DECEMBER 4, 2023

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

November Was a Month to Remember

By Rusty Vanneman, CMT, CFA, BFA™

Last month was one to remember. First, the markets produced strong positive gains, breaking a three-month losing streak, with November in the end being one the best months for stock and bond investors on record. We also lost numerous luminaries, including Warren Buffett's long-time business partner, investment legend Charlie Munger. Munger was an inspiration for many investors given he was a fount of wisdom not only for investing but for living. We'll miss his wise counsel.

As for last week's and last month's performance, the leading narrative for strong gains in stocks and bonds is the increasing view that the Federal Reserve is done hiking rates and that inflation is decisively slowing. In turn, there were a lot of positive headlines generated such as: US stocks now on a five-week winning streak – it's longest in over two years, the strongest month for bond markets since the 1980s, the S&P 500 had one of its best months in the last 50 years, the second-best month for the classic balanced 60/40 portfolio (as defined by S&P 500-Bloomberg Aggregate Bond Index) in more than 30 years, and U.S. home prices hitting a record high.

Given how much investor net worth grew last month, combined with encouraging economic data (including stronger Q3 GDP), it's not a surprise that the number of bearish investors dropped to its lowest levels in over eight years. Considering how much cash is on the sidelines, an increase in positive animal spirits can set the stage for increased investments heading into year-end. Note, however, that investor sentiment extremes typically set the stage for below-average (albeit positive) market returns in the months ahead.

While it would be reasonable to expect the markets to consolidate after recent strong gains ("a pause to refresh"), this Friday's unemployment data will be key to watch in terms of its potential impact on future market behavior. Current expectations are for the unemployment rate to stay at 3.9% and +200k in job growth. Those are still decent numbers, but note that a 3.9% (or higher) unemployment rate will finally activate the Sahm Rule, which would suggest that an economic recession is coming (if not already here).

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 02, 2023		
Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.22%	-0.03%
10-Yr Treasury Yield	4.22%	-0.25%
Bloomberg US Agg Yield	5.03%	-0.33%
Avg Money Mkt Yield	5.20%	0.00%
Avg 30-Yr Mortgage Rate	7.66%	-0.07%

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

Key Economic Data Last Week		
Data Point	Expectation	Actual
S&P Case-Shiller Home Price Index	3.9%	3.9%
Consumer Confidence	101	102
GDP Growth Rate QoQ 2nd Est	5.0%	5.2%
ISM Manufacturing PMI	47.6%	46.7%

Source: MarketWatch, First Trust

Key Economic Data This Week		
Data Point	Expectation	Release Date
Non Farm Payrolls	180K	12/8/2023
Unemployment Rate	3.9%	12/8/2023
Michigan Consumer Sentiment	61.8%	12/8/2023

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of December 02, 2023							
Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	0.92%	8.85%	6.33%	16.97%	11.67%	5.89%
S&P 500 Total Return	102	0.83%	8.64%	7.47%	21.52%	14.60%	9.56%
Dow Jones Industrial Average	97	2.60%	9.36%	8.71%	11.68%	7.71%	8.93%
NASDAQ 100 Total Return	122	0.14%	9.23%	8.90%	47.43%	34.00%	9.58%
TV Benchmark	107	1.19%	9.08%	8.36%	26.87%	18.77%	9.36%
Morningstar US Large Cap	102	0.55%	8.30%	7.78%	25.26%	17.81%	9.20%
Morningstar US Mid Cap	113	2.73%	11.69%	6.88%	10.10%	4.14%	5.86%
Morningstar US Small Cap	125	3.42%	11.94%	5.95%	12.00%	5.11%	4.24%
Morningstar US Value	98	1.99%	7.77%	5.08%	7.24%	3.39%	10.64%
Morningstar US Growth	126	1.95%	12.28%	8.95%	31.34%	20.51%	2.26%
MSCI ACWI Ex USA	98	0.49%	8.30%	4.66%	10.76%	7.83%	1.82%
MSCI EAFE	101	0.40%	8.43%	5.15%	13.14%	10.30%	4.06%
MSCI EM	98	0.20%	7.38%	3.31%	5.55%	3.48%	-4.32%
Bloomberg US Agg Bond Index**	27	0.77%	4.53%	2.88%	1.64%	1.18%	-4.47%
Bloomberg Commodity Index	70	0.15%	-2.15%	-2.30%	-5.67%	-8.01%	13.38%
Wilshire Liquid Alternative Index	25	0.56%	2.30%	1.79%	4.31%	2.86%	1.47%
US Dollar**	10	-0.41%	-2.97%	-2.57%	-0.02%	-2.32%	4.05%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.48%	0.96%	4.70%	5.05%	2.07%

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 11/30/2023*

*The Orion Risk Score represents risk relative to the global equity market. **As of 11/30/2023.   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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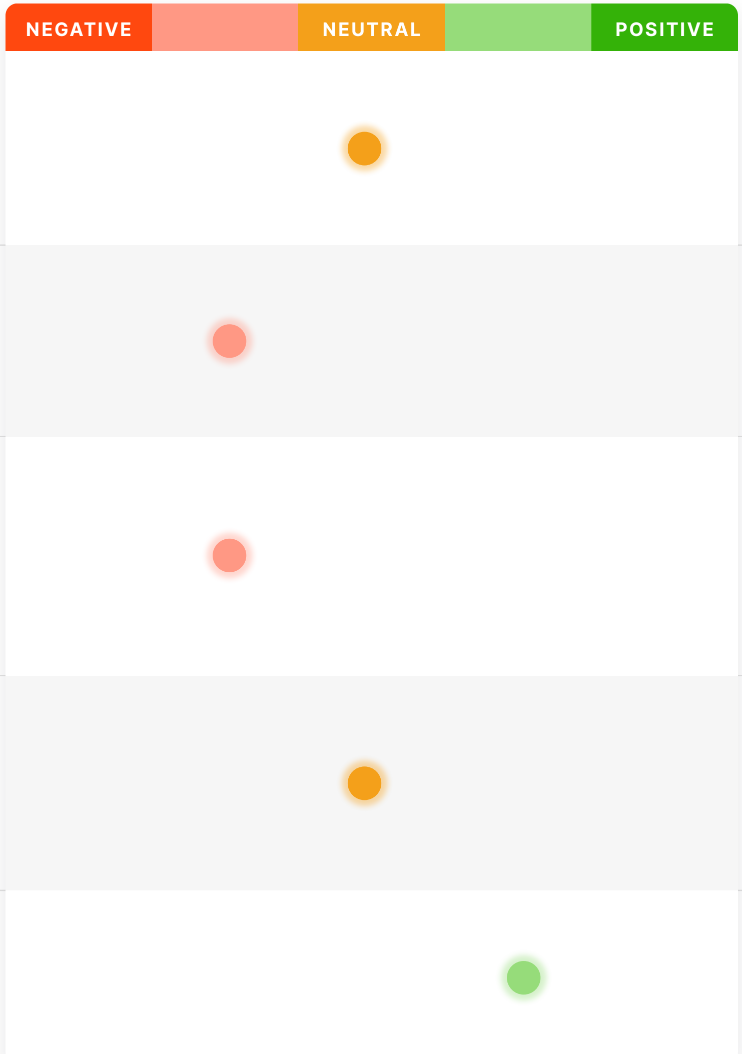

Fundamentals

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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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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