MARCH 25, 2024

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

Should Investors Be Focusing on Something Else?

By Rusty Vanneman, CMT, CFA, BFA™

Last week was one of the best weeks for the stock market this year. Barring something jarring this holiday-shortened week, this could be the best first quarter for the stock market since 2019. Given the historical experience that the first quarter of presidential election years tend to be weaker than average, it's definitely been an impressive start to the year for investors. One key factor for gains last week was investors' response to the latest Federal Reserve meeting. The Fed didn't change short-term rates, which was expected, but investors liked the Fed's confirmation that they are still likely to cut short-term interest rates later this year.

Should investors bank on that thought though? While the Fed did state that rates had likely peaked in their current opinion, they also updated their economic projections for later this year. This included their expectations that the economy would be stronger, the unemployment rate would be lower, and that inflation would be higher than they had originally thought. Those aren't exactly conditions for rate cuts! Especially given that the labor market backdrop, at least when looking at the unemployment rate staying below 4%, has been the best since the 1950s and that inflation is starting to move higher again and away from the Fed's preferred 2% target.

Oh, the stock market is also at all-time highs (with record high, or nearly record high, valuations). Have you also seen the commodity charts lately? Gasoline prices are well above their highs from late last year, and that's before the summer driving season even begins. Gold prices have surged to new highs. Copper prices have also recently surged to new highs. Also last week existing home sales had their best month of sales in over a year. Housing appears to be bottoming out after two tough years – just in time for this spring's selling season. And perhaps the most significant of all is something we haven't seen in 17 years – Japan raising short-term rates last week. All else being equal, this suggests a weaker US dollar, which in turn could also add to inflationary pressures. In sum, should investors be relying on the Fed's projections (which in hindsight have been notoriously inaccurate), or the higher growth and inflation numbers?

Though the market is closed Friday, the week's biggest economic release is the Fed's preferred inflation gauge, Personal Consumption Expenditures (PCE) on Friday. The current expectation is for Core PCE (ex-food and energy) to be +2.8% year-over-year. Also key to watch this week is the movement in longer-term interest rates. Though rates did fall last week, the 10-year Treasury yield is still knocking on the door for new highs for the year.

Bottom line, the stock market is in a bull market. Stay invested.
Tides do shift, so stay diversified and stay disciplined.

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

See you next week.

Interest Rates as of March 22, 2024		
Rate	**This Week**	**1 Wk Δ%**
13-Wk Treasury Yield	5.22%	-0.02%
10-Yr Treasury Yield	4.22%	-0.08%
Bloomberg US Agg Yield	4.96%	-0.10%
Avg Money Mkt Yield	5.14%	0.00%
Avg 30-Yr Mortgage Rate	6.87%	-0.14%

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

Key Economic Data Last Week		
Data Point	**Expectation**	**Actual**
FOMC Interest Rate Decision	No Hike	No Hike
US Leading Economic Indicatorrs	-0.1%	0.1%
Existing Home Sales	3.95M	4.38M

Source: MarketWatch, First Trust

Key Economic Data This Week		
Data Point	**Expectation**	**Release Date**
New Home Sales	675,000	3/25/2024
Durable Goods Orders	1.0%	3/26/2024
Consumer Confidence	106.5	3/26/2024
GDP (2nd Revision)	3.2%	3/28/2024
Personal Income	0.4%	3/29/2024
Personal Consumption Expenditures (PCE)	2.5%	3/29/2024

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of March 22, 2024							
Security Name	**Risk Score**	**1 Wk**	**1 Mo**	**QTD**	**YTD**	**1 Yr**	**3 Yr Ann.**
Global Equities (60% US, 40% Intl)	100	1.78%	2.92%	7.47%	7.47%	27.57%	6.93%
S&P 500 Total Return	102	2.31%	3.03%	10.12%	10.12%	35.06%	11.66%
Dow Jones Industrial Average	97	1.97%	1.27%	5.25%	5.25%	25.86%	8.63%
NASDAQ 100 Total Return	122	3.00%	1.95%	9.22%	9.22%	47.15%	12.82%
TV Benchmark	107	2.43%	2.08%	8.19%	8.19%	36.03%	11.04%
Morningstar US Large Cap	102	2.43%	2.71%	11.02%	11.02%	38.36%	11.97%
Morningstar US Mid Cap	113	2.01%	4.16%	7.15%	7.15%	26.31%	6.10%
Morningstar US Small Cap	125	1.99%	3.38%	3.15%	3.15%	24.30%	1.49%
Morningstar US Value	98	1.77%	3.72%	6.31%	6.31%	24.02%	9.46%
Morningstar US Growth	126	2.13%	2.54%	7.81%	7.81%	36.54%	5.39%
MSCI ACWI Ex USA	98	0.96%	2.86%	4.45%	4.45%	17.06%	2.01%
MSCI EAFE	101	1.24%	3.55%	5.74%	5.74%	19.25%	4.99%
MSCI EM	98	0.53%	1.26%	1.96%	1.96%	11.46%	-5.27%
Bloomberg US Agg Bond Index	27	0.73%	1.17%	-1.00%	-1.00%	1.33%	-2.53%
Bloomberg Commodity Index	70	-0.39%	2.81%	1.30%	1.30%	1.51%	8.26%
Wilshire Liquid Alternative Index	25	0.72%	1.37%	2.97%	2.97%	8.99%	1.92%
US Dollar	10	0.07%	-0.55%	2.07%	2.07%	0.17%	4.01%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.46%	1.22%	1.22%	5.35%	2.62%

