Brinker Capital

FEBRUARY 2020

Brinker Capital Market Barometer

The weight of the evidence shifted even further into positive territory. The strong market rally following our November reallocation led portfolios to drift further overweight to risk, which is aligned with this view.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum has strengthened
Trend				●	Trend remains supportive
Investor sentiment	←	●			Sentiment has reached excessive optimism levels
Seasonality				●	Seasonality not as constructive as in 4Q, but still positive

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy	→			●	Fiscal policy supportive in 2020
Monetary policy				●	Fed on pause but remains accommodative; global central banks easing
Inflation				●	Global inflation low and inflation expectations muted
Interest rate environment			●		US yield curve has un-inverted but remains flat through 5 years
Macroeconomic	→			●	Continued strength in US labor market; improvement on trade
Business sentiment		●			CEO confidence remains a concern; small biz confidence more positive
Consumer sentiment				●	Consumer confidence solid
Corporate earnings			●		Expect improvement in global earnings in 2020
Credit environment				●	Credit spreads tight; little signs of credit market stress

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		US valuations > LT avgs but supported by low rates; more attractive ex-US
Business cycle			●		Longest expansion on record but also the slowest
Demographics			●		Mixed with US and emerging markets positive; developed intl negative

Brinker Capital

SUMMARY

Within the **short-term factors**, both market momentum and trend have continued to improve. While seasonality is not as strong as what we experienced in the fourth quarter, it remains positive to start the year. Investor sentiment, a contrarian indicator, moved from neutral to a negative factor. Investor sentiment surveys have reached excessive optimism territory, which is typically a bearish signal. However, with market trends still intact and credit conditions supportive, high levels of sentiment is less of a worry. With elevated sentiment levels, it would not be unexpected to see a short-term pull-back in response to headline risks, but we remain positive looking three to six months forward.

The **intermediate-term factors** remain positive overall. Fiscal policy was moved from a neutral to a positive factor as we expect government spending to be supportive in 2020, an election year. The macroeconomic environment was also moved from a neutral to a positive. We see stable growth in the US economy helped by a solid consumer and labor market, an improvement in global growth, and the easing of global trade tensions led by the Phase 1 deal with China. Low levels of CEO confidence remains a concern and has weighted on capital expenditures.

There are no changes to our evaluation of the **long-term factors**. While the duration of the economic recovery has been the longest in history, few signs point to a recession in the near-term. US equity valuations have risen above long-term averages, but are supported by low interest rates. Valuations outside of the US look more attractive.

BrinkerCapital.com

800.333.4573

1055 Westlakes Drive, Suite 250

Berwyn, PA 19312

Connect with us: BLOG

GREAT ***IDEAS*** + STRONG ***DISCIPLINE*** = BETTER ***OUTCOMES***™