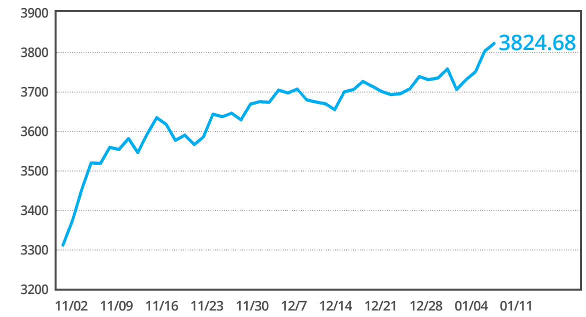
BRINKER CAPITAL INVESTMENTS

Kind of, pretty much, just about divided government

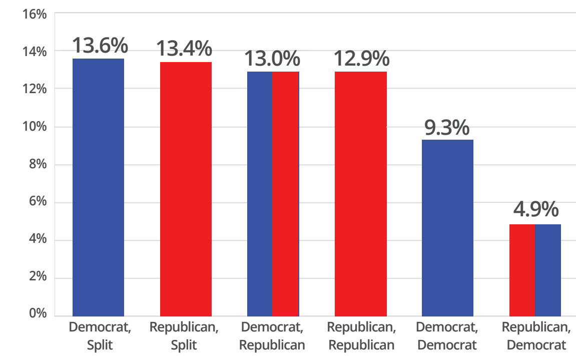
The S&P 500 is up an extraordinary 16% since election day – November 3, 2020. As we think back on the past 10 weeks, we arrive at two primary catalysts for the market's remarkable run: dramatic breakthroughs on the COVID-19 vaccine front and a market-friendly election outcome of divided government, – as former Vice President Joe Biden won the Presidency, the Democrats retained the House and the Republicans (somewhat surprisingly) held the Senate. Well, at least that was the narrative until several days ago when Democrats flipped both Senate seats in Georgia, and with those seats, the Senate as well.

So, if markets like divided government – and history shows the S&P 500 does best when DC is divided – why have equities not batted an eye following the Georgia Senate runoff elections? Well, the $900 billion stimulus package President Trump signed into law last week certainly boosted investor sentiment, but we also think Wall Street is coming around to the idea that a narrow majority for the Democrats in the House and a Senate split 50 / 50 makes for a pretty supportive political and policy construct for risk assets. Said differently, we think another stimulus package is quite likely, meaningful tax increases are less likely and a reordering of our economic and political systems – including expanding the Supreme Court – are off the table. We may not have a divided government today, but we are pretty darn close, and we think that suits the market just fine.

S&P 500 Since November 2, 2020



S&P 500 Index: White House and Congress composition
Average Annual Price Return % (1933 - 2019, Excl. '01 - '02)



Stocks, bonds, and commodities (1/8/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3824.68	1.83%	1.83%	16.79%
MSCI AC World ex USA	338.60	3.72%	3.72%	11.85%
MSCI EAFE	2215.12	3.15%	3.15%	8.79%
MSCI EM	1353.53	4.82%	4.82%	19.85%
Bloomberg Barclays US Agg	108.85	-0.92%	-0.92%	2.88%
Crude Oil WTI	52.73	8.68%	8.68%	-11.47%
Natural Gas	2.66	5.11%	5.11%	22.58%

Treasury rates (1/8/2021)

	Price	Yield
2Y	99.31 / 0.00	0.137
3Y	99.23 / 0.00	0.219
5Y	99.15 / 0.00	0.479
7Y	98.24 / 0.00	0.805
10Y	97.26 / 0.00	1.106
30Y	94.13 / 0.00	1.869

Weekly reports

This week
- Empire State Index
- Retail Sales December

Last week
- Nonfarm Payrolls December: 140K
- Unemployment Rate: 6.7%

Chart sources: Top - FactSet, as of 1/8/2021, Bottom - Strategas and Factset. The views expressed are those of Brinker Capital and are not intended as investment advice or recommendation. For informational purposes only.

Brinker Capital Market Barometer

JANUARY 2021

Our focus continues to be on the COVID-19 pandemic and its impact on economic growth. News on the vaccine has been very positive; however, the rollout has been slower than expected. The Federal Reserve remains extremely supportive from a monetary policy perspective, and we expect additional fiscal support from Washington, D.C. in the coming months. This policy support should continue to provide a bridge for the economy in the near term until we can fully reopen. Overall, the barometer tilts positive, in-line with our modest overweight to risk across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid and has improved recently
Trend				●	Market trend positive; US markets above 50-day and 200-day moving averages
Investor sentiment		●			Surveys and other sentiment measures pointing toward excess optimism
Seasonality	←		●		Entering relatively weaker seasonal period post election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional fiscal stimulus likely in near-term with Democratic sweep
Monetary policy				●	Fed and global central banks remain supportive
Inflation				●	Inflation at low levels but watch for increasing inflation expectations
Interest rate environment				●	Treasury yields remain low but biased higher; yield curve to steepen
Macroeconomic			●		Macroeconomic data has improved; recovery will be driven by vaccine/reopening
Business sentiment			●		Both CEO confidence and small business confidence surveys have improved
Consumer sentiment		●			Consumer confidence measures declined in 4Q2020
Corporate earnings			●		Expect improvement in earnings growth to continue in 4Q2020
Credit environment				●	Credit environment is stable; spreads continue to tighten

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 uneven in short term
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of January 11, 2021. 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.

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