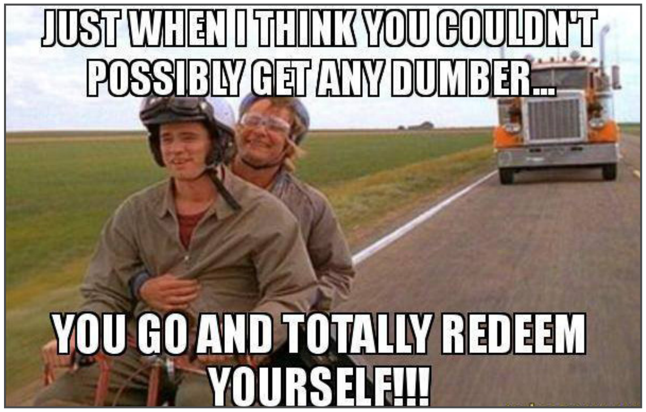
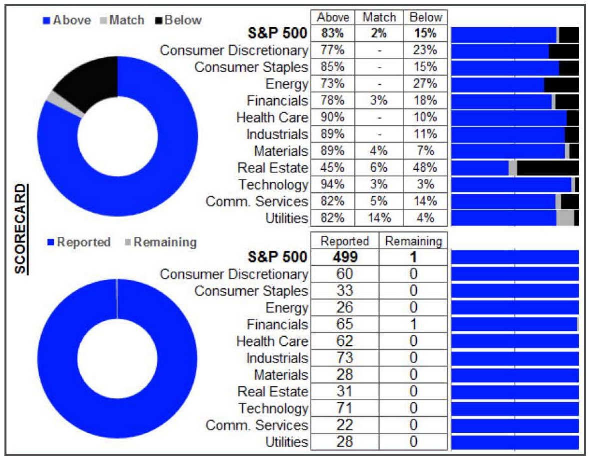
Sometimes, it's all about expectations



Sometimes in life it's not so much what you do, it's what you do relative to what the world expects of you, like Lloyd Christmas in Dumb & Dumber, totally redeeming himself in the eyes of Harry Dunne when he trades their van "straight up, to a kid in town" for a moped that gets 70 MPGs. The same dynamic applies to Wall Street, specifically when it concerns how corporate earnings come in relative to what investors expected. A case in point is Q2 2020 earnings season. It has been a doozy of an earnings season for the companies that make up the S&P 500 Index, with earnings off 30% year-on-year, the worst since Q1 2009, when the country was in the midst of the Great Recession. While a 30% haircut in earnings is painful, the world thought results were going to be even worse as we entered Q2 earnings season. In fact, with 499 of the S&P 500 companies having reported quarterly earnings results, 83% have topped expectations, the highest percentage on record, dating back to 1994, and well above the long-term average of 65%. That quarterly performance relative to investors' expectations – and what it says about the disconnect between how Wall Street thought the economy was performing and how it actually was performing – are important, and legitimate, catalysts for the dramatic rally in US equities these past several months. Finally, with the S&P 500 Index up 1.41% since August 3, our Election Countdown Calculator is indicating President Trump will win reelection come November 3.



	Above	Match	Below
S&P 500	**83%**	**2%**	**15%**
Consumer Discretionary	77%	-	23%
Consumer Staples	85%	-	15%
Energy	73%	-	27%
Financials	78%	3%	18%
Health Care	90%	-	10%
Industrials	89%	-	11%
Materials	89%	4%	7%
Real Estate	45%	6%	48%
Technology	94%	3%	3%
Comm. Services	82%	5%	14%
Utilities	82%	14%	4%

	Reported	Remaining
S&P 500	**499**	**1**
Consumer Discretionary	60	0
Consumer Staples	33	0
Energy	26	0
Financials	65	1
Health Care	62	0
Industrials	73	0
Materials	28	0
Real Estate	31	0
Technology	71	0
Comm. Services	22	0
Utilities	28	0

Election countdown calculator

Stocks, bonds, and commodities (9/11/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3340.97	7.76%	3.41%	11.09%
MSCI AC World ex USA	284.97	7.54%	-5.54%	0.75%
MSCI EAFE	1896.99	–	–	–
MSCI EM	1091.79	9.72%	-2.05%	6.35%
Bloomberg Barclays US Agg	110.68	0.22%	4.80%	5.35%
Crude Oil WTI	37.39	-4.79%	-38.77%	-31.83%
Natural Gas	2.25	28.50%	2.79%	-13.93%

Treasury rates (9/11/2020)

	Price	Yield
2Y	99.31 / 100.0	0.125
3Y	99.29 / 99.3	0.149
5Y	100.0 / 100.0	0.244
7Y	100.1 / 100.0	0.444
10Y	99.18 / 99.1	0.669
30Y	99.00 / 99.0	1.415

Weekly reports

This week

- August Housing Starts SAAR
- UofM Consumer Sentiment

Last week

- NFIB Small Business Index 100.2
- Initial Claims 884K

Brinker Capital Market Barometer

SEPTEMBER 2020

We continue to focus on the COVID-19 pandemic and the upcoming election as key drivers for the economy, financial markets, and confidence over the near term. The Federal Reserve has expanded monetary policy support with the introduction of a more flexible inflation target. Fiscal policy remains supportive, and we expect an additional fiscal package will still be completed. We also expect the equity market to remain range-bound in the near term as we navigate an uneven economic recovery. Overall, the barometer leans neutral to slightly positive, in-line with our modest overweight to risk across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Momentum remains solid
Trend				●	US markets above 50-day and 200-day moving averages
Investor sentiment			●		Sentiment surveys show optimism but equity outflows continue
Seasonality		●			Seasonality weaker through October, especially during election cycle

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Very strong fiscal response; debate on additional package continues
Monetary policy				●	Fed all in to support markets and economy; Global central banks also supportive
Inflation				●	Global inflation low; Fed committed to more flexibility with inflation target
Interest rate environment				●	Treasury yields remain at low levels but stable; yield curve positively sloped
Macroeconomic			●		Macroeconomic data has bottomed; uneven improvement as economy reopens
Business sentiment		●			CEO confidence improved in 2Q but still weak; small biz optimism improving
Consumer sentiment		●			Consumer confidence declined further in July on coronavirus concerns
Corporate earnings		●			Looking for improvement after negative impact of COVID-19 on 1H results
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