

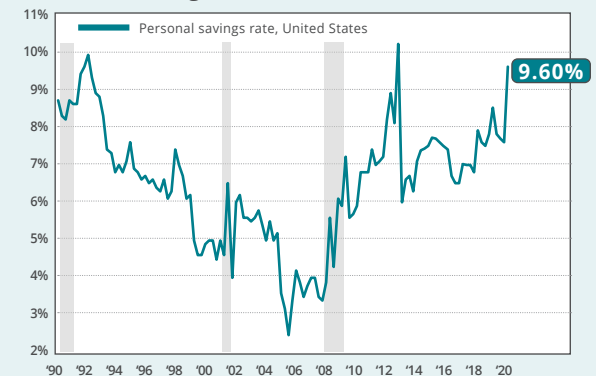
Pick a letter, any letter



We got our first look at Q1 Gross Domestic Product last week, and as expected, it wasn't pretty. While the Q1 GDP number is subject to revision, it showed the economy contracted (4.8%) Q to Q. If one considers that the coronavirus didn't hit the US economy hard until mid-March, and that our economy has been shut down since, a recession is a foregone conclusion, with Q2 GDP expected to contract about 30% Q to Q (a recession is defined as two consecutive quarters of negative GDP growth). As we have written before, the economic downturn caused by COVID-19 will be terribly sharp, but need not be terribly long, which will primarily be determined by the efficacy of the policy response from the Federal Reserve and the Federal Government, as well as consumer behavior post lockdown. We will all be hearing much over the coming weeks about the "shape"

of the current economic downturn and coming economic recovery, which brings us to the title of this week's Weekly Wire, "Pick a letter, any letter." Strategists and economists will wonder if the economic cycle will be "V" shaped (a very deep drop off, followed by a very sharp bounce higher); "U" shaped (a very sharp drop off followed by a period of little growth and then a robust recovery); or maybe "L" shaped (a very sharp drop off followed by a very long period of little to modest growth), while others will speculate this cycle will more resemble a J or a W. Truth be told, we don't know what the economic cycle will ultimately look like—we first need to understand the impact of the policy response and consumer behavior as the economy reopens. That said, we are confident the unprecedented policy response will mitigate the economic damage from COVID-19 and that we will continue to make meaningful progress in the containment and treatment of the virus, two dynamics that will set the stage for a reacceleration in economic growth. The other point worth remembering is that coming into this downturn the US consumer—the engine of US economic growth—was in good financial health, bolstered by a very healthy housing market and an elevated savings rate.

Personal savings rate



Stocks, bonds, and commodities (5/1/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2830.71	9.52%	-12.38%	-3.90%
MSCI AC World ex USA	243.57	6.05%	-19.26%	-14.93%
MSCI EAFE	1635.82	4.89%	-19.69%	-14.75%
MSCI EM	916.77	8.04%	-17.75%	-15.33%
Bloomberg Barclays US Agg	109.91	1.58%	4.07%	7.73%
Crude Oil WTI	19.69	-3.86%	-67.75%	-68.21%
Natural Gas	1.88	14.76%	-14.02%	-26.68%

Treasury rates (5/1/2020)

	Price	Yield
2Y	99.272 / 99.27	0.196
3Y	100.004 / 100.0	0.242
5Y	100.042 / 100.0	0.347
7Y	99.300 / 99.30	0.508
10Y	108.122 / 108.1	0.614
30Y	118.190 / 118.2	1.249

Weekly reports

This week
<ul style="list-style-type: none"> Initial Claims Hourly Earnings Y/Y
Last week
<ul style="list-style-type: none"> GDP Q1 (-4.8%) Chicago PMI 35.4

Brinker Capital Market Barometer

MAY 2020

The COVID-19 pandemic remains the key driver for the economy, financial markets, and confidence. We continue to view this health crisis as more of a temporary disruption to the economy, where a powerful policy response—both fiscal and monetary—has been put in place to bridge the gap. We expect the equity market to remain range-bound in the near term as we wait for continued improvement in the COVID-19 data and assess the gradual reopening of the economy.

SHORT-TERM FACTORS (< 6 months)					
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	→		●		Signs recovery is beginning to become more broad-based, but more is needed
Trend	→		●		Expect trading range until more clarity on therapeutics and economy reopening
Investor sentiment	←		●		Sentiment still leans bearish but not extreme; equity outflows moderated
Seasonality			●		Seasonality neutral in second quarter
INTERMEDIATE-TERM FACTORS (6-36 months)					
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Strong response but unclear on speed of implementation and if more is needed
Monetary policy				●	Fed all in to support markets and economy; Global central banks taking action
Inflation				●	Global inflation is low and inflation expectations are muted
Interest rate environment	→			●	Treasury yields remain at low levels but stable; yield curve has normalized
Macroeconomic		●			Significant growth decline in 2Q due to lockdowns to contain COVID-19
Business sentiment		●			CEO confidence likely to remain weak due to virus and election uncertainty
Consumer sentiment	←	●			Consumer confidence dropped to levels last seen in 2011
Corporate earnings		●			Global revenues and earnings will be negatively impacted by COVID-19 in 2020
Credit environment			●		Credit environment challenging but Fed has implemented support measures
LONG-TERM FACTORS (36+ months)					
	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation	←		●		Equity valuations back at long-term averages after April's move higher in prices
Business cycle		●			US recession expected given disruptions caused by COVID-19
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of April 30, 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-weighted 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.