Weekly Wire

FEBRUARY 1, 2021

BRINKER CAPITAL INVESTMENTS

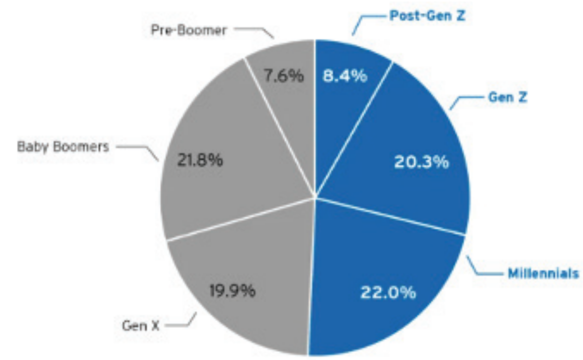
If Demography is Destiny, Thank a Millennial

When markets obsess over the news of the day, such as GameStop and a short squeeze of epic proportion (more on that in a bit),the best thing we can do as long-term investors is take a step back and focus on what drives the stock market, and the economy, over time. For the stock market, interest rates and earnings matter most – both are supportive of stocks. For the economy overall, the U.S. consumer matters most since the consumer drives 70% of our GDP. Even in the midst of a pandemic, the consumer is in very good shape.

Millennials, the 72 million Americans born between 1981 and 1996, are now the largest population cohort in the country and, we would argue, the best thing the U.S. has going for it from a demographic perspective. With the oldest Millennials turning 40 the generation is entering its peak earning and spending years. This dynamic should prove to be a meaningful tailwind for the U.S. economy, much like the Baby Boomers and the consumer driven economic expansion of the 1980s.

Now, back to GameStop. It seems any number of individual investors have formed an online collective and agreed to purchase shares of the heavily shorted, and it would seem challenged, retailer. As those purchases of GameStop drove the stock higher, any number of institutional investors (think hedge funds) who sold the stock short (thinking it was worth less, not more) had to buy back those shares to limit their losses (known as short covering), which drove the share price even higher. How will this end? We don't know. For anyone considering purchasing GameStop, or the handful of other stocks that seem to be caught up in this individual vs institutional investor battle royale, we would simply suggest you have a clear, thought out case for doing so (which should go well beyond because the stock is going up). Finally, back to the Millennials; if you Google "Famous Millennial Movies" Napoleon Dynamite comes out on top; I am no Millennial, but that movie cracks me up. Vote For Pedro.

Share of US populations by generation



GDP = C + I + G + (X - M)

in other words

GDP = Consumption + Investment + Government Spending + (Exports - Imports)

Stocks, bonds, and commodities (1/29/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3714.24	-1.11%	-1.11%	13.11%
MSCI AC World ex USA	326.97	0.16%	0.16%	10.85%
MSCI EAFE	2124.05	-1.09%	-1.09%	6.25%
MSCI EM	1329.57	2.97%	2.97%	23.94%
Bloomberg Barclays US Agg	108.76	-1.01%	-1.01%	1.45%
Crude Oil WTI	52.14	7.46%	7.46%	0.00%
Natural Gas	2.56	1.23%	1.23%	39.80%

Treasury rates (1/29/2021)

	Price		Yield
2Y	100.0 /	0.00	0.117
3Y	99.26 /	0.00	0.186
5Y	99.21 /	0.00	0.442
7Y	99.25 /	0.00	0.779
10Y	98.00 /	0.00	1.089
30Y	94.27 /	0.00	1.849

Weekly reports

This week

- Nonfarm Payrolls / JAN
- Unemployment Rate / JAN

Last week

- Consumer Confidence: 89.3
- Q4 GDP SAAR Q/Q: 4.0%

Chart source: Brookings Institution. Numbers pertain to July 1, 2019. Note: Birth years are as follows: Post Gen Z (2013+), Gen Z (1997-2012), Millennials (1981-1996), Gen X (1965-1980), Boomers (1946-1964), Pre-Boomers (1945 and earlier).. 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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