APRIL 8, 2024

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

All-Seasons Investing

By Rusty Vanneman, CMT, CFA, BFA™

Global equities lost nearly 1% last week. Bond prices also lost ground last week as interest rates rose. Commodity markets, however, gained nearly 4%, led by gains in gold, energy, and copper. For the year, energy prices are up over 20%. Agricultural commodities are also up over 20% for the year. There seems to be increasing evidence that the season has changed in the economy and the markets. Like winter recently giving way to spring, there seems to be growing evidence of the same for expectations about the economy.

This change in economic expectations included more economic data last week suggesting that the economy remains stronger than expected and that inflation remains stubbornly higher. First, there was the February Personal Income and Consumption report early last week which showed that "*Consumers remain healthy, and inflation remains a concern.*" Then, last Friday was the positively surprising March Employment Report which revealed much higher job growth than expected and the unemployment rate dropping. Given the recent economic data, it is not surprising that there was more Fedspeak last week saying that the Fed will need to see more improvement in inflation before cutting rates. In turn, market expectations according to the CME FedWatch Tool now show probabilities of a 95% chance of another "pause" in rate movements at the May meeting. Earlier this year, the futures market was pricing in 6-7 rate cuts in 2024, but now market expectations are less than 20% for 1%+ of rate cuts by year end. Of course another factor last week for equity weakness and commodity strength was heightened Middle East tension.

Speaking of new seasons, this week is the beginning of the 1Q24 earnings season. Delta Air Lines gets the ball rolling Wednesday, but this Friday is a packed day for leading financial firms' earnings including BlackRock and JPMorgan. Earnings expectations are for earnings growth of +3.2% from this quarter compared to the first quarter of last year. Current expectations are for growth of nearly 11% for the entire year of 2024. A few notes about earnings expectations though. First, given how earnings seasons usually play out, the current expectations for the quarter currently reporting are likely too low. Companies have often helped guide expectations lower coming into earnings season, which in turn makes it easier to "beat" expectations. Conversely, the expectations for 12 months out tend to be too optimistic. Those higher expectations, however, do help price/earnings valuation ratios using expected earnings look more reasonable.

This coming week will have important inflation data. Current expectations for the Consumer Price Index are for an increase of 3.5% year-over-year, with core (ex-food and energy) coming in at 3.7%. The respective month-over-month numbers are expected to be 0.4% and 0.3%. Neither of those numbers, of course, are tracking 0.2% or less to help get the inflation numbers on track for the Fed's preferred target of 2%. The Producer Price Index also reports this week.

Bottom line, stay invested, stay diversified, and stay disciplined. For long-term investors, we continue to believe it makes sense to build portfolios for All-Seasons Investing perhaps even more so in the current environment.

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

Interest Rates as of April 05, 2024

Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.22%	0.02%
10-Yr Treasury Yield	4.38%	0.17%
Bloomberg US Agg Yield	5.09%	0.12%
Avg Money Mkt Yield	5.13%	-0.01%
Avg 30-Yr Mortgage Rate	6.91%	-0.05%

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

Key Economic Data Last Week

Data Point	Expectation	Actual
ISM Manufacturing	48.1%	50.3%
Job Openings	8.8M	8.8M
ADP Employment	155,000	184,000
ISM Services	52.7	51.4
US Nonfarm Payrolls	200,000	303,000
US Unemployment Rate	3.8%	3.8%

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
Consumer Price Index (CPI) YoY	3.5%	4/10/2024
Core CPI YoY	3.7%	4/10/2024
Producer Price Index (PPI) YoY	--	4/11/2024
Core PPI YoY	--	4/11/2024

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of April 05, 2024

Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	-0.89%	2.20%	-0.89%	6.99%	22.58%	6.06%
S&P 500 Total Return	102	-0.93%	2.60%	-0.93%	9.53%	29.24%	10.18%
Dow Jones Industrial Average	97	-2.23%	0.98%	-2.23%	3.77%	18.66%	7.24%
NASDAQ 100 Total Return	122	-0.78%	1.25%	-0.78%	7.87%	40.81%	10.92%
TV Benchmark	107	-1.31%	1.61%	-1.31%	7.06%	29.57%	9.45%
Morningstar US Large Cap	102	-0.70%	2.64%	-0.70%	10.30%	32.13%	10.39%
Morningstar US Mid Cap	113	-1.55%	2.52%	-1.55%	7.18%	22.59%	5.45%
Morningstar US Small Cap	125	-2.72%	1.63%	-2.72%	2.81%	21.30%	1.08%
Morningstar US Value	98	-1.39%	3.40%	-1.39%	6.90%	19.26%	8.89%
Morningstar US Growth	126	-1.75%	0.83%	-1.75%	6.43%	31.38%	3.65%
MSCI ACWI Ex USA	98	-0.80%	1.70%	-0.80%	3.98%	12.55%	1.67%
MSCI EAFE	101	-1.34%	1.07%	-1.34%	4.50%	13.81%	4.39%
MSCI EM	98	0.28%	2.72%	0.28%	2.73%	9.10%	-5.12%
Bloomberg US Agg Bond Index	27	-0.55%	0.12%	-0.55%	-1.32%	0.26%	-2.67%
Bloomberg Commodity Index	70	3.54%	6.24%	3.54%	5.82%	1.81%	10.57%
Wilshire Liquid Alternative Index	25	-0.14%	1.15%	-0.14%	3.02%	7.87%	1.70%
US Dollar	10	-0.41%	0.28%	-0.41%	2.75%	2.50%	3.86%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.49%	0.10%	1.42%	5.41%	2.69%

