Weekly Wire

JANUARY 19, 2021

BRINKER CAPITAL INVESTMENTS

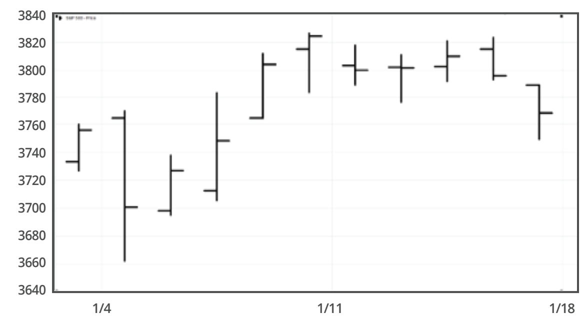
As goes January... so far, so good

As you might expect, an institutional investment firm like ours spends most of its time monitoring and interpreting economic and market indicators, tracking portfolio and strategy performance, and rebalancing exposure to major and minor asset classes – all with an eye towards providing our clients with the maximum rate of return for the least possible risk. While the economy and the markets are always different day to day (which is one of the things that makes this business so fascinating) there are performance patterns on Wall Street that have held true for decades which, even if they can't always be explained, are fascinating, and are another way of approaching and interpreting capital markets.

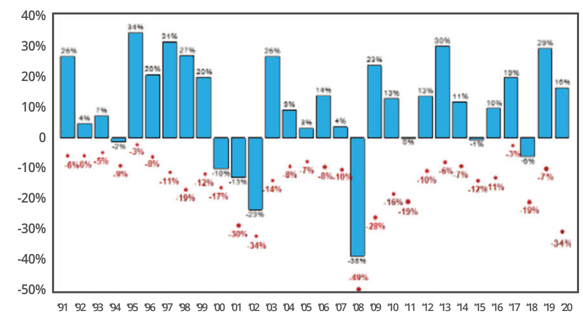
Among the better-known patterns on Wall Street are the seasonal nature of returns explained by "Sell in May and go away" and the electoral pattern of returns explained by "The Presidential Cycle." In the case of the former, markets tend to do best from the fall through the spring, and in the case of the latter markets tend to do best in the third year of a President's term. There are competing theories as to why the seasonal pattern has held for so long, while most market participants put the Presidential Cycle down to an administration's desire to see the economy cooking with gasoline as they (or their party's nominee) move closer to election day.

Which brings us to another, well known pattern on Wall Street, and one particularly worth considering this time of year: "As goes January, so goes the year," which is another way of saying how the market performs in the first month of the year is how it's likely to perform for the full year. Since 1950, the January return stream of the S&P 500 has been consistent with its full year return stream about 85% of the time. In trying to explain the pattern, the most settled-on idea seems to be that investor expectations for the year are set in January and can become self-fulfilling. Well, two weeks into the new year, the S&P 500 is up approximately 0.30%; so far, so good. Maybe the more important pattern to focus on is that markets, over time, go up much more than they go down.

S&P 500 Year To Date 2021



S&P 500 Intra Year Declines vs. Calendar Year Return (Price)



Stocks, bonds, and commodities (1/15/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3768.25	0.32%	0.32%	13.17%
MSCI AC World ex USA	335.79	2.86%	2.86%	9.54%
MSCI EAFE	2184.94	1.74%	1.74%	6.18%
MSCI EM	1358.03	5.17%	5.17%	18.42%
Bloomberg Barclays US Agg	108.97	-0.82%	-0.82%	2.78%
Crude Oil WTI	52.04	7.25%	7.25%	-11.16%
Natural Gas	2.71	7.21%	7.21%	35.20%

Treasury rates (1/15/2021)

	Price		Yield
2Y	99.31 /	100.	0.125
3Y	99.24 /	99.2	0.198
5Y	99.20 /	99.2	0.447
7Y	99.00 /	99.0	0.771
10Y	98.00 /	98.0	1.089
30Y	95.05 /	95.0	1.835

Weekly reports

This week

- NAHB Housing Market Index
- Philadelphia Fed Index

Last week

- Empire State Index 3.5
- Retail Sales Dec. 2.9%

Brinker Capital Market Barometer

JANUARY 2021

Our focus continues to be on the COVID-19 pandemic and its impact on economic growth. News on the vaccine has been very positive; however, the rollout has been slower than expected. 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. This policy support should continue to provide a bridge for the economy in the near term until we can fully reopen. 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	←		●		Entering relatively weaker seasonal period post election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional fiscal stimulus likely in near-term with Democratic sweep
Monetary policy				●	Fed and global central banks remain supportive
Inflation				●	Inflation at low levels but watch for increasing inflation expectations
Interest rate environment				●	Treasury yields remain low but biased higher; yield curve to steepen
Macroeconomic			●		Macroeconomic data has improved; recovery will be driven by vaccine/reopening
Business sentiment			●		Both CEO confidence and small business confidence surveys have improved
Consumer sentiment		●			Consumer confidence measures declined in 4Q2020
Corporate earnings			●		Expect improvement in earnings growth to continue in 4Q2020
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

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