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.

MARCH 2024

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 growth is expected to continue improving into 2024 and 2025. At year-end, earnings growth expectations are for double-digit growth in 2024 and 2025. Earnings likely troughed in 2023, leading to a more constructive forward-looking outlook.
- Profit margins are hovering near 5-year averages, and upward revisions from Q3 have provided additional support to earnings growth figures.
- GDP growth continues to surprise to upside. 4Q23 real GDP growth was 3.3%. 2023 GDP grew well above expectations and prior year 2022 at +2.5%.
- Several leading indicators, however, such as an inverted yield curve, still suggest some potential weakness in 2024.

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 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; pockets of opportunity exist in the US equity market as valuations and concentration levels are near all-time-highs.

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 recessions.
- Inflation-adjusted interest rates remain high which is typically a headwind for risk assets.
- Investment grade and high yield spreads remain tight vs historical averages. They are "well-behaved" but potentially vulnerable. Wider spreads are often a precursor of equity weakness.
- Expectations for rate cuts have been pushed later into 2024, delaying potential tailwinds for risk assets.

Policy

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

Policy indicators include factors such as monetary and fiscal policy.

- Fiscal policy is expected to be accommodative with current election cycle.
- Expectations on the Fed Funds rate between the Fed and market participants have started to converge.
- Year-over-year change in M2 money supply remains negative, but is still above long-term trend. Year-over-year money supply, however, may have bottomed.
- 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.

Behavioral

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

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

- Investor (and consumer) optimism is at higher levels, suggesting below average (albeit positive) returns in the months and quarters to follow.
- Price trends were positive at year-end and have continued into 2024, although market breadth remains poor.
- New highs typically mean above-average returns moving forward.
- Seasonality is bullish in the fourth year of the presidential election cycle, though not necessarily at the beginning of the fourth year.

