

To Better Times

While we may have turned the page on 2020, the challenges and uncertainties of the old year have followed us into the new year – the coronavirus continues to ravage our country and we still don't know what party will control the US Senate, and as a result, what U.S. fiscal policy might look like in 2021.

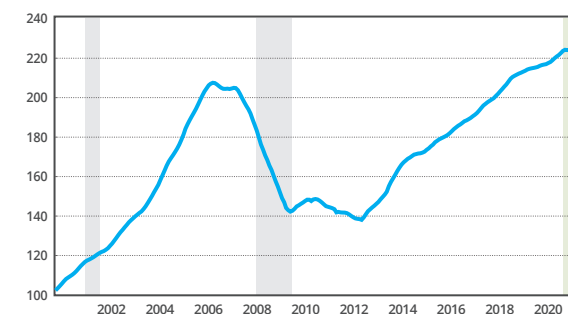
That said, at the risk of sounding pollyannaish, and in no way seeking to minimize the ongoing suffering caused by the coronavirus, we are very optimistic on the outlook for our country and our economy as we move into the new year. The most important datapoint supporting an optimistic worldview is progress on the COVID-19 vaccination front; we can see the light at the end of the pandemic tunnel. Beyond that, there is exceptionally supportive monetary policy, home prices at record levels (but without the excess supply that marked the housing bubble of the late 2000s), an elevated consumer savings rate, record levels of cash on corporate balance sheets and low interest rates, which support spending, keep borrowing costs low and flatter risk assets, particularly stocks.

As the economy reopens in 2021, we expect to see a surge in consumer and corporate spending. It is quite possible our economy grows at 5% in 2021, a rate of growth we haven't seen since the early 1980s. We do see better days ahead. While we all likely want to move on from 2020, it might be worth considering for a moment what our country faced and came through last year – a global pandemic, civil unrest, the most divisive election in a hundred years or more, and the sharpest economic downturn since the Great Depression. As we said often in 2020, hard times come, but hard times go. Here's to better times.

Why we are optimistic on the economy in 2021

- Home prices are at an all-time high; saving rates remain elevated
- The US consumer, corporate America are in great financial shape
- Monetary and fiscal policy remain supportive
- Lack of excess, meaningful spare capacity
- Vaccinations taking place; re-opening in sight
- Unprecedented corporate innovation in 2020
- 4-5% GDP growth possible

S&P/Case-Shiller 20-City Composite Home Price Index



Stocks, bonds, and commodities (1/1/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3756.07	0.00%	0.00%	16.26%
MSCI AC World ex USA	326.46	0.00%	0.00%	8.22%
MSCI EAFE	2147.53	0.00%	0.00%	5.43%
MSCI EM	1291.26	0.00%	0.00%	15.84%
Bloomberg Barclays US Agg	109.87	0.00%	0.00%	4.03%
Crude Oil WTI	48.52	0.00%	0.00%	-20.54%
Natural Gas	2.53	0.00%	0.00%	15.40%

Treasury rates (1/1/2021)

	Price	Yield
2Y	100.0 / 100.	0.117
3Y	99.27 / 99.2	0.168
5Y	100.0 / 100.	0.361
7Y	99.26 / 99.2	0.649
10Y	99.18 / 99.1	0.917
30Y	99.13 / 99.1	1.648

Weekly reports

This week
• Nonfarm Payrolls Dec.
• Unemployment Rate
Last week
• Chicago PMI 59.5
• Initial Claims 787K

Brinker Capital Market Barometer

DECEMBER 2020

With the presidential election behind us, the focus has shifted back to the ongoing COVID-19 pandemic and its impact on economic growth. 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. We continue to monitor the runoff elections in Georgia as an outcome of a divided government is likely priced into markets, and any deviation from that may result in near-term volatility. 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 and has improved recently
Trend				●	Market trend positive; US markets above 50-day and 200-day moving averages
Investor sentiment	←	●			Surveys and other sentiment measures pointing toward excess optimism
Seasonality				●	Seasonality stronger in months following a Presidential Election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional fiscal support required to offset effects of new COVID-19 restrictions
Monetary policy				●	Fed all-in to support markets and economy; Global central banks also supportive
Inflation				●	Global inflation low and showing few signs of moving higher in the near term
Interest rate environment				●	Treasury yields remain in a trading range; yield curve positively shaped
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		●			Improvement has stalled and 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; spreads continue to tighten

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 December 14, 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.