Weekly Wire

JUNE 14, 2021

BRINKER CAPITAL INVESTMENTS

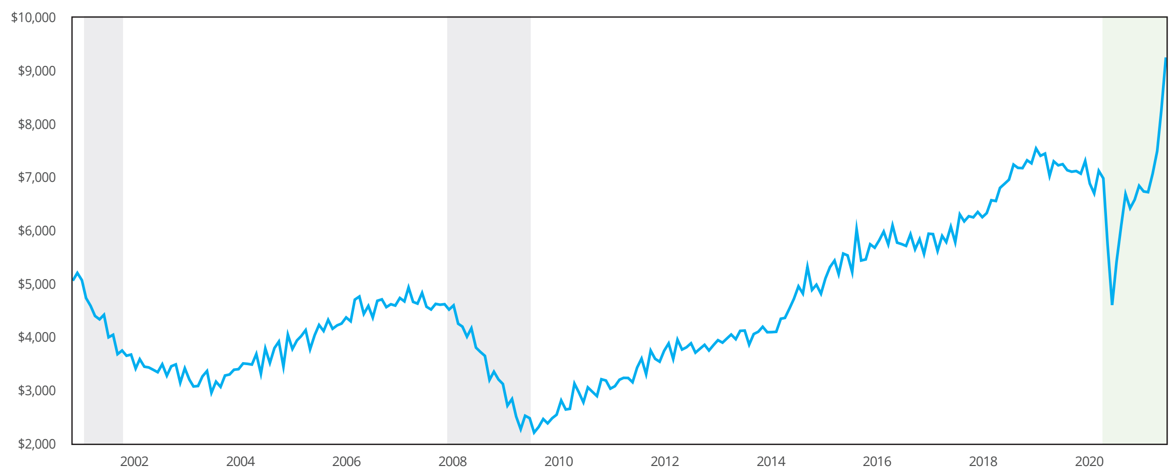
Another Sip Of JOLT(S)

"All the sugar, and twice the caffeine." Those of us of a certain age will recognize immediately the iconic tagline of JOLT Cola. And while we haven't had a can of JOLT Cola in years (fortunately, or unfortunately, depending on how one feels about highly caffeinated, sugary, carbonated beverages, JOLT Cola is no more), we did write about JOLT Cola a couple years ago. We used it as a jumping off point for a closer look at the Bureau of Labor Statistics Jobs Openings and Labor Turnover Survey – affectionately referred to as JOLTS.

Back then, our focus was on a strengthening jobs market as indicated by more job openings than Americans looking for work. This week, our focus is once again on a strengthening jobs market as indicated by the April JOLTS survey showing a record 9.3 million job openings, nearly two million more than the pre-pandemic period high (and more than the number of Americans currently looking for work). The April JOLTS Survey also showed 4 million "quits," or people voluntarily leaving a job – another record for the survey and another indicator of a strengthening jobs market.

One can debate why there seems to be a disconnect between the staffing needs of companies across the country and the ability of those companies to solve for those staffing needs. Among other reasons, it could be health concerns of unemployed workers, enhanced unemployment insurance, or a mismatch between worker skills and company needs, as we have written about of late. Either way, for the economy to continue to recover at a rapid rate and for wage inflation to remain in check, we will likely need to pull millions of Americans back into the labor market, and soon.

Job Openings: Total Nonfarm



Stocks, bonds, and commodities (6/11/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4247.44	6.91%	13.08%	39.66%
MSCI AC World ex USA	358.73	6.74%	9.89%	36.44%
MSCI EAFE	2365.55	7.12%	10.15%	33.79%
MSCI EM	1381.99	4.98%	7.03%	40.02%
Bloomberg Barclays US Agg	106.37	1.14%	-3.19%	-3.55%
Crude Oil WTI	70.78	19.64%	45.88%	95.20%
Natural Gas	3.28	25.88%	29.97%	89.66%

Treasury rates (6/11/2021)

	Price		Yield
2Y	99.30 /	99.3	0.145
3Y	99.26 /	99.2	0.308
5Y	100.0 /	100.	0.742
7Y	100.2 /	100.	1.142
10Y	101.1 /	101.	1.451
30Y	105.0 /	105.	2.139

Weekly reports

This week

- Capacity Utilization May
- Philadelphia Fed Index June

Last week

- NFIB Small Business Index May: 99.6
- UofM Inflation Expectations May: 4.0%

Chart source: Federal Reserve Economic Data, as of 6/13/21. 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

JUNE 2021

With the US economy reopened, growth is picking up. Fiscal policy remains supportive and while there is a good chance of another fiscal spending package later this year, it will require tax increases as an offset. The Fed is committed to accommodative monetary policy until we see full employment and sustained higher inflation, neither of which we are close to achieving yet. Earnings growth has been very strong, reflecting the strength in nominal GDP. Treasury yields have normalized in response to the improved economic outlook, but we will continue to watch the pace of further increases. Inflation measures have picked up, but we expect the increase to be more transitory in nature as it is primarily driven by temporary supply and demand mismatches. Overall, the barometer remains tilted positively in June, aligned with our overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains strong
Trend				●	US markets remain above 50-day and 200-day moving averages
Investor sentiment		●			Excessive optimism and strong equity flows, but mitigated by strong momentum
Seasonality			●		Seasonality relatively benign until July

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Additional fiscal stimulus likely in '21; concern over potential higher taxes
Monetary policy				●	Fed and global central banks remain very supportive
Inflation	←		●		Inflation has picked up recently; expect to be transitory but watching closely
Interest rate environment				●	Treasury yields still at low absolute levels and pace of normalization has slowed
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 surveys have shown significant improvement
Corporate earnings				●	Earnings growth has continued to surge in 1Q21
Credit environment				●	Credit environment remains stable; little volatility in spreads

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations well 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

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