Weekly Wire

JUNE 7, 2021

The USA Is Atypical

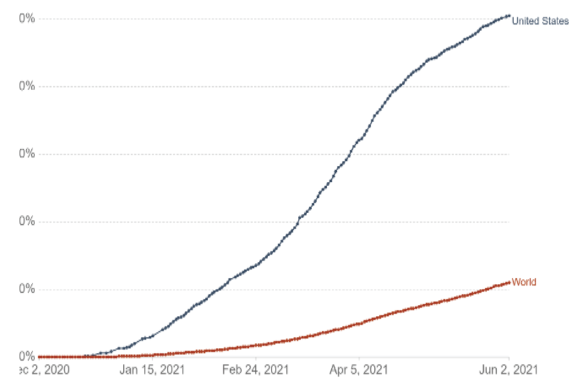
The recovery of the U.S. economy from its coronavirus-driven downturn has been, we think, remarkable. Consider that the unemployment rate has fallen from a peak of 14.8% to 5.8%; weekly jobless claims have fallen from a peak of 6.1 million to 385,000; and total employment has jumped 14 million jobs from a pandemic-driven low of 130 million to 144 million (if there is a weak spot in the economic recovery story, it is the number of Americans that remain out of the workforce, something we wrote about in last week's Weekly Wire). Additionally, gross domestic product (GDP) is back to, if not slightly above, its pre-pandemic peak at $22 trillion and the economy this year should grow – per the estimate of the Federal Reserve – 6.5%.

While much work remains on the economic front, we are living through a period of historic growth, and for that we are very grateful, particularly when one considers that the performance of our economy relative to every other major economy is atypical. More specifically, according to the Organization for Economic Cooperation and Development, the U.S. is the only major economy in which expectations for 2025 GDP among leading economists are higher today than in January of 2020. Said differently, the pandemic-driven downturn should leave every other economy smaller than they should have been in four years time, some dramatically so.

If we had to point to two factors that have put the U.S. in this enviable economic position, they would be the dramatic fiscal and monetary policy response to the downturn (our ability to print the world's reserve currency is indeed an exorbitant privilege) and the incredible progress made vaccinating our citizenry. Fifty percent of Americans have received at least one vaccine dose, while the vaccination rate for the world is 11%.

Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



Stocks, bonds, and commodities (6/4/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4229.89	6.47%	12.61%	32.44%
MSCI AC World ex USA	357.99	6.52%	9.66%	31.32%
MSCI EAFE	2357.79	6.77%	9.79%	27.69%
MSCI EM	1381.56	4.95%	6.99%	37.79%
Bloomberg Barclays US Agg	105.94	0.74%	-3.58%	-3.33%
Crude Oil WTI	69.38	17.28%	42.99%	75.42%
Natural Gas	3.10	18.83%	22.68%	73.91%

Treasury rates (6/4/2021)

	Price		Yield
2Y	99.30 /	99.3	0.149
3Y	99.27 /	99.2	0.295
5Y	99.26 /	99.2	0.782
7Y	100.0 /	100.	1.231
10Y	100.2 /	100.	1.553
30Y	103.0 /	103.	2.229

Weekly reports

This week

- NFIB Small Business Index May
- UofM Inflation Expectations June

Last week

- ISM Manufacturing May: 61.2
- Nonfarm Payrolls May: 559K

Chart source: Our World in Data, as of 6/6/21. 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

JUNE 2021

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

Source: Brinker Capital. Information is accurate as of June 2, 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.

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