## Weekly Wire

**FEBRUARY 8, 2021** 

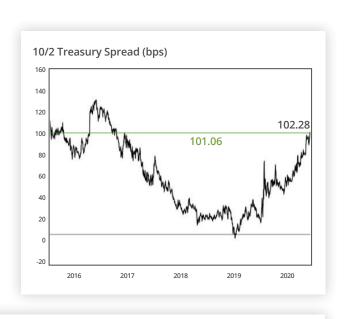


# Breakin'...The Movie & The Yield Curve (As In, The Yield Curve Is Breakin' Out)

Some of us remember a time BEFORE breakdancing; let me tell you, those were dark days. Then, everything changed! We were introduced to moves like "The Windmill" and "The Freeze" and dancers like Crazy Legs and Mr. Wiggles (what awesome names!). Some of us became so enthralled with breakdancing, or breakin', we soon found ourselves spinning on our heads on a cardboard box and breakin' became such a cultural phenomena, that Hollywood made not one, but two movies about it (aptly titled Breakin' and Breakin' 2.).

We got to thinking about breakin' the other day, because we were thinking about how the U.S. Yield Curve has been breakin' out. You will recall that the most important part of the curve is between the U.S. 10 Year Note and the U.S. 2 Year Note, or more specifically the difference between the yield on the U.S. 10 Year Note and the yield on the US 2 Year Note. The greater the positive spread – meaning the higher the yield on the 10 Year Note relative to the yield on the 2 Year Note – the more positively sloped or steep the yield curve. This is a good thing, as a steep yield curve has been associated with periods of robust economic growth.

The U.S. Yield Curve has steepened dramatically since last summer, and the spread between the yield on the U.S. 10 Year Note and the yield on the U.S. 2 Year Note just hit 102 basis points (or 1.02%), – the widest it has been in more than three years. If history is any guide, the steepening yield curve is a harbinger of better economic times to come. And back to breakdancing; it will make its debut as an Olympic sport at the 2024 Paris Games. It might be time for some of us to dig out those parachute pants and that cardboard box.



#### Stocks, bonds, and commodities (2/5//2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3886.83	3.48%	3.48%	16.17%
MSCI AC World ex USA	338.59	3.72%	3.72%	12.45%
MSCI EAFE	2182.17	1.61%	1.61%	7.08%
MSCI EM	1395.35	8.06%	8.06%	26.58%
Bloomberg Barclays US Agg	108.36			1.34%
Crude Oil WTI	57.07	17.62%	17.62%	12.01%
Natural Gas	2.88	14.09%	14.09%	54.78%

#### **Treasury rates** (2/5//2021)

	Price		Yield
2Y	100.0 /	0.00	0.093
3Y	99.26 /	0.00	0.178
5Y	99.18 /	0.00	0.461
7Y	99.14 /	0.00	0.831
10Y	97.08 /	0.00	1.170
30Y	92.04 /	0.00	1.974

### Weekly reports This week

- NFIB Small Business Index
   UofM Consumer Sentiment
- Nonfarm Payrolls / JAN: 49K
- Unemployment Rate / JAN: 6.3%

## **Brinker Capital Market Barometer**

Our focus continues to be on the COVID-19 pandemic and its impact on the economy. The vaccine rollout, while challenging at first, has improved, and is key to addressing the health problem. Accommodative monetary and fiscal policy continue to provide a bridge for the economy in the near term until we can fully reopen, and this support will be further bolstered by an additional fiscal stimulus bill from Washington, D.C. in the coming months. Overall, the barometer tilts positive, in-line with our modest overweight to risk across portfolios.

#### **SHORT-TERM FACTORS** (< 6 months) CHANGE POSITIVE NEGATIVE Market momentum remains solid and has improved recently Momentum Market trend positive; US markets above 50-day and 200-day moving averages Trend Surveys and other sentiment measures pointing toward excess optimism Investor sentiment Entering relatively weaker seasonal period post election Seasonality **INTERMEDIATE-TERM FACTORS** (6-36 months) CHANGE **NEGATIVE** Additional fiscal stimulus likely by end of 1Q Fiscal policy Monetary policy Fed and global central banks remain supportive Inflation Inflation at low levels but watch for increasing inflation expectations Treasury yields remain low but biased higher; yield curve to steepen Interest rate environment Macroeconomic data has improved; recovery will be driven by vaccine/reopening Macroeconomic Both CEO confidence and small business confidence surveys have improved Business sentiment Slight improvement in consumer confidence measures in January Consumer sentiment Expect improvement in earnings growth to continue in 4Q Corporate earnings Credit environment Credit environment is stable; little volatility in spreads LONG-TERM FACTORS (36+ months) CHANGE POSITIVE **NEGATIVE** Valuation Equity valuations above long-term averages but not a near-term driver Business cycle We've entered a new expansion period with positive GDP growth since 3Q2020 Demographics Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of February 3, 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 proper 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.