

DECEMBER 11, 2023

Weekly Wire

Hot Streak

By Rusty Vanneman, CMT, CFA, BFA™

Entering the new week, the stock market has some serious positive momentum. The S&P 500 (and other indices) just completed their 6th consecutive week of gains. That's the best winning streak since 2019. The S&P 500 also hit a new intra-day price high for the year last week. It isn't just positive technicals (i.e., price action) and seasonals helping the market, the economic data was also supportive last week, including better than expected labor data and some encouraging developments on the inflation front.

Regarding inflation, one big positive for consumers was that gasoline prices are now lower on the year. Every penny saved at the gas pump means more candy in some upcoming holiday stockings. Related to that, however, something even more significant is that consumer expectations regarding inflation [plunged, at least in the latest University of Michigan survey](#). In the survey, the one-year outlook for the inflation rate slid to 3.1%, down sharply from 4.5% last month and is now back at its lowest level since March 2021. Given how expectations feed into economic decision-making, both by consumers and companies, this should be encouraging to investors.

Last week was also the monthly [Employment Report](#). While overall job growth last month was slightly above expectations, the unemployment rate unexpectedly dropped from 3.9% to 3.7%. This data also went a long way to supporting the notion of a "soft landing", or basically a goldilocks economic backdrop of positive economic growth that's not too hot nor too cold that avoids a recession.

This week should be an interesting one. First, on Tuesday is the latest Consumer Price Index (CPI) inflation data. Expectations are for headline CPI to be 3.1% year-over-year, while core CPI (ex-food and energy) to be 4.0%. Also, the Fed's last meeting of the year is this Wednesday. It is widely expected that there will be no movement in short-term rates, but the Fed will update their economic projections though, which may cause some expectation shifting. Add it all up...

Stay invested. Stay diversified. Stay disciplined.

If you have any questions or comments, please let us know at strategists@brinkercapital.com or at Rusty@Orion.com. Have a great week!



Interest Rates as of December 08, 2023			
Rate	This Week	1 Wk Δ%	
13-Wk Treasury Yield	5.23%	0.01%	
10-Yr Treasury Yield	4.25%	0.03%	
Bloomberg US Agg Yield	5.08%	0.05%	
Avg Money Mkt Yield	5.20%	0.00%	
Avg 30-Yr Mortgage Rate	7.42%	-0.24%	

Sources: Yahoo Finance, S&P Global, Crane Data, BankRate

Key Economic Data Last Week		
Data Point	Expectation	Actual
ADP Employment	128,000	103,000
Consumer Credit	\$8.0B	\$5.2B
Nonfarm Payrolls	190,000	199,000
US Unemployment Rate	3.9%	3.7%

Source: MarketWatch, First Trust

Key Economic Data This Week		
Data Point	Expectation	Release Date
Consumer Price Index (CPI) YoY	3.0%	12/12/2023
Core CPI YoY	4.0%	12/12/2023
Producer Price Index (PPI) YoY	--	12/13/2023
Core PPI YoY	--	12/13/2023
Fed Interest Rate Decision	No Hike	12/13/2023
US Retail Sales	-0.1%	12/14/2023

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of December 08, 2023							
Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	0.16%	5.53%	6.50%	17.16%	14.60%	5.42%
S&P 500 Total Return	102	0.24%	5.28%	7.73%	21.81%	18.11%	9.24%
Dow Jones Industrial Average	97	0.04%	6.71%	8.75%	11.72%	9.64%	8.50%
NASDAQ 100 Total Return	122	0.55%	5.17%	9.50%	48.24%	39.40%	9.25%
TV Benchmark	107	0.28%	5.72%	8.66%	27.26%	22.39%	9.00%
Morningstar US Large Cap	102	0.31%	4.91%	8.11%	25.64%	21.59%	8.90%
Morningstar US Mid Cap	113	-0.07%	7.95%	6.81%	10.02%	7.27%	5.12%
Morningstar US Small Cap	125	0.53%	9.56%	6.51%	12.60%	9.45%	3.28%
Morningstar US Value	98	-0.17%	5.88%	4.89%	7.06%	5.74%	9.69%
Morningstar US Growth	126	0.38%	7.61%	9.37%	31.85%	25.71%	1.99%
MSCI ACWI Ex USA	98	-0.02%	4.95%	4.64%	10.73%	9.60%	1.29%
MSCI EAFE	101	0.39%	6.17%	5.57%	13.58%	12.64%	3.88%
MSCI EM	98	-0.70%	1.93%	2.59%	4.80%	3.69%	-5.32%
Bloomberg US Agg Bond Index**	27	0.15%	2.83%	3.91%	2.66%	0.67%	-4.08%
Bloomberg Commodity Index	70	-3.45%	-3.96%	-5.68%	-8.92%	-7.36%	12.50%
Wilshire Liquid Alternative Index	25	-0.10%	1.58%	1.69%	4.21%	3.23%	1.27%
US Dollar**	10	0.04%	-1.90%	-2.53%	0.02%	-1.48%	4.48%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.47%	1.06%	4.81%	5.04%	2.10%

