JANUARY 29, 2024

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

Big Week Ahead

By Rusty Vanneman, CMT, CFA, BFA™

The Goldilocks economy is alive and well. Economic growth for the 4Q surprised to the upside again with better-than-expected GDP growth last week at 3.3%. In addition, inflation pressures continue to fall as the Fed's favorite inflation gauge is now up 2.9% from a year ago. While that is still above the Fed's preferred target of 2%, the core (ex-food and energy) PCE now has a 2% handle, its lowest level since early 2021.

In turn, the stock market had more price gains last week. Global equities were up over 1%, bringing them back to a positive year-to-date for 2024. Equity gains were led by international stocks as well as value stocks in the US. Bonds were slightly positive on the week, but are still down over 1% on the year. Commodities were up over 2% on the week and are now positive in 2024.

It was a big week for earnings last week too. With 25% of the companies in the S&P 500 now reporting, the blended (year-over-year) earnings decline for the S&P 500 is -1.4%. So far, I would qualify those numbers as disappointing.

That said, this week will be another big one for corporate earnings. Six stocks that make up a significant portion of the overall report earnings: Microsoft, Apple, Alphabet (Google), Meta (Facebook), Amazon, and Advanced Micro Devices. Large-cap growth stocks, led by the Magnificent Seven, are indeed off to another great start this year. They make up 29% of the S&P 500's market cap, though despite lofty expectations, are still only expected to contribute 21% of the earnings over the next 12 months. The Financial sector, meanwhile, is 13% of the market and is expected to be 18% of the earnings.

This week is also the long-awaited Federal Reserve meeting. The markets are not expecting any change in short-term rates at this meeting. We will also get fresh employment data (current expectations: +180k job growth; 3.8% unemployment rate). The labor market has also been stronger than many have expected of late. Given the number of positive economic surprises recently, can the positive momentum continue? It seems likely given that the first estimate of 1Q24 GDP, via the Atlanta Fed's GDPNow, is now predicting 1Q24 GDP at 3.0% (first estimate), as of January 26, 2024.

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. Thank you for your time and trust. See you next week.

Interest Rates as of January 26, 2024

Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.20%	0.00%
10-Yr Treasury Yield	4.16%	0.01%
Bloomberg US Agg Yield	4.88%	-0.01%
Avg Money Mkt Yield	5.16%	0.00%
Avg 30-Yr Mortgage Rate	7.03%	0.02%

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

Key Economic Data This Week

Data Point	Expectation	Release Date
ADP Employment	140,000	1/31/2024
Fed Interest Rate Decision	Pause	1/31/2024
Initial Jobless Claims	210,000	2/1/2024
ISM Manufacturing	47.2%	2/1/2024
Nonfarm Payrolls	+180,000	2/2/2024
US Unemployment Rate	3.8%	2/2/2024

Source: MarketWatch

Key Economic Data Last Week

Data Point	Expectation	Actual
Q4 GDP (Preliminary)	2.0%	3.3%
Initial Jobless Claims	200,000	214,000
Durable Goods Orders	1.5%	0.0%
New Home Sales	649,000	664,000
Personal Income	0.3%	0.3%
Personal Consumption Expenditures (PCE)	--	2.6%
Core PCE	3.0%	2.9%