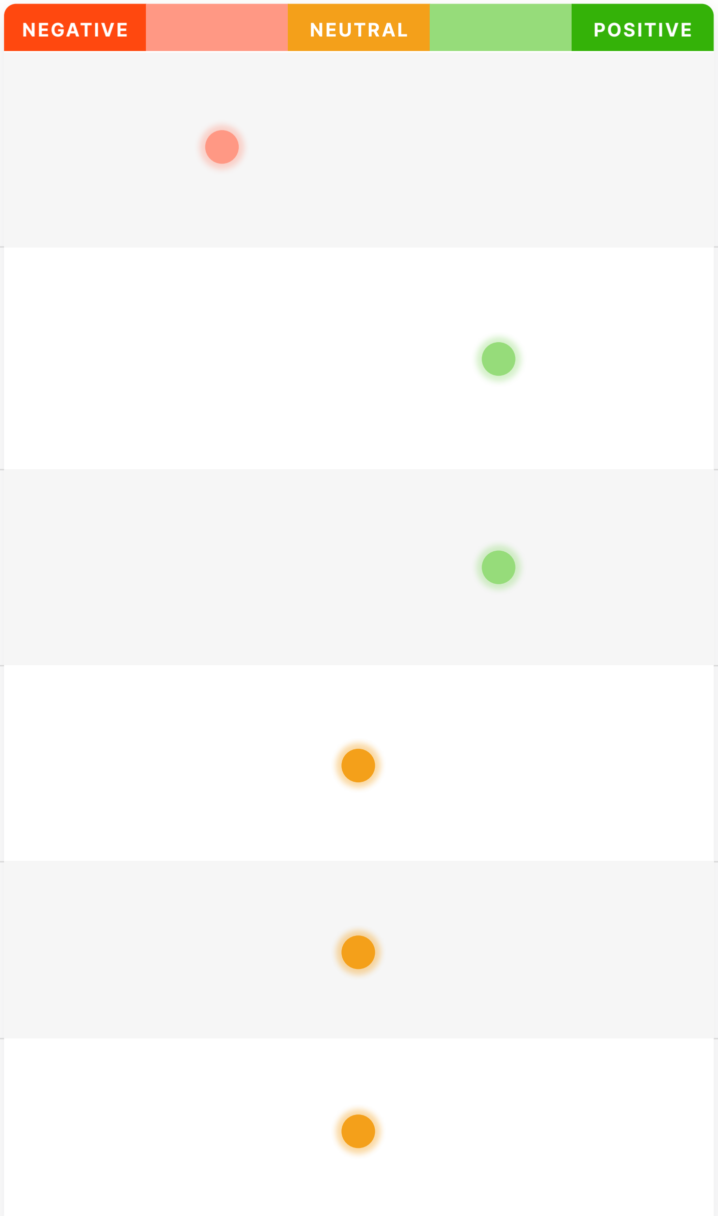
THE MARKET BAROMETER

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.

MARCH 2024

Brinker Capital Asset Class Barometer

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY



Domestic Equity

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

- Valuations are high by historical standards, suggesting forward below average returns for the broad benchmarks.
- The interest rate environment isn't friendly for stocks: high real rates and inverted yield curve are two leading reasons.
- Fundamentals, however, are improving. Better economic and corporate earnings growth rates are expected.
- The valuation gaps between value and growth stocks as well as large and small cap stocks are highly extended.

International Equity

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

- Relative valuations are considerably more favorable for non-US stocks. International equities broadly have higher dividends than US equities providing a buffer to volatility and higher total return potential.
- The US dollar has been strong of late, and if US interest rates move higher, that could provide more strength. A strong dollar would be a headwind for non-US relative performance. The upcoming Presidential Election could also be a factor for dollar performance.
- Europe and Japan have recently reached all-time highs; slight favor given to developed over emerging.
- Neutral on China; concerned about growth, but valuations are attractive.

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.
- Absolute yields are attractive for corporate bonds, but still cautiously navigating given tight credit spreads and anticipation of Fed cutting.
- Based on historical spreads mortgage-back securities look relatively attractive; CMBS spreads remain wide due to concerns around commercial real estate.
- "T-Bill and Chill" strategy is not attractive for long-term investors due to potential reinvestment risk.

Global Credit

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

- Strategically, we believe in global credit but currently neutral on a tactical basis.
- High yield bond spreads are tight by historical standards. High yield has been resilient so far, but the asset class is not on sale.
- Emerging market debt, however, have much more attractive credit spreads.
- Despite spreads being tight relative to long-term averages, starting absolute yields still remain attractive in light of US equity valuations.

Alternatives

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

- Correlations between stocks and bonds have risen, making alternatives an attractive diversifier.
- Liquid alternatives offer a relatively stable risk profile with the potential for little correlation to equity beta or fixed income duration.
- Tactically, neutral on liquid alternatives as core fixed income has become more attractive.
- Liquid alt strategies that are more attractive include event driven, trend-following and multi-strategy.

Real Assets

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

- Real assets remain a powerful diversifier, especially during period of high/rising inflation.
- Tactically, neutral on real assets though geopolitical risks and potential for reacceleration in inflation are potential tailwinds for real assets.
- Within real assets, natural resource stocks have compelling relative valuations; the green energy transition provides elevated demand for a variety of industrial metals.
- REITs have been strong performers of late but likely need stable/lower rates to sustain outperformance.

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

The views expressed herein are exclusively those of Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor, and are not meant as investment advice and are subject to change.

The CFA® is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. To learn more about the CFA charter, visit www.cfainstitute.org.

The CMT Program demonstrates mastery of a core body of knowledge of investment risk in portfolio management. The Chartered Market Technician® (CMT) designation marks the highest education within the discipline and is the preeminent designation for practitioners of technical analysis worldwide. To learn more about the CMT, visit https://cmtassociation.org/.

Think2perform's Behavioral Financial Advice program integrates traditional finance practices with psychology and neuroscience to improve emotional competency and decision-making behavior that increases effective usage of the financial plan with clients. To obtain the Behavioral Financial Advisor (BFA) designation, participants must complete a self-directed course, which takes 20-30 hours to complete, and includes a mix of interactive exercises, videos and case studies. To learn more about the BFA, visit https://www.think2perform.com.

Wealth Management services offered through Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.

0720-BCI-3/25/2024