Weekly Wire

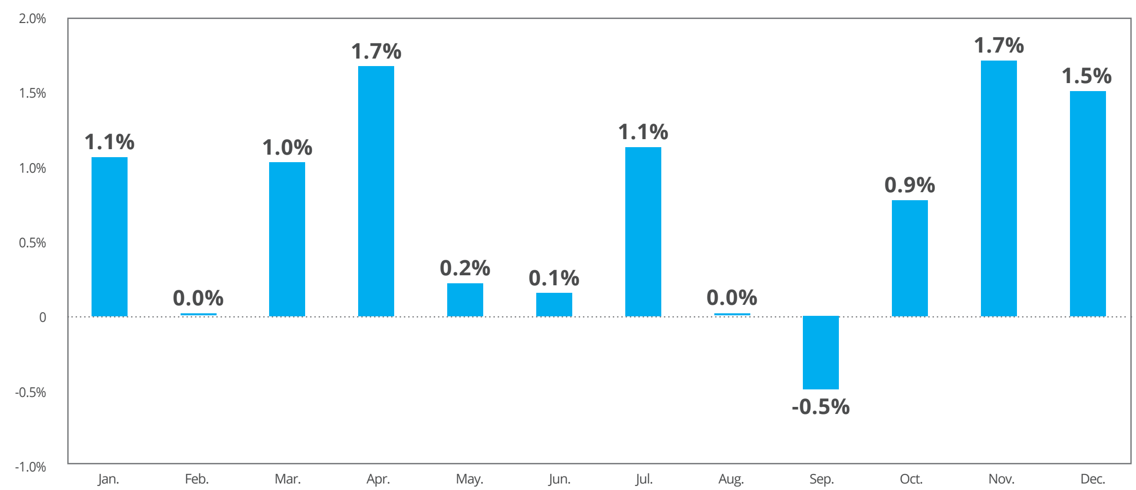
AUGUST 9, 2021

BRINKER CAPITAL INVESTMENTS

The Month Of May Gets A Bad Rap

One of the more interesting and entertaining aspects of investing is the myriad of adages which, as you would expect with adages, express a general truth about the markets. Consider, “Don’t Fight the Fed” – when the Fed wants to support or restrain risk assets, it typically prevails; or “It’s A Market of Stocks, Not A Stock Market” – individual stocks often have shockingly different return streams, offering investors the opportunity to put capital into companies that are doing well and avoid companies that are struggling. And, of course, “Sell in May and Go Away” – which speaks to the seasonally weak stretch for equities that has historically started with May and ended with October. While May has come and gone, we’ve been thinking about that adage – and we would argue the bum rap that May gets because of it – as we move deeper into what has been the worst two month stretch for US equities: August and September. Consider that since 1950, the S&P 500 has been, on average, flat in August and off 0.5% in September (the only negative month for the index over that 70-year timeframe), while May and June and July have been positive. Regardless of the time of year, the market typically confronts any number of risks, and today is no different as we are dealing with the Delta variant of COVID-19, the spike in inflation, and the regulatory crackdown in China. For those reasons and others, we wouldn’t be surprised to see a bit of volatility over the coming weeks. But earnings are growing, interest rates are low, fiscal and monetary policy are supportive (see above: ”Don’t Fight the Fed”), and consumers and companies are flush with cash. For those reasons and others, we remain bullish on US equities.

S&P 500 Average Monthly Performance (Since 1950)



Stocks, bonds, and commodities (8/6/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4436.52	3.23%	18.12%	32.38%
MSCI AC World ex USA	349.22	-0.80%	6.97%	24.36%
MSCI EAFE	2344.82	1.73%	9.19%	26.40%
MSCI EM	1292.53	-5.97%	0.10%	18.65%
Bloomberg Barclays US Agg	106.74	0.47%	-2.85%	-4.163%
Crude Oil WTI	67.84	-7.66%	39.82%	64.58%
Natural Gas	4.13	13.26%	63.66%	84.72%

Treasury rates (8/6/2021)

	Price	Yield
2Y	99.264 / 99.27	0.204
3Y	99.294 / 0.000	0.402
5Y	99.100 / 99.10	0.765
7Y	99.170 / 0.000	1.069
10Y	102.302 / 102.3	1.301
30Y	109.256 / 0.000	1.945

Weekly reports

This week

- CPI NSA Y/Y Jul UofM Inflation
- Expectations Aug

Last week

- Hourly Earnings Y/Y Jul 4%
- Nonfarm Payrolls Jul 943K

Chart source: Strategas, as of 8/6/21. 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

AUGUST 2021

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

2208-BCI-8/9/21