

# What history will COVID-19 write?

## European Union Plans \$2 Trillion Coronavirus Response Effort



The COVID-19 pandemic has made history in more ways than one, including catalyzing an economic downturn that cost the US more than 20 million jobs and a policy response that saw the Federal Government pass the \$2.1 trillion CARES Act, the largest ever US economic rescue package. That said, we don't think COVID-19 is finished filling up our history books. We think the long-term consequences of the virus could prove much more meaningful than what we have seen to date.

Consider how the virus is impacting the European Union. As we know, the EU is an economic and political union of 27 nations born out of the post-World War II era in the hope that closer continental integration would enable Europe to avoid forevermore the conflict and bloodshed that colored not only the first half of the 20th century but several centuries prior. We also know it hasn't always been smooth sailing for the EU,

as it tries to reconcile a single currency (the Euro) and a single central bank (the European Central Bank), with a myriad of fiscal policies and transcontinental cultural and wealth disparities. The past decade has been particularly difficult, as the EU clawed its way back from the Great Recession, confronted a debt crisis that hit poorer members hardest (remember "PIIGS" – Portugal, Ireland, Italy, Greece, and Spain), and the UK departed. Then COVID-19 hit, and the virus – like the debt crisis – has both wracked poorer, southern members and exposed the financial chasm between the affluent north and the struggling south. Questions about the durability of the EU have begun to be asked – again. So Europhiles took heart when the EU's executive arm, the European Commission, proposed a \$2 trillion (about 1.85 trillion euro) coronavirus response plan, including a 750 billion euro crisis fund meant to directly assist those nations hit hardest by the pandemic. If approved, the plan would deepen the bloc's economic union and see it borrow on an unprecedented scale. While the history of the EU and COVID-19 remains to be written – and anything is possible – for now this awful pandemic seems to be pulling the continent closer together, rather than pushing it apart.

Inflation  
Deflation

Closer integration of the EU  
Disintegration of the EU  
Onshoring of US manufacturing assets  
US/China conflict  
Structurally larger US social safety net  
Some of the above  
None of the above

### Stocks, bonds, and commodities (5/29/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3044.31	17.79%	-5.77%	10.62%
MSCI AC World ex USA	254.15	10.65%	-15.75%	-5.73%
MSCI EAFE	1725.09	10.61%	-15.31%	-5.08%
MSCI EM	930.35	9.64%	-16.54%	-6.78%
Bloomberg Barclays US Agg	110.10	1.76%	4.25%	6.21%
Crude Oil WTI	35.32	72.46%	-42.16%	-33.98%
Natural Gas	1.84	12.20%	-15.94%	-25.02%

### Treasury rates (5/29/2020)

	Price	Yield
2Y	99.29 / 99.3	0.158
3Y	99.25 / 99.2	0.191
5Y	99.23 / 99.2	0.304
7Y	99.29 / 99.3	0.509
10Y	99.21 / 99.2	0.658
30Y	96.01 / 96.0	1.411

### Weekly reports

This week
<ul style="list-style-type: none"> <li>Nonfarm Payrolls</li> <li>Unemployment Rate</li> </ul>
Last week
<ul style="list-style-type: none"> <li>MBA 30-Year Mortgage Rate 3.4%</li> <li>Chicago PMI 32.3</li> </ul>

# 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.