

OCTOBER 30, 2023

Weekly Wire



Trick or Treat Week

By Rusty Vanneman, CMT, CFA, BFA™

It's been a rocky road for the stock market of late and last week two major indices, the S&P 500 and NASDAQ, [both reached "correction"](#) status meaning both are now down over 10% from their recent price highs. [The 'Magnificent 7' stocks](#) meanwhile, on average, are starting to close in on a 20% loss from their highs.

Two major factors have been impacting market prices in recent weeks. First, the spike in longer-term interest rates due to a [stronger-than-expected economy](#) has negatively impacted equity valuations. Second, it is clear from a variety of price charts, but the major conflict in the Middle East has been a clear [inflection point](#) for prices. Two leading examples are that stock prices had a short-term price peak when the military conflict began, and gold prices had a short-term price bottom.

[This week](#) will have plenty of trick or treat opportunities for investors. Developments in the Middle East will be one. The direction of longer-term interest rates is another. Ten-year Treasuries have been knocking on the door of [5% yields](#) but finished last week at 4.85%. This week we have the latest Federal Reserve meeting. The expectation is that the Fed will change short-term rates, but any perceived guidance could be impactful. The largest stock in the world, Apple, releases earnings this Thursday. This coming Friday also has the latest employment numbers.

Short-term, there are some positives. We are soon entering November, and the typically positive return profile for the [last two months of the year](#). [Investor sentiment](#) has also moved to its most negative levels in months, which in turn usually sets the stage for above-average returns in the months ahead.

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 October 27, 2023		
Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.30%	0.00%
10-Yr Treasury Yield	4.85%	-0.07%
Bloomberg US Agg Yield	5.68%	-0.09%
Avg Money Mkt Yield	5.19%	0.01%
Avg 30-Yr Mortgage Rate	8.09%	0.09%

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

Key Economic Data Last Week		
Data Point	Expectation	Actual
Q3 GDP	4.7%	4.9%
Durable Goods Orders	2.0%	4.7%
Personal Income	0.4%	0.3%
Personal Spending	0.5%	0.7%
PCE YoY	-	3.4%
Core PCE YoY	3.7%	3.7%

Source: MarketWatch, First Trust

Key Economic Data This Week		
Data Point	Expectation	Release Date
ADP Employment	150,000	11/1/2023
Job Openings	9.3M	11/1/2023
ISM Manufacturing	49.0%	11/1/2023
Nonfarm Payrolls	175,000	11/3/2023
US Unemployment Rate	3.8%	11/3/2023
ISM Services	53.2%	11/3/2023

Source: MarketWatch

Stocks, Bonds, Alternatives, & Real Assets as of October 27, 2023							
Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	-1.88%	-3.78%	-4.25%	5.33%	10.06%	5.50%
S&P 500 Total Return	102	-2.52%	-3.58%	-3.90%	8.66%	9.97%	8.37%
Dow Jones Industrial Average	97	-2.14%	-3.28%	-3.16%	-0.51%	3.39%	7.84%
NASDAQ 100 Total Return	122	-2.61%	-2.71%	-3.61%	30.49%	27.82%	7.78%
TV Benchmark	107	-2.43%	-3.19%	-3.56%	12.88%	13.73%	8.00%
Morningstar US Large Cap	102	-2.56%	-3.25%	-3.57%	12.07%	12.64%	7.95%
Morningstar US Mid Cap	113	-2.53%	-5.43%	-5.93%	-3.09%	-0.57%	5.00%
Morningstar US Small Cap	125	-2.79%	-6.90%	-7.56%	-2.28%	-2.43%	4.24%
Morningstar US Value	98	-2.63%	-5.13%	-5.00%	-3.04%	0.59%	11.60%
Morningstar US Growth	126	-2.59%	-4.54%	-5.41%	14.04%	10.76%	-0.45%
MSCI ACWI Ex USA	98	-0.89%	-3.43%	-4.11%	1.47%	11.74%	2.34%
MSCI EAFE	101	-0.76%	-3.41%	-4.19%	3.09%	14.09%	4.87%
MSCI EM	98	-0.61%	-2.93%	-3.40%	-1.31%	10.34%	-4.01%
Bloomberg US Agg Bond Index	27	0.68%	-1.07%	-1.28%	-2.48%	0.00%	-5.59%
Bloomberg Commodity Index	70	-0.07%	0.32%	1.18%	-2.31%	-1.96%	15.22%
Wilshire Liquid Alternative Index	25	-0.33%	-1.05%	-1.03%	1.42%	2.15%	1.40%
US Dollar**	10	0.33%	0.35%	0.36%	2.98%	-2.82%	4.64%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.48%	0.43%	4.15%	4.88%	1.90%

