DECEMBER 18, 2023

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

More Good Tidings

By Rusty Vanneman, CMT, CFA, BFA™

Last week the S&P 500 closed higher for the seventh straight week, its longest winning streak since 2017. The S&P 500 is now within striking distance of its all-time price high. Last week, the Dow Jones Industrial hit its own new all-time price high.

Gains were primarily driven by investor expectations regarding the Federal Reserve. While the Fed didn't change short-term interest rates as expected at their meeting last Wednesday, the Fed's language at the FOMC meeting was interpreted by investors that they should expect even more interest rate cuts next year than they had previously expected. In turn, 10-Year Treasury yields moved below 4% last week. It was just late October that 10-year yields were knocking at 5%. That's an impressive move in yields and the leading reason IMO for the stock market's winning streak.

It wasn't just lower rates that moved markets last week though. Economic data last week was also solid. For starters, Retail Sales strongly beat expectations, up +0.3% month-over-month (expectations were for -0.1%). In turn, with recent strong economic data, the GDPNow forecast from the Atlanta Federal Reserve is now predicting fourth quarter inflation-adjusted GDP to be +2.6% (that's higher by a whopping 1.4% from the prior week's reading of 1.2%).

With so many good tidings, investor sentiment continues to grow more bullish. For example, the AAII Investor Sentiment Survey is now the most net bullish it has been in over two years.

Not to be all bah humbug, but consider two things. First, when sentiment gets this bullish, the market typically generates below-average returns in the following months. Second, however, is that the market is expecting positive earnings growth in the year ahead, but also sharp interest rate cuts. Historically, we've never seen that combination in a calendar year before. Anything is possible, of course, but it's not probable we'll see both.

This coming week we get more key inflation data. The November release of the Personal Consumption Expenditures (PCE) price index is this Friday. Expectations are that inflation will continue to move lower. This week will also get updates on consumer confidence, housing, and the last update on 3Q GDP.

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 15, 2023

Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.22%	-0.01%
10-Yr Treasury Yield	3.93%	-0.32%
Bloomberg US Agg Yield	4.78%	-0.30%
Avg Money Mkt Yield	5.18%	-0.02%
Avg 30-Yr Mortgage Rate	7.27%	-0.15%

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

Key Economic Data Last Week

Data Point	Expectation	Actual
Consumer Price Index (CPI) YoY	3.1%	3.1%
Core CPI YoY	4.0%	4.0%
Producer Price Index (PPI) YoY	--	0.9%
Core PPI YoY	--	2.5%
Fed Interest Rate Decision	No Hike	No Hike
US Retail Sales	-0.1%	0.3%

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
Housing Starts	1.36M	12/19/2023
Existing Home Sales	3.77M	12/20/2023
PCE YoY	--	12/22/2023
Core PCE YoY	--	12/22/2023
New Home Sales	688,000	12/22/2023

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of December 15, 2023

Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	2.73%	5.11%	9.41%	20.36%	19.08%	6.32%
S&P 500 Total Return	102	2.53%	4.98%	10.45%	24.89%	23.16%	10.22%
Dow Jones Industrial Average	97	2.93%	6.99%	11.94%	15.00%	14.81%	9.50%
NASDAQ 100 Total Return	122	3.36%	5.17%	13.19%	53.22%	47.78%	10.57%
TV Benchmark	107	2.94%	5.71%	11.86%	31.04%	28.58%	10.10%
Morningstar US Large Cap	102	2.24%	4.50%	10.53%	28.46%	26.53%	9.82%
Morningstar US Mid Cap	113	4.22%	8.38%	11.32%	14.67%	13.28%	6.41%
Morningstar US Small Cap	125	5.12%	9.75%	11.96%	18.36%	17.46%	4.30%
Morningstar US Value	98	3.34%	6.35%	8.39%	10.63%	10.59%	11.05%
Morningstar US Growth	126	3.57%	7.39%	13.27%	36.56%	32.82%	3.35%
MSCI ACWI Ex USA	98	2.61%	4.23%	7.37%	13.62%	12.92%	2.09%
MSCI EAFE	101	2.56%	5.17%	8.28%	16.49%	15.52%	4.58%
MSCI EM	98	2.70%	1.95%	5.36%	7.64%	7.41%	-4.38%
Bloomberg US Agg Bond Index**	27	2.16%	5.05%	6.16%	4.88%	2.41%	-3.40%
Bloomberg Commodity Index	70	1.16%	-3.90%	-4.58%	-7.87%	-8.50%	11.92%
Wilshire Liquid Alternative Index	25	0.69%	1.70%	2.39%	4.93%	4.25%	1.43%
US Dollar**	10	-1.53%	-2.02%	-4.02%	-1.51%	-1.75%	3.97%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.47%	1.17%	4.91%	5.09%	2.14%

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 12/14/2023*

*The Orion Risk Score represents risk relative to the global equity market. **As of 12/14/2023. Table Sources: Morningstar, Yahoo Finance, S&P Global, Crane Data, BankRate, MarketWatch, First Trust.