Source: MarketWatch, First Trust

Stocks, Bonds, Alternatives, & Real Assets as of January 26, 2024

Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	1.30%	1.23%	0.72%	0.72%	15.00%	5.32%
S&P 500 Total Return	102	1.07%	2.54%	2.62%	2.62%	22.43%	10.02%
Dow Jones Industrial Average	97	0.65%	1.59%	1.20%	1.20%	14.69%	9.40%
NASDAQ 100 Total Return	122	0.62%	3.25%	3.57%	3.57%	45.80%	9.78%
TV Benchmark	107	0.78%	2.46%	2.46%	2.46%	27.64%	9.73%
Morningstar US Large Cap	102	1.14%	3.44%	3.52%	3.52%	27.08%	9.86%
Morningstar US Mid Cap	113	0.75%	-0.98%	-0.76%	-0.76%	7.58%	5.27%
Morningstar US Small Cap	125	1.04%	-2.70%	-1.77%	-1.77%	9.01%	1.69%
Morningstar US Value	98	1.30%	0.37%	0.49%	0.49%	8.32%	10.65%
Morningstar US Growth	126	0.65%	0.03%	0.51%	0.51%	26.88%	1.95%
MSCI ACWI Ex USA	98	1.80%	0.01%	-1.48%	-1.48%	5.21%	0.26%
MSCI EAFE	101	2.01%	0.57%	-0.56%	-0.56%	9.14%	3.58%
MSCI EM	98	1.47%	-1.22%	-3.73%	-3.73%	-3.58%	-8.17%
Bloomberg US Agg Bond Index**	27	0.10%	-0.97%	-1.30%	-1.30%	1.09%	-3.56%
Bloomberg Commodity Index	70	2.15%	-0.68%	0.55%	0.55%	-7.38%	9.84%
Wilshire Liquid Alternative Index	25	0.45%	0.73%	0.60%	0.60%	4.75%	1.53%
US Dollar	10	0.04%	1.84%	2.21%	2.21%	1.90%	4.64%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.47%	0.39%	0.39%	5.26%	2.34%

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.

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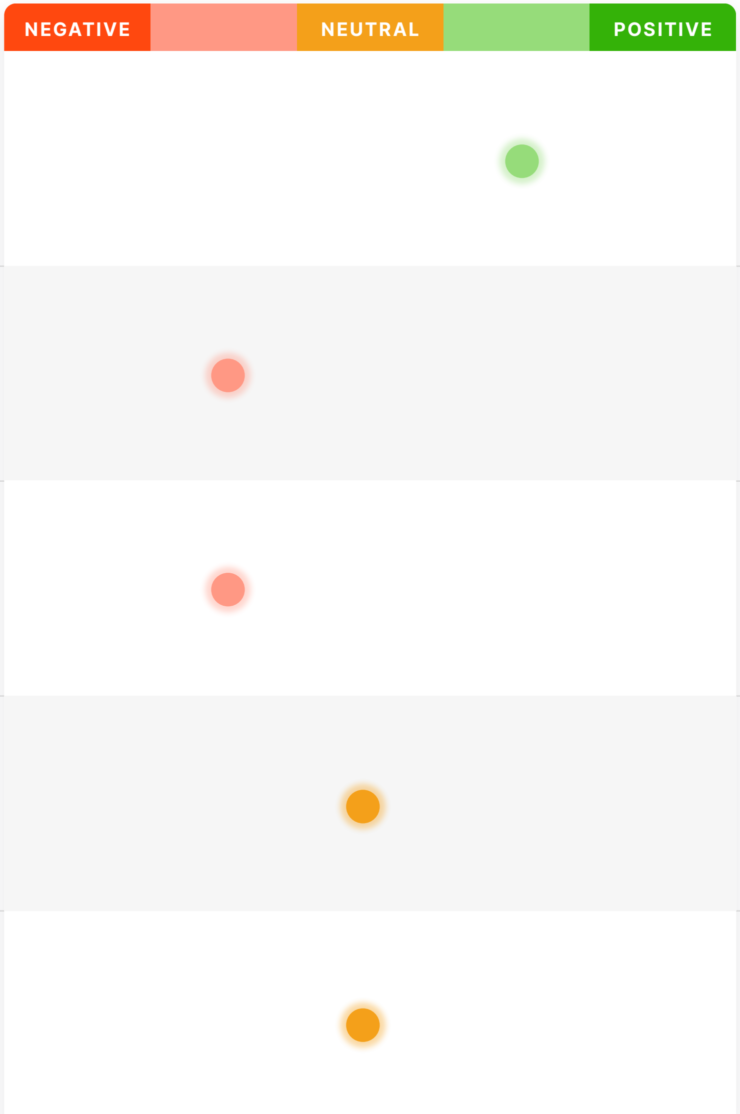

Fundamentals

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 and analyst guidance is strong for 2024
- Several leading indicators, however, still suggest some potential weakness in 2024.
- 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.

- Valuation measures point to an expensive domestic equity market.
- Current CAPE ratio is nearly well above historical average which is consistent with below-average returns
- Fed Funds rate 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 bear-ish 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.

