Weekly Wire

JULY 6, 2021

BRINKER CAPITAL INVESTMENTS

Something to Celebrate

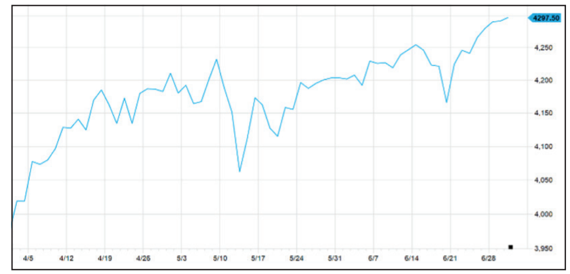
We hope you all had a fun and safe 4th of July! And while not wanting to take away from the celebration of our nation's birthday, we think now is a great time to celebrate a remarkable second quarter for the markets. Consider that during Q2, the S&P 500 was up 8.6%, developed international market equities returned 5.6%, emerging market equites returned 5.1%, commodities were up 13.3% and the Bloomberg Barclays Aggregate – the benchmark for fixed income – was up 1.8%. Just about every market, asset class, index and sector we track produced a positive return for the April to June period.

At a high level, we think risk assets did so well during the quarter because investors came to see the economy as entering, to use an overused Wall Street analogy, a sort of "Goldilocks state." In it, growth would remain robust but inflation, while very high, would likely prove fleeting, creating a dynamic where stocks, bonds and commodities could all catch a bid.

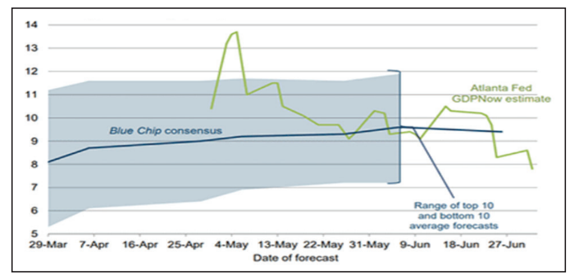
While we are very optimistic on the economy as we enter the second half of 2021, we don't want to dismiss the challenges and uncertainties we continue to face. These include an unfinished vaccination effort, a fast-spreading variant of the coronavirus, the dramatic jump in inflation, disrupted supply chains and millions of Americans still out of the labor market.

All that said, we do see more good news than bad when we look across the economy and the markets and expect both to do well through the second half of the year. And to put a finer point on just how well the economy was likely performing through the second quarter, we would point out that the latest GDP Now estimate from the Federal Reserve Bank of Atlanta puts Q2 US GDP growth at an incredibly robust 7.8%.

S&P 500 Q2 2021



Evolution of Atlanta Fed GDPNow real GDP estimate for 2021: Q2 (Quarterly percent change - SAAR)



Stocks, bonds, and commodities (7/2/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4352.34	1.28%	15.87%	39.05%
MSCI AC World ex USA	351.58	-0.13%	7.70%	30.26%
MSCI EAFE	2326.31	0.93%	8.33%	28.69%
MSCI EM	1355.38	-1.40%	4.97%	32.43%
Bloomberg Barclays US Agg	106.45	0.19%	-3.11%	-3.83%
Crude Oil WTI	75.19	2.34%	54.97%	84.97%
Natural Gas	3.70	1.42%	46.56%	113.49%

Treasury rates (7/2/2021)

	Price	Yield
2Y	99.244 / 99.22	0.240
3Y	99.140 / 99.14	0.440
5Y	100.016 / 100.0	0.862
7Y	100.110 / 100.1	1.197
10Y	101.232 / 101.2	1.435
30Y	107.104 / 107.1	2.045

Weekly reports

This week

- ISM Non-Manufacturing June
- JOLTS Job Openings May

Last week

- Avg Hourly Earnings Y/Y June: 3.6%
- Nonfarm Payrolls June: 850K

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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