Weekly Wire

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BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

Resiliency Reigns

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Last week was the 13th consecutive month that the employment data was better than what Wall Street economists expected. The record streak before that was only five consecutive positive surprises. In addition, the unemployment rate dropped to 3.4%, its lowest level since the early 1950s. Last week we also saw the expected earnings growth for the S&P for the first quarter improve again (though still slightly negative). Bottom line, despite the fear of a recession for some time now, the economy continues to be more resilient than most expected. Fortifying that point, the economy in the second quarter also appears to be off to a nice start, with the latest estimate for Atlanta Fed GDP now 2.7%. Instead of looking at economic data through the rear-view mirror though, perhaps long-term investors should be looking through the windshield and considering valuations. Valuations are often the leading driver of both absolute and relative market returns. Let's consider the current situation for the U.S. stock market with one long-term valuation measure called the CAPE Ratio. The latest reading of the CAPE Ratio is about 29x inflation-adjusted earnings. This compares to a long-term average CAPE of 17x (median 16x). Outside of the recent time period, the U.S. stock market has only been higher during the dot.com era in the last '90s and in 1929. This noted, valuations are much more attractive in other markets outside of the U.S. For example, according to the monthly "Starting Points Matter" chart book, international, small cap, and value stocks have significantly lower valuations, and thus should have higher expected returns. In the end, while as investors we should always expect recessions (the economy, like the markets, are cyclical), paying attention to valuations creates potential opportunities to enhance returns as Warren Buffett even noted at the annual Berkshire Hathaway meeting in Omaha this past weekend.

Stay invested. Stay diversified. Stay disciplined.

Interest Rates as of May 05, 2023

Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.08%	0.13%
10-Yr Treasury Yield	3.45%	-0.12%
Bloomberg US Agg Yield	4.45%	-0.12%
Avg Money Mkt Yield	4.65%	0.01%
Avg 30-Yr Mortgage Rate	6.79%	-0.15%

Key Economic Data Last Week

Data Point	Expectation	Result
ISM Manufacturing	46.7%	47.1%
US Job Openings	9.7M	9.6M
ISM Services	51.8%	51.9%
Fed Interest Rate Decision	+25 bps	+25 bps
US Unemployment	3.6%	3.40%
Consumer Credit	$16.8B	$26.5B

Key Economic Data This Week

Data Point	Expectation	Release Date
Consumer Price Index (CPI)		5/10/2023
Core CPI		5/10/2023
Producer Price Index (PPI)		5/11/2023
Core PPI		5/11/2023

Stocks, Bonds, Alternatives, & Real Assets as of May 05, 2023

Security Name	Risk Score*	1 Wk Δ%	1 Mo Δ%	QTD Δ%	YTD Δ%	12 Mo Δ%
S&P 500	104	-0.78%	1.21%	0.77%	8.33%	1.49%
Morningstar US Large Cap	104	-0.65%	1.42%	1.16%	9.91%	1.97%
Morningstar US Mid Cap	112	-1.12%	0.06%	-1.92%	1.69%	-3.58%
Morningstar US Small Cap	122	-0.93%	0.51%	-2.06%	2.73%	-2.69%
Morningstar US Value	94	-1.89%	-0.48%	-0.30%	-0.12%	-0.48%
Morningstar US Growth	127	0.17%	2.09%	-0.23%	14.53%	-1.33%
MSCI ACWI Ex USA	91	0.30%	1.79%	2.12%	9.28%	5.65%
MSCI EAFE	94	0.20%	2.64%	3.13%	12.02%	11.25%
MSCI EM	88	0.52%	-0.41%	-0.60%	3.39%	-4.07%
Bloomberg US Agg Bond Index	22	-0.05%	-0.60%	0.55%	3.53%	0.23%
Bloomberg Commodity Index	58	-1.20%	-3.04%	-1.94%	-7.20%	-19.43%
Wilshire Liquid Alternative Index	26	-0.27%	0.19%	0.39%	1.60%	-1.31%
US Dollar**	10	-0.10%	-0.18%	-1.08%	-2.05%	-1.16%
Bloomberg US Treasury Bill 1-3mo	1	0.03%	0.34%	0.41%	1.51%	2.99%

*The Orion Risk Score represents risk relative to the global equity market. **As of 5/4/2023. Table Sources: Morningstar, Yahoo Finance, S&P Global, Crane Data, BankRate, MarketWatch, First Trust.

Brinker Capital Market Barometer

APRIL 2023

Despite the high-profile banking troubles, both equity and fixed income markets saw positive returns during March. While the stress on the banking system and fear of further contagion led to discussions of a potential pause in rate hikes, the Fed delivered their second consecutive 25 bp hike at the March meeting. Chairman Powell alluded to the inherent tightening that the failures of SVB and Signature Bank would have on financial markets and how that could take the place of additional rate hikes. Inflation prints were in line with analyst estimates and while peak inflation seems to be behind us, 6% inflation continues to subdue consumer and business sentiment. Manufacturing PMIs have continued their deterioration further into contraction territory and while the services side of the economy remains robust, inflation data is proving stickier there as well. A dispersion in market expectations and the dot plot has developed as the market is expecting Fed cuts in 2023, while the dots and rhetoric remain stern on a higher for longer stance. While risks abound and the lagged effects of rate hikes remain unknown, markets are proving resilient and exhibit attractive trends moving forward.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum			●		Market bounced strongly in the back half of March, but breadth remains underwhelming
Trend	→			●	Most global equity markets are above upward-sloping moving averages (small cap notable exception)
Investor sentiment				●	Banking scare evident in very bearish sentiment throughout the month; fund flows remain tepid
Seasonality				●	Q2 has historically delivered above-avg equity market returns; April strongest month over past 20 yrs

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Debt ceiling debate likely to drive fiscal changes; higher debt service cost is longer-term consideration
Monetary policy	→		●		Banking failures led to temporary liquidity injection; market is pricing limited additional rate hikes
Inflation		●			While inflation is off its peak, data remains choppy and well above Fed target
Interest rate environment		●			Deep curve inversion signals growth warning; rate volatility remains elevated affecting cost of capital
Macroeconomic			●		Global PMIs show contraction; labor market strength continues despite slowdown/recession fears
Business sentiment		●			Business confidence measures remain subdued as a growth slowdown is expected
Consumer sentiment		●			Consumer sentiment is off its lows, but remains at depressed levels
Corporate earnings	←	●			Expectations for negative YoY earnings growth in Q1/Q2; full year estimates continue to decline
Credit environment				●	While spreads widened on banking stress, overall environment remains relatively tame

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		U.S. equity valuations near long-term averages; overseas markets below average valuations
Business cycle			●		Despite recession fears, Q4 US GDP was stronger than expected and Q1 forecasts are positive as well
Demographics			●		Emerging markets possess more favorable trends overall than developed markets

For informational purposes only. Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of April 12, 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. MSCI AC World ex US Growth: An index made up of approximately the top 50% of the MSCI AC World ex US Index as composite ranked by five growth rates. This is a common proxy used to represent the growth segment of the developed international market. MSCI EAFE Index: A market-capitalized weighted index representing developed international equity markets located in Europe, Australia, Asia and Far East (EAFE). S&P 500 Index: An index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-cap universe. Companies included in the Index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. Barclays US Aggregate Index: A market capitalization-weighed index, maintained by Barclays Capital, and is often used to represent investment grade bonds being traded in the US. MSCI Emerging Markets: a float-adjusted market capitalization index representing 13% of global market capitalization. Captures mid and large cap across more than two dozen emerging market countries. Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.

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