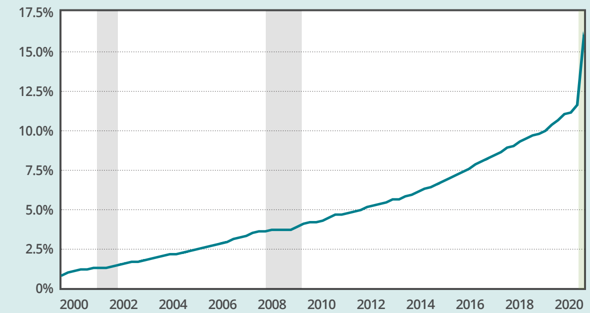
Considering the long-term economic consequences of COVID-19

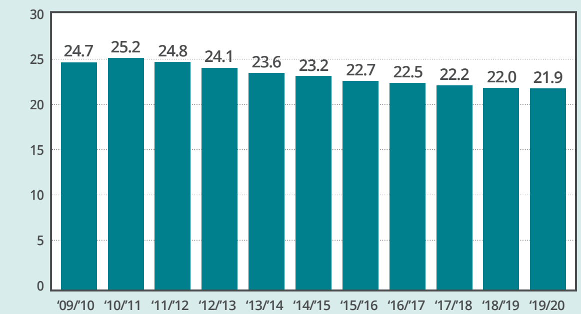
COVID-19 is first and foremost a healthcare crisis, and its impact on the world has been devastating. That said, as investors, we must try to determine the long-term economic consequences of the pandemic. Below are some economic developments we think the virus is bringing about or is accelerating:

- The transition from bricks and mortar to online retail. E-commerce as a percentage of all sales jumped five percentage points this year to 16.1%. The competitive pressure on traditional retailers, and owners of retail real estate, should continue. Ironically, much of traditional retail real estate could survive if it is retrofitted for storing and shipping goods purchased online.
- Rethinking how and where we work. Eventually, we will go back into the office, but companies are likely to keep a meaningful percentage of employees working remotely post-pandemic. Cities will likely see lower tax revenues as workers no longer commute in, while landlords will need to repurpose an untold amount of excess corporate office space.
- The decline of the four-year university. Undergraduate enrollment has been falling for years; demographics, cost, and the rise of remote learning, along with other forces, will make it very difficult for traditional universities to attract enough students to cover their expenses. The way education is "delivered" will need to be reimagined while hundreds of universities will likely close.
- Inflation or deflation. Our policy response to the pandemic has been unprecedented, with the Federal Reserve cutting interest rates to zero and launching a massive securities purchase program, and the federal government running historically large fiscal deficits. Those actions will likely either feed inflation as the economy reopens or feed deflation as accumulated debt weighs on economic growth. While it is too early to know, but the impact on interest rates, and with it the expected rate of return across asset classes, should be dramatic.

E-Commerce Retail Sales as a Percent of Total Sales



Undergraduate enrollment in US colleges and universities from 2009/2010 to 2019/2020 (millions)



Stocks, bonds, and commodities (11/20/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3557.54	5.78%	10.11%	14.38%
MSCI AC World ex USA	308.30	10.18%	2.20%	6.62%
MSCI EAFE	2035.27	9.70%	-0.08%	3.58%
MSCI EM	1209.26	11.76%	8.49%	15.33%
Bloomberg Barclays US Agg	110.10	0.01%	4.25%	3.98%
Crude Oil WTI	42.47	5.59%	-30.45%	-26.48%
Natural Gas	2.78	10.09%	27.09%	2.66%

Treasury rates (11/20/2020)

	Price		Yield
2Y	99.30 /	0.00	0.153
3Y	100.0 /	0.00	0.208
5Y	99.12 /	0.00	0.371
7Y	99.08 /	0.00	0.606
10Y	100.1 /	0.00	0.830
30Y	102.0 /	0.00	1.529

Weekly reports

This week

- Consumer Confidence
- Richmond Fed Index

Last week

- Empire State Index 6.3
- NAHB Housing Market Index 90

Chart sources: Top - US Census Bureau and FRED, as of 4/1/2020. Bottom - Statista, as of 10/27, 2020. The views expressed are those of Brinker Capital and are not intended as investment advice or recommendation. For informational purposes only.

Brinker Capital Market Barometer

NOVEMBER 2020

Despite uncertainty surrounding the outcome at the top of the ticket, the election results will likely leave us with a divided government, which we view as a positive outcome for markets. The ongoing COVID-19 pandemic's impact on economic growth will continue to be a factor in the near term. The Federal Reserve remains extremely supportive from a monetary policy perspective, and we expect additional fiscal support from Washington, D.C. in the coming months. Overall, the barometer tilts positive, in-line with our modest overweight to risk across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid
Trend				●	Market trends positive; US markets above 50-day and 200-day moving averages
Investor sentiment			●		Sentiment surveys show optimism but equity outflows continue
Seasonality	→ →			●	Seasonality stronger in months following a Presidential Election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Expect additional fiscal policy support in the coming months
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 improved, but recovery will likely be uneven
Business sentiment	→		●		Both CEO confidence and small business confidence surveys have improved
Consumer sentiment		●			Continues to improve, but remains below pre-pandemic levels
Corporate earnings	→		●		Significant improvement in earnings growth in 2Q and 3Q; y/y growth still negative
Credit environment				●	Credit environment is stable 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 uneven in short term
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of November 4, 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-weighed 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.