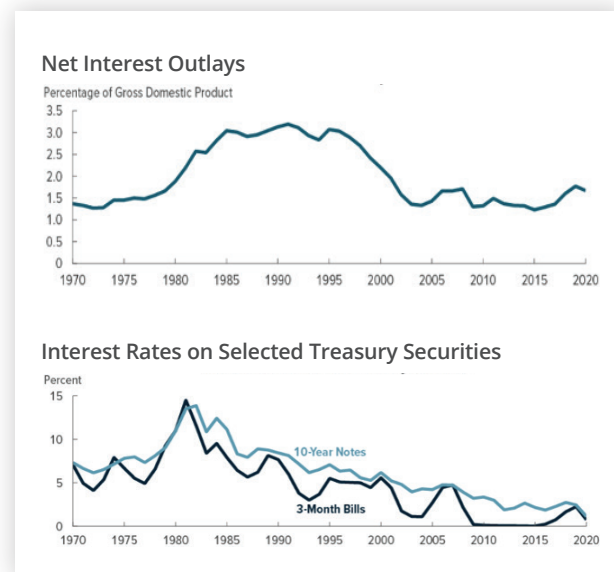


## When It Comes To US Debt, What Matters Most? The Amount? The Cost? Both?

We are not breaking any news when we write that US debt outstanding and the federal deficit are historically large numbers – on both an absolute and a relative basis – with the former now north of 100% of gross domestic product, or GDP. And as it concerns the debt, we are asked frequently when it might prove to be a headwind for the economy. Often cited concerns are government borrowing crowding out private sector borrowing, debt-financed government spending fueling inflation, and annual borrowing costs (i.e., net interest expense) preventing federal outlays on more productive and needed areas of investment, say infrastructure and national security.

Our answer remains the same – we don't know. We do know markets have had no problem funding government and corporate borrowing through the pandemic; inflation is muted, and the US government's annual borrowing costs remain near a multi-decade low of 1.6% of GDP. So, even though debt outstanding has skyrocketed, the cost of servicing that debt has remained reasonable, with the primary driver of that pleasant development being still historically low interest rates on US government bills, notes and bonds.

Our debt and the cost of servicing that debt should have a meaningful impact on the economy, someday; but that day has not yet come. And to circle back to the questions asked in this week's Weekly Wire headline – from our perspective, near-term, the cost to service the debt matters the most to the economy. With US borrowing costs near historic lows, the Biden Administration has a very powerful argument in favor of additional deficit spending to pay for its proposed \$1.9 trillion economic rescue package. We expect most, if not all, of the proposed \$1.9 trillion package to pass, providing a meaningful boost to the economy into the back half of 2021.



### Stocks, bonds, and commodities (2/19/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3906.71	4.01%	4.01%	15.82%
MSCI AC World ex USA	346.75	6.22%	6.22%	16.53%
MSCI EAFE	2232.56	3.96%	3.96%	11.42%
MSCI EM	1430.03	10.75%	10.75%	30.56%
Bloomberg Barclays US Agg	107.40	-2.25%	-2.25%	-0.12%
Crude Oil WTI	59.04	21.68%	21.68%	9.58%
Natural Gas	3.08	22.01%	22.01%	60.52%

### Treasury rates (2/19/2021)

	Price	Yield
2Y	100.0 / 0.00	0.109
3Y	99.22 / 0.00	0.220
5Y	98.30 / 0.00	0.589
7Y	98.13 / 0.00	0.982
10Y	97.31 / 0.00	1.340
30Y	94.04 / 0.00	2.140

### Weekly reports

This week
• New Home Sales SAAR
• Chicago PMI
Last week
• Empire State Index: 12.1
• Existing Home Sales SAAR: 6,690K

# Brinker Capital Market Barometer

FEBRUARY 2021

Our focus continues to be on the COVID-19 pandemic and its impact on the economy. The vaccine rollout, while challenging at first, has improved, and is key to addressing the health problem. Accommodative monetary and fiscal policy continue to provide a bridge for the economy in the near term until we can fully reopen, and this support will be further bolstered by an additional fiscal stimulus bill 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 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 by end of 1Q
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		●			Slight improvement in consumer confidence measures in January
Corporate earnings			●		Expect improvement in earnings growth to continue in 4Q
Credit environment				●	Credit environment is stable; little volatility in spreads

## LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations above long-term averages but not a near-term driver
Business cycle	→			●	We've entered a new expansion period with positive GDP growth since 3Q2020
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of February 3, 2021. 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.