Brinker Capital Market Barometer

AUGUST 2021

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The US economy is on track to experience strong growth in the second half of the year despite recent concern regarding COVID-19 variants. Fiscal policy is currently supportive; however, the additional spending package expected later this year will require tax increases as an offset. The Fed has reaffirmed its commitment to support the economy; however, recent higher inflation readings have caused concern for an earlier than expected unwinding of stimulus. Our base case is the increase in inflation is more transitory in nature, driven by base effects and temporary supply and demand mismatches, but we continue to watch closely for signs it could become structural. Intermediate- and long-term Treasury yields have declined from levels seen in April. Consumer and business sentiment continue to improve, and earnings growth is expected to reflect the strength in nominal GDP. Overall, the barometer remains tilted positively in July, aligned with our 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		●			Bullish sentiment has retreated in recent weeks but remains above its LT average
Seasonality		●			Currently in the weakest point of the calendar historically

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				●	Federal Reserve and global central banks remain very supportive
Inflation			●		Inflation has picked up; Fed expects it to be transitory but watching closely
Interest rate environment				●	Treasury yields have continued to fall
Macroeconomic				●	Expect continued solid economic growth in the second half of 2021
Business sentiment				●	CEO confidence increased again in 2Q to a record high level
Consumer sentiment				●	Consumer confidence rose further in July for the sixth consecutive month
Corporate earnings				●	Continued strength in earnings growth
Credit environment				●	Credit spreads remain tight; high yield spreads at levels last seen in 2007

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

SUMMARY

There were no changes to the **short-term factors**. We are in currently in the most seasonally weak period for equity markets based on history.

There were no changes to the **intermediate-term factors**, the vast majority in positive territory.

There were no changes to the **long-term factors**. While equity valuations are stretched, given we are in the early stage of the recovery, they are not likely a near-term driver of markets.

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