

Brinker Capital Market Barometer

The COVID-19 pandemic remains the key driver for the economy, financial markets, and confidence over the near term. Fiscal and monetary policy continue to be supportive, and the economic data has improved off the bottom as we continue the slow process of reopening. We expect the equity market to remain range-bound in the near term as we await measured improvement in the COVID-19 data, and we expect a slow, uneven economic recovery.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Momentum remains strong
Trend			●		Expect continued trading range until more clarity on economy reopening
Investor sentiment			●		Sentiment still bearish but not extreme; equity outflows continue
Seasonality	←	●			Seasonality a headwind but not the key driver

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Very strong fiscal response; more debate expected on next round
Monetary policy				●	Fed all in to support markets and economy; Global central banks taking action
Inflation				●	Global inflation low and inflation expectations continue to fall
Interest rate environment				●	Treasury yields remain at low levels but stable; yield curve has normalized
Macroeconomic	→		●		Macroeconomic data has bottomed; slow improvement following reopenings
Business sentiment		●			CEO confidence still weak but expectations for the economy have improved
Consumer sentiment	→		●		Consumer confidence increased in June, but remains below pre-pandemic levels
Corporate earnings		●			Global revenues and earnings will be negatively impacted by COVID-19 in 2020
Credit environment				●	Credit environment continues to improve and Fed remains supportive

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations above long-term averages but not a near-term driver
Business cycle	→		●		US exited recession that began in February; recovery will be uneven
Demographics			●		Mixed - US and emerging markets positive but developed international negative

SUMMARY

Within the short-term factors, seasonality has moved from a neutral to a negative factor. Seasonality tends to be a headwind leading up to the election; however, we don't expect it to be a key driver of markets.

Within the intermediate-term factors, the macroeconomic environment and consumer confidence both moved from negative to neutral. We have already seen the bottom in the economic data, and we expect a slow and uneven recovery due to the impact of COVID-19. Consumer confidence increased in June, but remains below pre-pandemic levels.

Within the long-term factors, business cycle has moved from a negative to a neutral factor as the US has exited the recession that began in February.

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