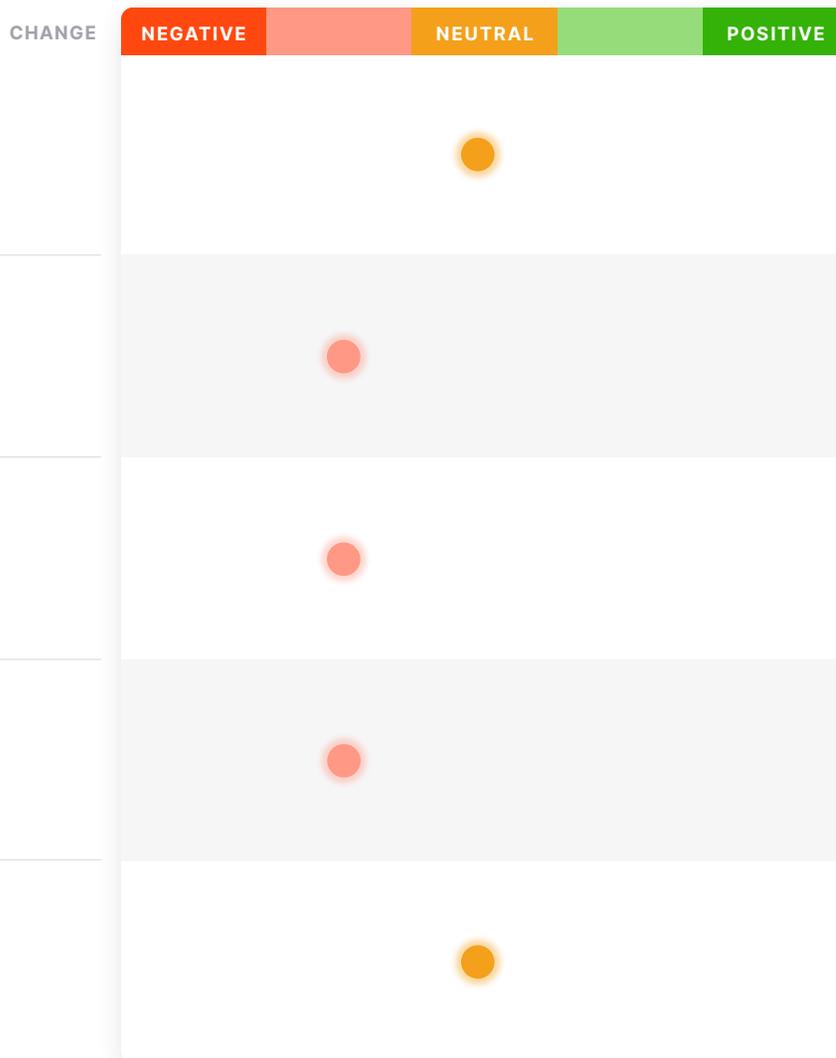
Source: Morningstar

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 10/26/2023

Brinker Capital Five Factor Stock Market Barometer



Fundamentals

We invest to participate in company success. Over time, stock prices follow earnings.

Valuation

How much do we pay for those fundamentals? Starting points matter.

Interest Rates

Both the level and trend of interest rates impact earnings and valuations.

Policy

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

Behavioral

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

Fundamental indicators include factors such as corporate earnings, profitability, and the credit environment.

