Weekly Wire

JULY 26, 2021

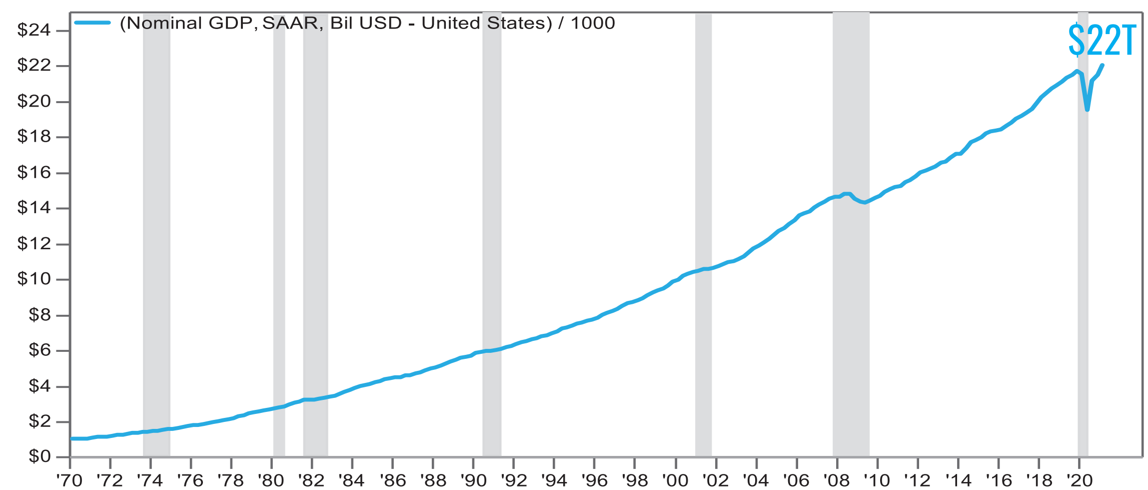
BRINKER CAPITAL INVESTMENTS

The National Bureau of Economic Research Makes it Official

While we have known for some time that the US economy had well moved on from the pandemic-driven recession of early 2020, the National Bureau of Economic Research (the NBER, the official arbiter of our nation's business cycle) made it official last week declaring the US economy exited recession in April 2020, following the briefest recession in the country's history (two months) and the most severe since just after WWII (the US economy contracted 3.5% for all of 2020 and a staggering 33% on an annualized basis in Q2 of 2020). We think most economic observers would ascribe the dramatic downturn in the economy to the public policy response to the pandemic – shut down the economy to mitigate the spread of the coronavirus – and the dramatic rebound in the economy to the monetary and fiscal response to the pandemic (interest rates to zero, trillions of dollars in government spending, etc.), and the unprecedentedly fast and successful vaccination development and distribution effort that allowed for the reopening of the economy.

As we move further into the summer of 2021, the US economy is back to if not above where it was from a GDP perspective pre-pandemic. While we are still several millions jobs short of where we were in early 2020, and the virulent delta strain of the coronavirus has prompted some economic restrictions to be put back in place, we are confident the economy will continue to grow rapidly into year-end. If history is any guide, this current economic expansion, which started in April 2020, should have more than two and a half years to run before the economy is at risk of recession. As we know, the US economy expands much more than it contracts and the average economic expansion in the post WWII period has run just shy of four years.

GDP - ($ trillions)



Stocks, bonds, and commodities (7/23/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4411.79	2.66%	17.46%	37.20%
MSCI AC World ex USA	346.81	-1.48%	6.23%	24.56%
MSCI EAFE	2307.08	0.09%	7.43%	24.05%
MSCI EM	1311.30	-4.61%	1.55%	23.65%
Bloomberg Barclays US Agg	106.98	0.70%	-2.62%	-4.06%
Crude Oil WTI	72.17	-1.77%	48.74%	74.79%
Natural Gas	4.05	10.82%	60.13%	116.66%

Treasury rates (7/23/2021)

	Price	Yield
2Y	99.27 / 99.2	0.202
3Y	99.31 / 100.	0.375
5Y	100.2 / 100.	0.715
7Y	101.1 / 101.	1.024
10Y	103.0 / 103.	1.275
30Y	110.0 / 110.	1.919

Weekly reports

This week

- Richmond Fed Index
- Q2 GDP SAAR Q/Q

Last week

- Housing Starts SAAR Jun 1,643K
- Markit PMI Manufacturing Jul 63.1

Brinker Capital Market Barometer

JULY 2021

The US economy is on track to experience strong growth in the second half of the year as COVID-19 vaccination rates climb and restrictions are eliminated. Fiscal policy is currently supportive; however, the additional spending package expected later this year will require tax increases as an offset. The Fed has reaffirmed its commitment to support the economy; however, recent higher inflation readings have caused concern for an earlier than expected unwinding of stimulus. Our base case is that the increase in inflation is more transitory in nature, driven by base effects and temporary supply and demand mismatches, but we continue to watch closely for signs it could become structural. Intermediate and long-term Treasury yields have declined from levels seen in April. Consumer and business sentiment continue to improve, and earnings growth is expected to reflect the strength in nominal GDP. Overall, the barometer remains tilted positively in July, aligned with our 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		●			Bullish sentiment has retreated in recent weeks but remains above its LT average
Seasonality	←	●			Entering more seasonally weak period historically

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 fell throughout the second quarter
Macroeconomic				●	Expect strong economic growth in 2021 driven by the vaccine/reopening
Business sentiment				●	CEO confidence increased again in 2Q to a record high level
Consumer sentiment				●	Consumer confidence surveys improved further in June
Corporate earnings				●	Expect continued strong earnings growth in 2Q
Credit environment				●	Credit spreads continue to tighten

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 July 15, 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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