- Monetary and fiscal policy are expected to be accommodative with current election cycle
- 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, but is still above long-term trend
- With short-term government shutdown fears abated, markets are experiencing a broad boost in liquidity

Behavioral

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

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

- Markets have remained in an uptrend through the end of 2023, consistent with seasonal patterns
- Market breadth has improved; broader participation will need to be sustained to maintain market uptrend
- Extreme optimism among investor surveys has returned to multi-year highs, pronouncing a contrarian signal headwind to forward returns
- Seasonality is bullish in fourth year of presidential election cycle

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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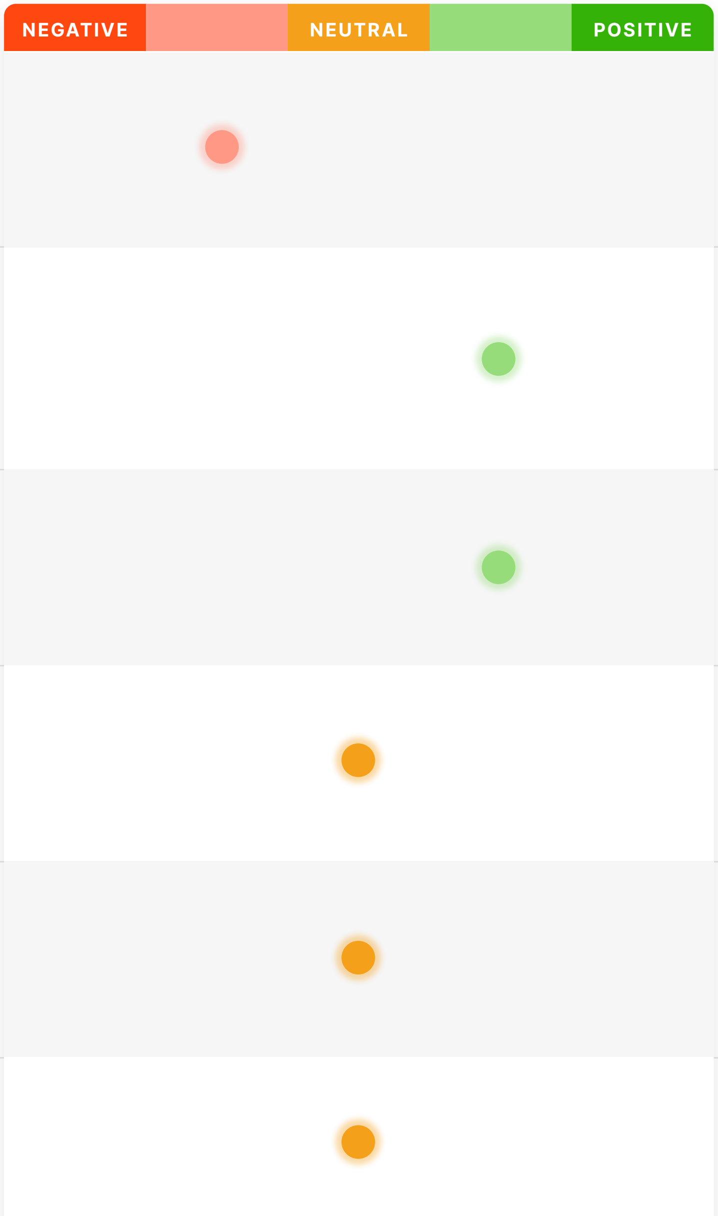

Domestic Equity

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

- Less constructive on US large cap stocks; although fundamental outlook could begin justifying elevated multiples
- 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
- Recent domestic equity rally could be overblown when considering looming economic headwinds in US

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
- On a relative basis, international equities broadly have stronger cash flows and higher dividends than US equities providing a buffer to volatility and higher total return potential
- 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, capital appreciation has likely been mostly realized from recent rate retraction in anticipation of Fed cutting

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; while high yield securities have remained resilient, tight spreads leading to a less attractive risk/return tradeoff
- 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 as core fixed income has become more attractive
- 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 rates have fallen, forward expectations for a slow down in these rate reductions

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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The S&P 500 Index is an unmanaged index of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

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