- Q2 earnings resulted in a third consecutive quarter of negative YoY earnings
- Profit margins weaker on YoY basis despite slight moderation in input costs
- Domestic return on equity ratios are trending lower but remain above historic averages
- Earnings have likely troughed, leading to a more constructive forward-looking outlook

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 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
- Elevated CMBS and MBS spreads signal heightened stress in real estate market
- Short-term real interest rates remain elevated; US rates among highest levels globally
- Markets are pricing near-term end to Fed rate hiking cycle; yields are drifting higher but continued softening of economic data could bring some stability

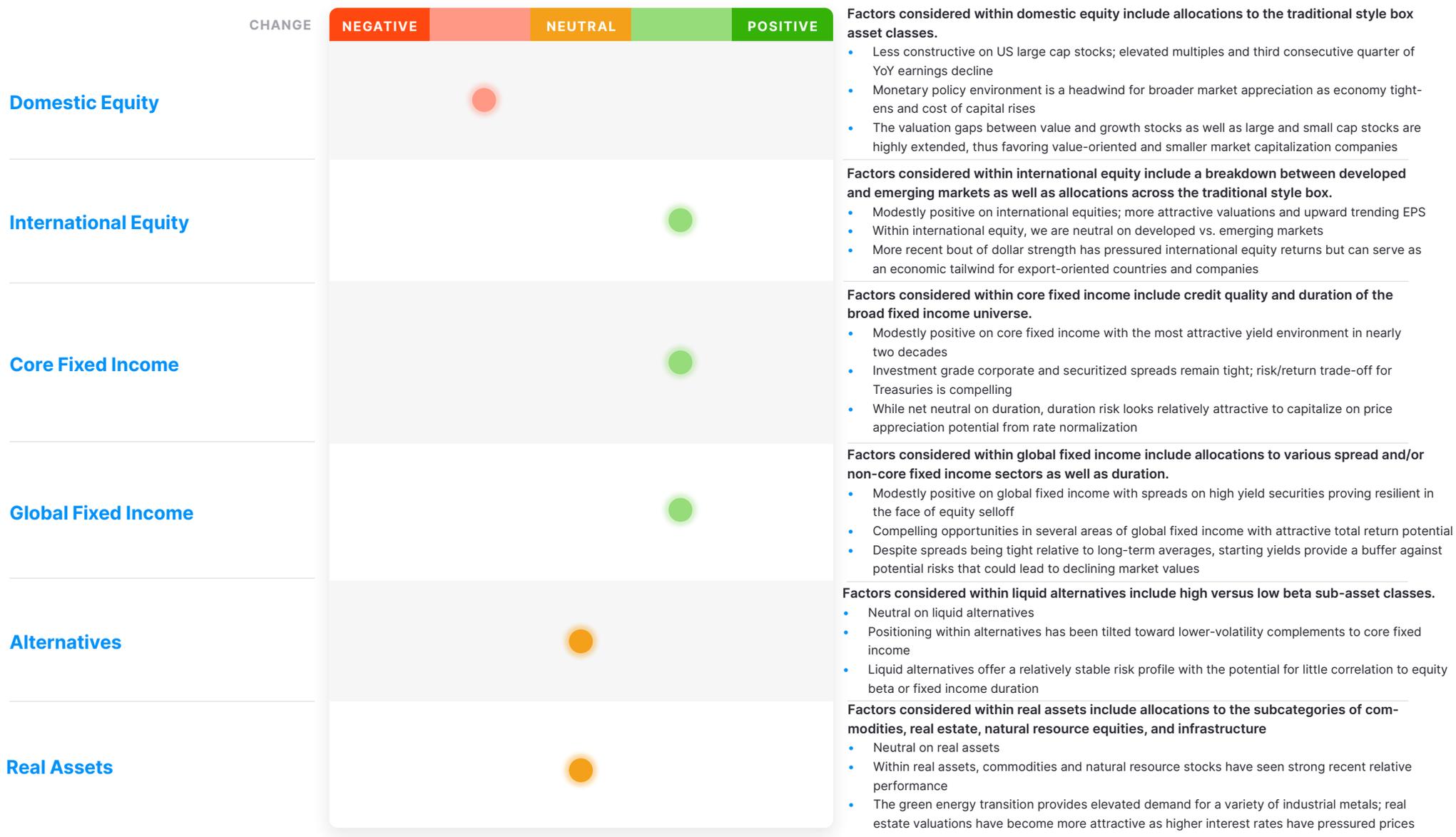
Policy indicators include factors such as monetary and fiscal policy.

- Third year of presidential election cycle bodes well for accommodative fiscal policy
- