# Weekly Wire

JUNE 1, 2021

BRINKER CAPITAL INVESTMENTS

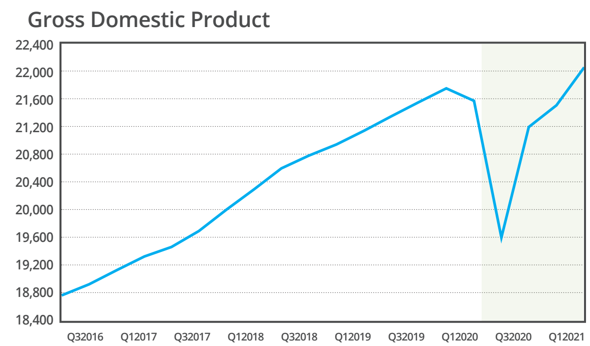
## Doing More with Less, a Lot More

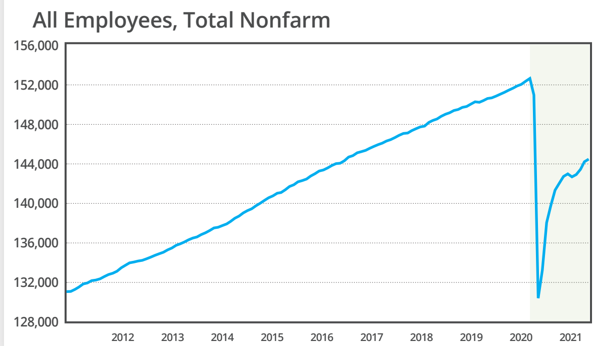
For as big, complex, and dynamic as the U.S. economy is, the formula for measuring and understanding its growth is straightforward: Economic growth is driven by growth in the size of the workforce and/or growth in productivity of that workforce (output per hour worked). While more people working and greater productivity per worker can both increase the size of the economy, only strong productivity growth can increase per capita GDP and income – allowing people to achieve a higher material standard of living without having to work more hours.

Which brings us to the subject of this week's Weekly Wire, the dramatic rebound in U.S. economic output in the face of an underwhelming rebound in total U.S. employment. Said differently, U.S. total economic output (e.g., Gross Domestic Product) is back to, if not slightly above, its pre-pandemic peak at approximately $22 trillion. Total U.S. employment measures 144 million employees – 8 million employees shy of the 152 million employees counted in February 2020. The U.S. economy is producing a lot more with a lot fewer workers.

At a high level, that means the U.S. economy has been experiencing meaningful gains in productivity; companies had to, and did, become much more efficient during the pandemic-driven downturn. Those gains in productivity should support future wage increases – a development which would reward those workers on the job today and should pull unemployed Americans back into the workforce.

That said, a key question pondered today on Wall Street (in addition to whether the spike in inflation is transitory or structural) is how many of those 8 million American workers won't be coming back to the workforce – either because of early retirement, health concerns or a skill set that is no longer relevant. How much spare capacity remains in the labor force, and how much of that capacity can be brought back online, will be a key determinant of how the economy performs over the coming years.




**Stocks, bonds, and commodities** (5/28/2021)

| Security name | Last | QTD chg | YTD chg | 12mo chg |
|---|---|---|---|---|
| S&P 500 | 4204.11 | 5.82% | 11.93% | 38.10% |
| MSCI AC World ex USA | 354.60 | 5.51% | 8.62% | 39.53% |
| MSCI EAFE | 2341.39 | 6.03% | 9.03% | 35.73% |
| MSCI EM | 1360.78 | 3.37% | 5.38% | 46.26% |
| Bloomberg Barclays US Agg | 105.77 | 0.57% | -3.73% | -3.94% |
| Crude Oil WTI | 67.26 | 13.69% | 38.62% | 89.52% |
| Natural Gas | 3.04 | 16.45% | 20.23% | 64.25% |

**Treasury rates** (5/28/2021)

| | Price | Yield |
|---|---|---|
| 2Y | 99.31 / 99.3 | 0.137 |
| 3Y | 99.28 / 99.2 | 0.287 |
| 5Y | 99.25 / 99.2 | 0.790 |
| 7Y | 99.31 / 100. | 1.250 |
| 10Y | 100.1 / 100. | 1.582 |
| 30Y | 102.1 / 102. | 2.262 |

**Weekly reports**

**This week**

- ISM Manufacturing May
- Nonfarm Payrolls May

**Last week**

- Richmond Fed Index May: 18.0
- UofM Inflation Expectations: May 4.6%

Chart sources: Federal Reserve Economic Data, as of 5/31/21. 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

MAY 2021

Growth has picked up as the economy continues to reopen. Fiscal policy remains 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 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. The barometer has shifted even further into positive territory in May, still aligned with our overweight risk positioning across portfolios.

## SHORT-TERM FACTORS (< 6 months)

| | CHANGE | NEGATIVE | NEUTRAL | POSITIVE | |
|---|---|---|---|---|---|
| Momentum | | | | ● | Market momentum remains strong; breadth is impressive |
| Trend | | | | ● | US markets remain above 50-day and 200-day moving averages |
| Investor sentiment | ← | ● | | | Sentiment at excessive optimism levels, 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 but expect increases to be more transitory |
| 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 |

Source: Brinker Capital. Information is accurate as of May 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 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.

1767-BCI-6/1/2021