Source: Morningstar

The TV Benchmark represents an average of the S&P 500, Dow Jones IA, and NASDAQ 100 return indexes

The Orion Risk Score represents risk relative to the global equity market.

**As of 12/7/2023

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Table Sources: Morningstar, Yahoo Finance, S&P Global, Crane Data, BankRate, MarketWatch, First Trust.

Brinker Capital Five Factor Stock Market Barometer



Fundamentals

We invest to participate in company success. Over time, stock prices follow earnings.

Fundamental indicators include factors such as corporate earnings, profitability, and the credit environment.

- Earnings have likely toughed, leading to a more constructive forward-looking outlook
- At the end of Q3 earnings season, unofficial year-over-year earnings growth was positive for the first time in the last four quarters
- Profit margins weaker on YoY basis despite slight moderation in input costs
- Domestic return on equity ratios have potentially toughed as their downtrend has flattened leading to a more constructive forward-looking outlook

Valuation

How much do we pay for those fundamentals? Starting points matter.

Valuation indicators include factors such as price multiples, the CAPE ratio, and earnings yield vs other asset classes.

- Nearly all valuation measures point to an expensive domestic equity market
- Multiples above long-term averages, presenting a headwind as they ultimately contract
- Fed Funds rate now exceeds the forward earnings yield of the S&P 500
- Small cap, foreign developed, and emerging markets are relatively attractively valued

Interest Rates

Both the level and trend of interest rates impact earnings and valuations.

Interest rate indicators include factors such as the interest rate environment, credit spreads, and inflation.

- Yield curve has been inverted for the longest consecutive span since 1980; inversion has been a bearish market signal and fairly accurate indicator of future recession
- Markets are pricing the end of the Fed's rate hike cycle with four cuts currently expected in 2024; though short-term US interest rates remain among highest levels globally
- Investment grade and high yield spreads have remained tight and well-behaved
- Elevated CMBS and MBS spreads signal heightened stress in real estate market

Policy

Monetary and fiscal policy impact interest rates, valuations, and earnings.

Policy indicators include factors such as monetary and fiscal policy.

- With short-term government shutdown fears abated, markets are experiencing a broad boost in liquidity
- Increased government spending in the face of rising debt service continues to pose longer-term threats to government funding and potential for robust fiscal policy response
- Year-over-year change in M2 money supply remains negative, though velocity is in a steady uptrend providing opposing forces on inflation

Behavioral

Over the short term, the market is like a voting machine.

Behavioral indicators include factors such as sentiment, momentum, trend, and breadth.

- Positive market returns in November have broadly held markets in an uptrend
- Market breadth has improved; broader participation will need to be sustained to maintain market uptrend
- Sentiment headwinds less pronounced; extreme optimism has abated over past month
- Seasonality is bullish for the fourth quarter of the year

THE MARKET BAROMETER

The Market Barometer captures the Brinker Capital's 12-month plus market outlook. It is updated each month by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Orion Discretionary Investment Team. The Barometer reflects current positioning in investment portfolios. The Barometer is also used as a basis for market outlook presentations.

Brinker Capital Asset Class Barometer



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Source: Brinker Capital. Information is accurate as of November 30, 2023. Themes and specific funds utilized to implement themes are discussed within the context of Brinker Capital's managed asset allocations and are based on current market conditions and constitute Brinker Capital's judgment and opinions, which are subject to change without notice. Past performance does not guarantee future results. Statements referring to future actions or events, such as the future financial performance of certain asset classes or market segments, are based on the current expectations and projections about future events provided by various sources, including Brinker Capital's Investment Management Group. These statements are not guarantees of future performance and actual events may differ materially from those discussed. Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.