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 growth is expected to continue improving throughout 2024 and into 2025. Most recent analyst expectations are for 10.9% earnings growth for CY 2024. 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 Q4 have provided additional support to earnings growth figures.
- GDP growth continues to surprise to upside. 4Q23 real GDP growth was 3.2%. 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 oppor- tunity 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.

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Brinker Capital Asset Class Barometer

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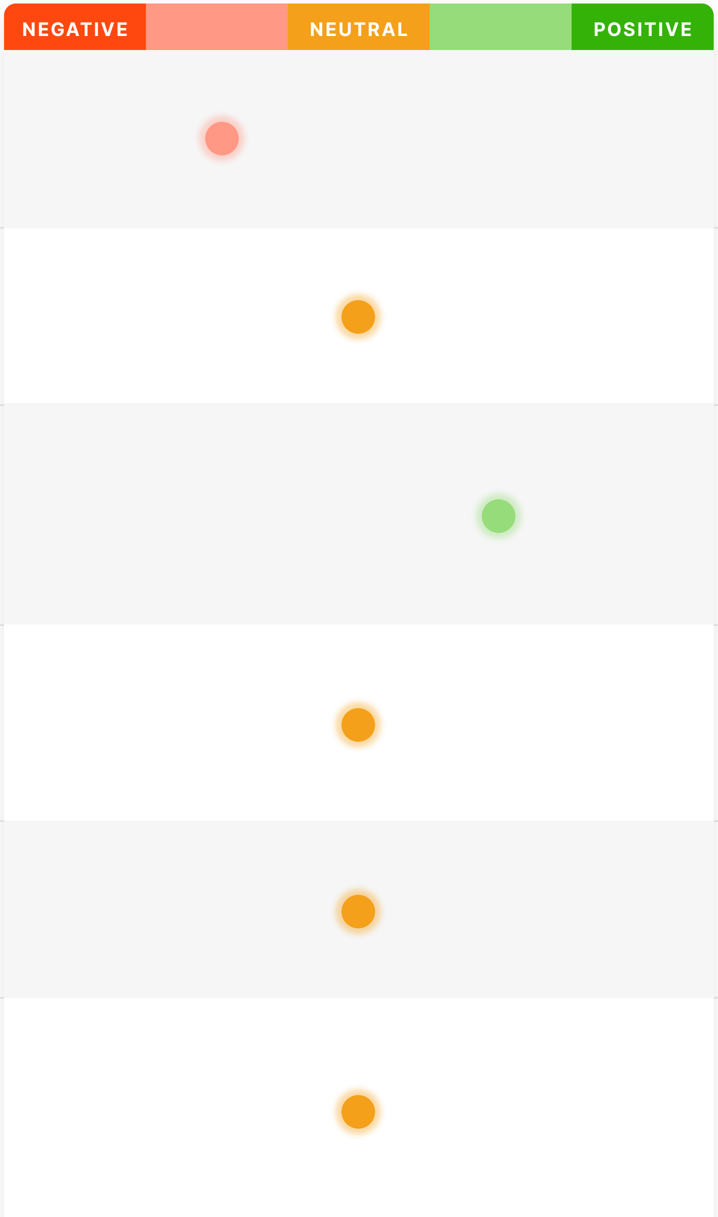

Domestic Equity

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

- 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 which point to pockets of opportunity.

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.
- Currently neutral on developed versus 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. This leads to an outlook that leans toward higher quality and neutral duration positioning.
- 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 relatively attractive credit spreads and potential dollar weakness could be a tailwind.
- 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. Higher base interest rates provide a solid foundation for liquid alternative outperformance outlook.
- 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 periods 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. Gold hit all-time highs despite high real interest rates on the back of central bank demand, geopolitical concerns, and inflation.
- Historically, real estate is one of the best performing asset classes when real yields are increasing, as well as when rates are falling, both in rising and falling inflationary environments.

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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