# Weekly Wire

APRIL 12, 2021

BRINKER CAPITAL INVESTMENTS

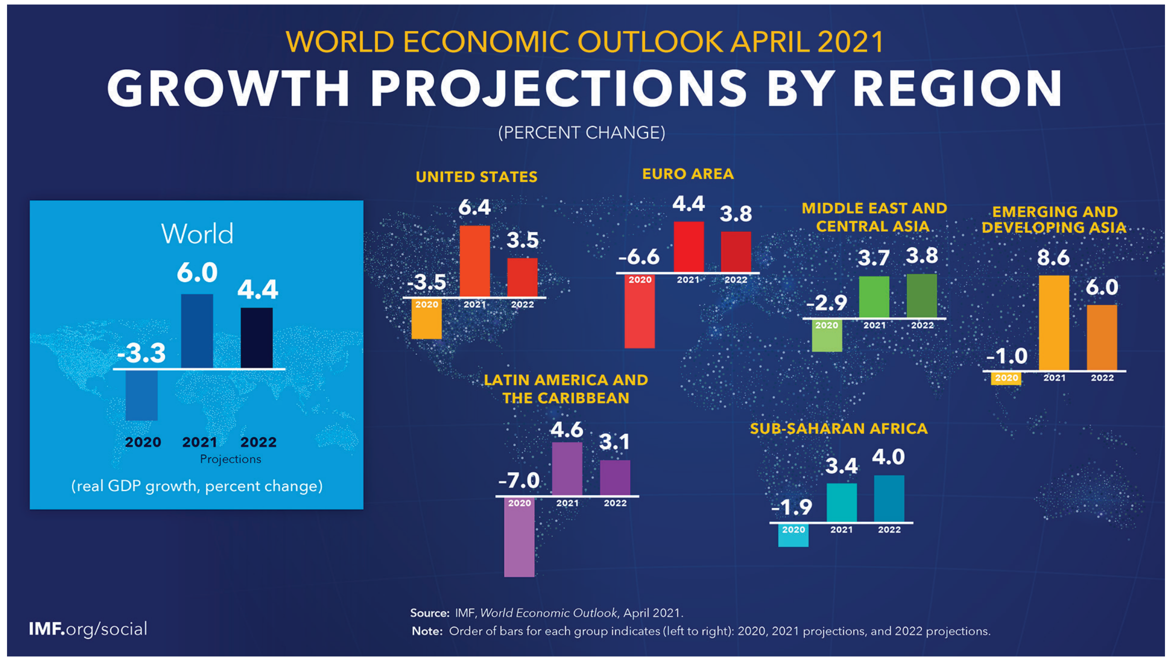
## One IMF Saves the World, the Other Upgrades the World (Economy)

The 7th installment of the Mission Impossible movie franchise starring Tom Cruise should hit theaters this November, twenty-five years after the premiere of the first film (which featured the great Anthony Hopkins and the great line, "Mr. Hunt, this isn't mission difficult, it's mission impossible. Difficult should be a walk in the park for you."). It would seem Mr. Cruise – and his cohorts on the Impossible Mission Force (IMF) – are ageless.

But as is often the case with the Weekly Wire, our focus isn't on some pop culture reference but how that pop culture reference ties back to the economy and capital markets. Which, somewhat ironically, keeps us focused on the IMF, but not Mr. Cruise's IMF, that other IMF – the International Monetary Fund – and what that IMF thinks about the world economy as we move further into 2021.

By way of background, the IMF was created in 1945, counts nearly 200 nations as members and is focused on, among other goals, fostering international monetary cooperation and sustainable economic growth. It is one of the most important transnational financial institutions of the post-WWII period. Well, that IMF just raised its forecast for global economic growth this year to 6% – nearly a full percentage point higher than its estimate from October 2020, and the greatest rate of global growth since the Fund began tracking data on a comparable set of countries in 1980.

Not surprisingly, greater growth expectations for the U.S. were a key catalyst for the upgrading of the Fund's global outlook, with the U.S. now projected to grow 6.4% this year (up nearly four percentage points from the October 2020 estimate). As we have written often of late, we are very optimistic on the U.S. economy as it gets pushed along by extraordinary policy support, flush consumer and corporate balance sheets and a robust housing market. Cue the cool theme music.




**Stocks, bonds, and commodities** (4/9/2021)

| Security name | Last | QTD chg | YTD chg | 12mo chg |
|---|---|---|---|---|
| S&P 500 | 4128.80 | 3.92% | 9.92% | 48.00% |
| MSCI AC World ex USA | 342.95 | 2.05% | 5.05% | 43.95% |
| MSCI EAFE | 2262.48 | 2.45% | 5.35% | 40.80% |
| MSCI EM | 1330.36 | 1.06% | 3.03% | 49.89% |
| Bloomberg Barclays US Agg | 105.68 | 0.50% | -3.81% | -3.15% |
| Crude Oil WTI | 59.34 | 0.30% | 22.30% | 160.72% |
| Natural Gas | 2.52 | -3.34% | -0.20% | 45.47% |

**Treasury rates** (4/9/2021)

| | Price | Yield |
|---|---|---|
| 2Y | 99.30 / 99.3 | 0.149 |
| 3Y | 99.24 / 99.2 | 0.328 |
| 5Y | 99.14 / 99.1 | 0.864 |
| 7Y | 99.16 / 99.1 | 1.322 |
| 10Y | 95.05 / 95.0 | 1.659 |
| 30Y | 90.06 / 90.0 | 2.332 |

**Weekly reports**

**This week**

- NAHB Housing Market Index
- U of M Consumer Sentiment Index

**Last week**

- Initial Claims: 744K
- PPI NSA Y/Y: 4.2%

# 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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