Weekly Wire
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APRIL 26, 2021

BRINKER CAPITAL INVESTMENTS

Dow 36,000? Dow 148,000?

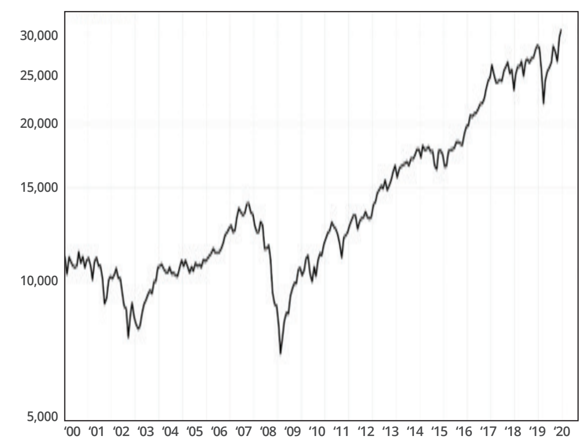
At the risk of stating the obvious, those of us who have been paying attention to the markets for the past 21 years have seen a thing or two: the bursting of the tech, media and telecom stock market bubble and the bear market and recession that followed, pushed along by the horrific events of 9/11; the first nationwide downturn in housing prices since the Great Depression and the bear market and Great Recession that the bursting of the housing bubble brought on; the longest bull market in the history of the S&P 500 and the quickest bear market, and the most severe economic downturn since the Great Depression, brought about by the decision to shut down the U.S. economy in hopes of slowing the spread of the coronavirus.

It has been a very interesting and, at times, very difficult 21 years. What brought me back to the bursting of the tech, media and telecom stock market bubble, and the events that followed, was the slow but steady march by the Dow Jones Industrial Average of late to 36,000 (it sits at 34,000 today) – one of the hallmarks of that late 1990s market bubble, the book "Dow 36,000" in which, if memory serves, the authors made the case the market was undervalued, and the Dow should move to 36,000 by 2005.

Well, the book came out in October 1999, and the Dow would hit its peak, for that bull market cycle, at 11,800 in January 2000; and these many years later we are still 2,000 points away from 36,000. Now I don't mean to pick a fight with the book's authors – both are well respected, prominent experts in their respective fields – and we all know how difficult it is to make a successful market call. No, I mention the book, and the challenging period since its publication, to remind myself that from 2000 through 2020 the Dow provided investors an average annual total return of 7.3% and were the index to perform similarly over the next 21 years, we would be looking at Dow 148,000 in 2042.

The power of compounding is something to behold. And I don't know when, but I am confident we will hit 36,000 on the Dow, and 148,000 too.

Dow Jones Industrial Average
2000 - 2020



Stocks, bonds, and commodities (4/23/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4180.17	5.22%	11.29%	47.36%
MSCI AC World ex USA	347.06	3.27%	6.31%	47.08%
MSCI EAFE	2287.85	3.60%	6.53%	44.01%
MSCI EM	1353.02	2.78%	4.78%	53.86%
Bloomberg Barclays US Agg	105.94	0.74%	-3.57%	-3.69%
Crude Oil WTI	62.04	4.87%	27.86%	266.23%
Natural Gas	2.72	4.29%	7.68%	43.54%

Treasury rates (4/23/2021)

	Price	Yield
2Y	99.30 / 99.3	0.153
3Y	100.0 / 100.	0.327
5Y	99.22 / 99.2	0.810
7Y	100.0 / 100.	1.244
10Y	96.00 / 96.0	1.562
30Y	92.05 / 92.0	2.236

Weekly reports

This week
- Richmond Fed Index
- Q1 GDP SAAR Q/Q

Last week
- PMI Composite April: 62.2
- New Home Sales SAAR March: 1,021K

Brinker Capital Market Barometer

APRIL 2021

The increase in COVID-19 vaccinations should lead to the further reopening of the US economy, resulting in a broadening out of economic growth. Fiscal policy continues to be supportive and there is a good chance of another fiscal spending package later this year; however, it will require tax increases as an offset. The Fed is committed to an accommodative monetary policy until we see full employment and sustained higher inflation, neither of which we are close to achieving yet. Treasury yields have normalized in response to the improved economic outlook, but we will continue to watch the pace of further increases. The barometer has shifted even further into positive territory in April and is still aligned with our modest overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid
Trend				●	US markets remain above 50-day and 200-day moving averages
Investor sentiment			●		Investor sentiment survey data has retreated from recent highs
Seasonality			●		Relatively weaker seasonal period post election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional spending package likely later in '21 but uncertainty around higher taxes
Monetary policy				●	Fed and global central banks remain very supportive
Inflation				●	Inflation at low levels but short-term inflation expectations have moved higher
Interest rate environment			●		Treasury yields still at low absolute levels and pace of normalization has slowed
Macroeconomic				●	Expect strong economic growth in 2021 driven by the COVID-19 vaccine/reopening
Business sentiment				●	CEO confidence increased sharply in 1Q2021 to a 17-year high
Consumer sentiment	→		●		Consumer confidence measures increased sharply in March
Corporate earnings				●	Year-over-year earnings growth turned positive in 4Q2020
Credit environment				●	Credit environment remains stable; little volatility in spreads

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
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

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