Brinker Capital

WEEKLY WIRE | FEBRUARY 10, 2020

The Super Bowl - We're fans! The Super Bowl Indicator - Not so much

On Sunday, February 2, 100 million Americans watched Patrick Mahomes lead the Kansas City Chiefs to a stunning fourth-quarter comeback victory over the San Francisco 49ers in Super Bowl LIV, earning MVP honors for himself and delivering the franchise's first world championship in 50 years. It was a great game (our sympathies to any 49ers' fans reading this post)!

Now, when one considers the hype, the half time show, the commercials, the viewership, the number of folks who call in sick the day after the game, and the celebrity attendees its clear the Super Bowl is much more than a football game and even much more than our nation's most popular sporting event - it is a cultural phenomenon. For investors, this year's Super Bowl was even more than that; it was a very timely – and very welcomed – distraction. Consider that in January we had to contend with the coronavirus, a 600+ point drop in the Dow Jones Industrial Average, the US and Iran military conflict, the S&P 500 Index giving back all of its 4% intra-month gains, and our already difficult and challenged political and cultural discourse becoming even more difficult and challenged as impeachment moved forward and the 2020 campaign cycle kicked into gear. Beyond taking our minds off of a very tough January, the Super Bowl is of interest to many investors as the basis for one of the more novel market forecasting tools –The Super Bowl Indicator (SBI). Identified in the 1970s, the Super Bowl Indicator posits that when an NFC team – or a team that was in the NFL prior to the merger of the NFL and AFL – wins the big game, the market will be up for the year, but when a team from the AFC wins, the market will be down for the year. Over the past 50+ years, the SBI has been right about 75% of the time (though its track record over the past 20 years is much less impressive). Of course, correlation doesn't mean causation, which is a fancy way of saying that while the SBI is an entertaining, pop culture-based market forecasting tool, it has no forecasting power whatsoever. But, it's fun to talk about once a year, and like the Super Bowl, it's a welcome distraction after a very bumpy January. As always, with the market and the outlook for risk assets, our focus should be on monetary policy, fiscal policy, and fundamentals; and those factors keep us optimistic as we move further into 2020.

Year	Team	League	Conference	Market	Correct
'00	Rams	NFL	NFC	▼	No
'01	Ravens	exp	AFC	▼	Yes
'02	Patriots	AFL	AFC	▼	Yes
'03	Buccaneers	exp	NFC	▲	Yes
'04	Patriots	AFL	AFC	▲	No
'05	Patriots	AFL	AFC	▼	Yes
'06	Steelers	NFL	AFC	▲	No
'07	Colts	NFL	AFC	▲	No
'08	Giants	NFL	NFC	▼	No
'09	Steelers	NFL	AFC	▲	No
'10	Saints	NFL	NFC	▲	Yes
'11	Packers	NFL	NFC	▲	Yes
'12	Giants	NFL	NFC	▲	Yes
'13	Ravens	exp	AFC	▲	No
'14	Seahawks	exp	NFC	▲	Yes
'15	Patriot	AFL	AFC	▼	Yes
'16	Broncos	AFL	AFC	▲	No
'17	Patriots	AFL	AFC	▲	No
'18	Eagles	NFL	NFC	▼	No
'19	Patriots	AFL	AFC	▲	No
'20	Chiefs	NFL	AFC		

Stocks, bonds, and commodities (2/10/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3327.71	3.00%	-3.00%	22.89%
MSCI AC World ex USA	299.46	-0.73%	-0.73%	10.60%
MSCI EAFE	2030.29	-0.33%	-0.33%	12.50%
MSCI EM	1091.64	-2.07%	-2.07%	5.37%
Bloomberg Barclays US Agg	107.30	1.60%	1.60%	6.21%
Crude Oil WTI	49.87	-18.33%	-18.33%	-5.41%
Natural Gas	1.80	-18.00%	-18.00%	-30.51%

Treasury rates (2/10/2020)

	Price	Yield
2Y	99.310 / 99.31	1.387
3Y	100.110 / 100.1	1.377
5Y	99.302 / 99.30	1.385
7Y	99.310 / 99.31	1.504
10Y	101.160 / 101.1	1.582
30Y	107.080 / 107.1	2.047

Weekly reports

This week
- NFIB Small Business Index
- Capacity Utilization

Last week
- ISM Manufacturing 50.9
- Unemployment Rate 3.6%

Chart sources: https://en.wikipedia.org/wiki/Super_Bowl_indicator. Image source: https://nypost.com.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

FEBRUARY 2020

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

Source: Brinker Capital. Information is accurate as of January 24, 2020. 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.