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Brinker Capital Five Factor Stock Market Barometer

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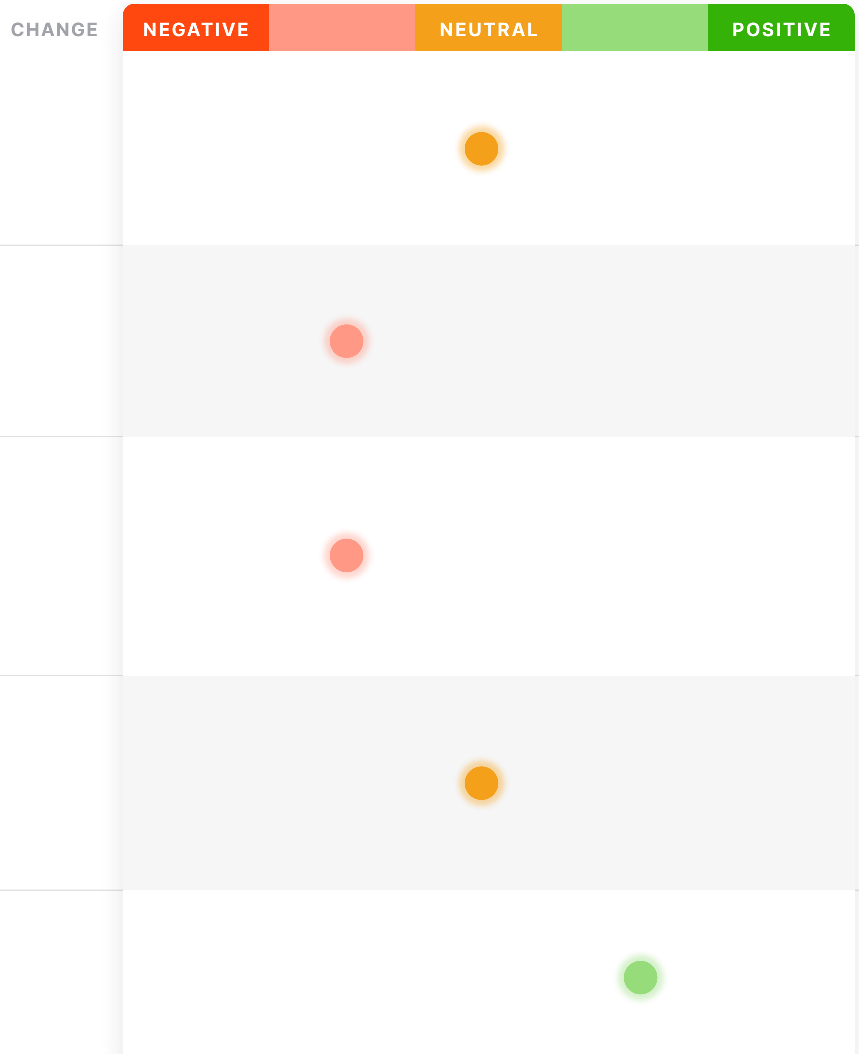

Fundamentals

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 troughed, 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 troughed 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.

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Brinker Capital Asset Class Barometer

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CHANGE

Domestic Equity

Factors considered within domestic equity include allocations to the traditional style box asset classes.

- Less constructive on US large cap stocks; despite positive earnings in Q3, multiples remain elevated
- Monetary policy environment is a headwind for broader market appreciation as economy tightens and cost of capital rises
- The valuation gaps between value and growth stocks as well as large and small cap stocks are highly extended, thus favoring value-oriented and smaller market capitalization companies
- Seasonality is bullish for the fourth quarter of the year

International Equity

Factors considered within international equity include a breakdown between developed and emerging markets as well as allocations across the traditional style box.

- Remain cautiously positive on international equities with consideration given to geopolitical risks; more attractive valuations versus domestic equities with roughly similar fundamental outlook
- Within international equity, we are neutral on developed vs. emerging markets
- The strength of the US Dollar is facing vulnerability going into next year, this could prove a tailwind for international equities relative to domestic

Core Fixed Income

Factors considered within core fixed income include credit quality and duration of the broad fixed income universe.

- Modestly positive on core fixed income with the most attractive yield environment in nearly two decades; higher starting yields generally point to higher expected forward returns
- Cautiously navigating tight credit spreads combined with higher forward inflation expectations; risk/return trade-off for Treasuries is compelling
- While net neutral on duration, duration risk looks relatively attractive to capitalize on price appreciation potential from rate normalization

Global Credit

Factors considered within global credit include allocations to various spread and/or non-core fixed income sectors as well as duration.

- Modestly positive on global credit with spreads on high yield securities proving resilient in the face of equity selloff
- Compelling opportunities in several areas of global credit with attractive total return potential
- Despite spreads being tight relative to long-term averages, starting yields provide a buffer against potential risks that could lead to declining market values

Alternatives

Factors considered within liquid alternatives include high versus low beta sub-asset classes.

- Neutral on liquid alternatives
- Correlations between stocks and bonds have risen, making alternatives an attractive diversifier
- Positioning within alternatives has been tilted toward lower-volatility complements to core fixed income
- Liquid alternatives offer a relatively stable risk profile with the potential for little correlation to equity beta or fixed income duration

Real Assets

Factors considered within real assets include allocations to the subcategories of commodities, real estate, natural resource equities, and infrastructure

- Neutral on real assets; geopolitical risk and potential for reacceleration in inflation are tailwinds for real assets
- Within real assets, REITs and natural resource stocks have seen strong recent relative performance
- The green energy transition provides elevated demand for a variety of industrial metals
- REITs are attractive as expectations of forward interest rates come down

ASSET CLASS BAROMETER

The Brinker Asset Class Barometer serves as the team's outlook on the six major asset classes that comprise the multi-asset class portfolios. It is updated each month by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Brinker Discretionary Investment Team as well as industry-leading external research providers.

Disclosures

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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.

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