# Brinker Capital Market Barometer

JUNE 2021

BRINKER CAPITAL INVESTMENTS

With the US economy reopened, growth is picking up. Fiscal policy remains supportive and while there is a good chance of another fiscal spending package later this year, it will require tax increases as an offset. The Fed is committed to accommodative monetary policy until we see full employment and sustained higher inflation, neither of which we are close to achieving yet. Earnings growth has been very strong, reflecting the strength in nominal GDP. Treasury yields have normalized in response to the improved economic outlook, but we will continue to watch the pace of further increases. Inflation measures have picked up, but we expect the increase to be more transitory in nature as it is primarily driven by temporary supply and demand mismatches. Overall, the barometer remains tilted positively in June, aligned with our overweight risk positioning across portfolios.

## SHORT-TERM FACTORS (< 6 months)

| | CHANGE | NEGATIVE | NEUTRAL | POSITIVE | |
|---|---|---|---|---|---|
| Momentum | | | | ● | Market momentum remains strong |
| Trend | | | | ● | US markets remain above 50-day and 200-day moving averages |
| Investor sentiment | | ● | | | Excessive optimism and strong equity flows, but mitigated by strong momentum |
| Seasonality | | | ● | | Seasonality relatively benign until July |

## INTERMEDIATE-TERM FACTORS (6-36 months)

| | CHANGE | NEGATIVE | NEUTRAL | POSITIVE | |
|---|---|---|---|---|---|
| Fiscal policy | | | | ● | Additional fiscal stimulus likely in ‘21; concern over potential higher taxes |
| Monetary policy | | | | ● | Fed and global central banks remain very supportive |
| Inflation | ← | | ● | | Inflation has picked up recently; expect to be transitory but watching closely |
| 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 vaccine/reopening |
| Business sentiment | | | | ● | CEO confidence increased sharply in 1Q21 to a 17-year high |
| Consumer sentiment | | | | ● | Consumer confidence surveys have shown significant improvement |
| Corporate earnings | | | | ● | Earnings growth has continued to surge in 1Q21 |
| Credit environment | | | | ● | Credit environment remains stable; little volatility in spreads |

## LONG-TERM FACTORS (36+ months)

| | CHANGE | NEGATIVE | NEUTRAL | POSITIVE | |
|---|---|---|---|---|---|
| Valuation | | ● | | | Equity valuations well above long-term averages but not a near-term driver |
| Business cycle | | | | ● | We’ve entered a new expansion period with positive GDP growth since 3Q20 |
| Demographics | | | ● | | Mixed - US and emerging markets positive but developed international negative |

## SUMMARY

| | | |
|---|---|---|
| There were no changes to the short-term factors. While investor sentiment remains elevated and flows into equity funds and ETFs are positive, market momentum remains solid. | Within the intermediate-term factors, inflation was moved from a positive to a neutral as multiple inflation measures have shown increases and inflation expectations have moved higher as well. While our base case is that higher inflation will be transitory due to temporary supply/demand imbalances rather than longer-term structural issues, higher inflation for an extended period of time could force the Fed to act. | There were no changes to the **long-term factors**. |

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