

Brinker Capital Market Barometer

The weight of the evidence has shifted negative moving through March as the response to the COVID-19 pandemic results in significant negative impacts on global growth and confidence. Portfolios are positioned with an underweight to risk, which is in-line with this view.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Momentum weak; indiscriminate, liquidation selling
Trend		●			Trend weakened meaningfully; extreme oversold condition
Investor sentiment				●	Short-term sentiment in extreme pessimism; longer-term getting very close
Seasonality			●		Seasonality a neutral approaching second quarter

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Expect a fiscal policy response, but nature and timing is unclear
Monetary policy				●	Fed all in to support markets and economy; Global central banks taking action
Inflation				●	Global inflation low and inflation expectations muted
Interest rate environment		●			Treasury yields have fallen to record lows, a concerning signal for growth
Macroeconomic	←	●			US economic growth negative in 2Q due to measures taken to prevent the spread
Business sentiment		●			CEO confidence likely to remain weak due to virus and election uncertainty
Consumer sentiment	←		●		Beginning to see impact of virus on consumer confidence
Corporate earnings	←	●			Global revenues and earnings will be negatively impacted by COVID-19 in 2020
Credit environment			●		Credit environment has worsened; selective by industry

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation	→			●	Equity valuations now more attractive relative to long-term averages
Business cycle	←	●			US recession now the base case given disruptions caused by COVID-19
Demographics			●		Mixed with US and emerging markets positive; developed intl. negative

SUMMARY

We currently view this crisis as more of a temporary disruption in the economy, where both coordinated healthcare and powerful fiscal responses are required to bridge the gap. The US economy entered this crisis on strong footing with little evidence of excesses, but fiscal support is needed. Reports of a fiscal stimulus package of up to \$1 trillion would help to restore confidence and support the economy, but Washington, D.C. needs to move quickly. The Fed has swiftly gone all-in on promoting liquidity and market functioning, and we can expect easy monetary policy for the foreseeable future.

Within the **short-term factors**, both market momentum and trend have remained weak. Daily volatility has been extreme, with the VIX hitting an all-time high on Monday. Investor sentiment, a contrarian indicator, is positive, with survey readings in extreme pessimism territory and equity fund flows decidedly negative.

Within the **intermediate-term factors**, we have shifted the macroeconomic environment and corporate earnings from neutral to negative. US economic growth will be negative in the second quarter due to measures taken to prevent the spread of the virus and global earnings will also be negatively impacted. Consumer sentiment was moved from a positive to a neutral as we are beginning to see the impact of the virus on consumer confidence data.

Within the **long-term factors**, the business cycle was moved to a negative as a US recession, due to the disruptions caused by COVID-19, is now the base case. However, valuation is now a positive, with equity valuations below long-term average levels.

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Source: Brinker Capital. Information is accurate as of March 17, 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. BAROMETER_3-20