.

At a high level, Americans have been net buyers of bonds and net sellers of stocks since January 2018, with approximately \$659 billion going into fixed income facing mutual funds and ETFs, and \$316

billion coming out of equity facing mutual funds and ETFs (excluding share buybacks), with much of that capital exiting stocks in 2020. We are sure many of those trades were driven by any number of financial planning factors, including age and approaching retirement. Yet, we are also sure many of those trades were driven by skepticism over the outlook for the US economy and stock market—an understandable point of view considering the impact of COVID-19 on both.

Let's set aside what -- we hope and expect -- is a once in a century pandemic as a catalyst for a bear market, and focus on what has historically happened at – or caused – a stock market top. The economy is running flat out, inflation and interest rates are moving up, valuation is becoming quite stretched, and investors have fully embraced equities as an asset class. This means there is no one left to buy, but plenty of folks in a position to sell. Today, the economy is only just getting back on its feet; inflation and interest rates are low; valuation for the S&P 500 Index is elevated, but much of that is driven by companies carrying P/E multiples, justified by disruptive business models, and investors have, on balanced, shunned equities. Odds are this young bull market will be showing investors the money for years to come.

Fund Flows | Mutual Funds and ETFs Cumulative since 2018



Stocks, bonds, and commodities (8/28/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3508.01	13.15%	8.58%	21.47%
MSCI AC World ex USA	288.09	8.71%	-4.50%	7.44%
MSCI EAFE	1902.25	6.83%	-6.61%	4.41%
MSCI EM	1117.22	12.27%	0.23%	15.73%
Bloomberg Barclays US Agg	--	--	--	--
Crude Oil WTI	42.93	9.32%	-29.69%	-23.04%
Natural Gas	2.65	51.57%	21.24%	19.44%

Treasury rates (8/21/2020)

	Price	Yield
2Y	99.30 / 99.3	0.152
3Y	99.30 / 99.3	0.144
5Y	99.29 / 99.3	0.263
7Y	100.0 / 100.	0.488
10Y	99.03 / 99.0	0.718
30Y	96.30 / 97.0	1.500

Weekly reports

This week
<ul style="list-style-type: none"> Markit PMI Manufacturing Nonfarm Payrolls August
Last week
<ul style="list-style-type: none"> Consumer Confidence 84.8 Chicago PMI 51.2

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.