Weekly Wire
•••
MARCH 15, 2021

BRINKER CAPITAL INVESTMENTS

Don't Call It A Comeback

Despite a down day Friday, it was a good week for the tech-heavy Nasdaq Composite, with the index up more than 3% for the week. It would seem, after a rough few weeks, growth stocks are finding their footing. But we wouldn't call it a comeback; growth stocks, on balance, have had a remarkable 12-year run, with the Russell 1000 Growth Index outperforming the Russell 1000 Value Index by about 400% from 2009 through 2020.

That said, it seems the dramatic and long-lived outperformance of growth, married with the recent outperformance of value and the likely (at least near-term) persistence of the factors aiding value stocks, including a strengthening economy and a backing up in bond yields, has many wondering if we are finally witnessing the passing of the performance baton from growth to value.

Our two cents is it is too early to tell. While we do believe ongoing policy support for the economy – both monetary policy and fiscal policy – will create an environment supportive of traditional value equities, we wonder if that environment will persist as policy support wanes. Consider that pre-pandemic, we had an exceptionally long economic expansion, but one that was marked by low interest rates and modest GDP growth – conditions that are supportive of faster growing companies.

We would also note that during that 2009–2020 run for growth stocks, value stocks did manage to outperform in three of twelve years, but never for two or more years in a row. For now, we have taken a neutral position toward growth vs value. We are also emphasizing actively managed strategies that can take advantage of heightened market volatility, another factor we see persisting near-term.

> "Don't call it a comeback, I've been here for years.
> - LL Cool J

Stocks, bonds, and commodities (3/12/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3943.34	4.99%	4.99%	45.46%
MSCI AC World ex USA	339.87	4.11%	4.11%	50.62%
MSCI EAFE	2219.30	3.34%	3.34%	49.93%
MSCI EM	1348.20	4.41%	4.41%	51.28%
Bloomberg Barclays US Agg	105.46	-4.01%	-4.01%	-1.93%
Crude Oil WTI	65.90	35.82%	35.82%	107.69%
Natural Gas	2.59	2.41%	2.41%	38.42%

Treasury rates (3/12/2021)

	Price	Yield
2Y	99.30 / 99.3	0.145
3Y	99.22 / 99.2	0.344
5Y	98.11 / 98.1	0.840
7Y	98.29 / 98.2	1.287
10Y	95.12 / 95.1	1.627
30Y	89.07 / 89.0	2.378

Weekly reports

This week
- Capacity Utilization February
- Philadelphia Fed Index March

Last week
- NFIB Small Business Index: 95.8
- Initial Claims: 712K

Growth vs. Value

Growth outperforms by 93% cumulative over 4 years (1996–1999)
Value outperforms by 99% cumulative over 7 years (2000–2006)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Russel 1000 Growth	23.12	30.49	38.71	33.16	-22.42	-20.41	-27.88	29.75	6.30	5.26	9.07	11.81	-38.44
Russel 1000 Value	21.64	35.18	15.63	7.35	7.01	-5.59	-15.52	30.03	16.49	7.05	22.25	-0.17	-36.85
Spread	1.48	4.69	23.08	25.81	29.44	14.83	12.36	0.28	10.19	1.79	13.17	11.99	1.59

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD*
Russel 1000 Growth	37.21	16.71	2.64	15.26	33.48	13.05	5.67	7.08	30.21	-1.51	36.39	38.49	0.52
Russel 1000 Value	19.69	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	10.47
Spread	17.52	1.20	2.25	2.25	0.96	0.40	9.49	10.26	16.55	6.75	9.85	35.70	9.95

Growth outperforms by 408% cumulative over 12 years
Value still outperformed in 3 of 12 calendar years

Brinker Capital Market Barometer

MARCH 2021

We expect a broadening of economic growth as the vaccine rollout ramps up further which will lead to a more robust reopening of the US economy. Another large fiscal package should be passed in the coming weeks, leading to stimulus checks in the hands of consumers in April. The Fed is committed to an accommodative monetary policy until we see full employment and sustained higher inflation, neither of which we are close to achieving yet. We view the recent sharp move higher in Treasury yields as more of a normalization process given the improved economic outlook rather than expectations for a less dovish Fed; however, the pace of the increase has resulted in a pickup in volatility which could continue in the near term. The barometer has shifted even further into positive territory in March, still aligned with our modest overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid
Trend				●	US markets remain above 50-day and 200-day moving averages
Investor sentiment	→		●		Investor sentiment survey data has retreated from recent highs
Seasonality			●		Relatively weaker seasonal period post election

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional $1.9 trillion fiscal stimulus headed for passage in March
Monetary policy				●	Fed and global central banks remain very supportive
Inflation				●	Inflation at low levels but short-term inflation expectations have moved higher
Interest rate environment	←		●		Treasury yields still at low absolute levels but pace of normalization is of concern
Macroeconomic	→			●	Expect strong economic growth in 2021 driven by the vaccine/reopening
Business sentiment	→			●	CEO confidence increased sharply in 1Q21 to a 17-year high
Consumer sentiment		●			Consumer confidence measures remain relatively weak
Corporate earnings	→			●	Year-over-year earnings growth turned positive in 4Q20
Credit environment				●	Credit environment remains 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 3Q20
Demographics			●		Mixed - US and emerging markets positive but developed international negative

0835-BCI-3/15/2021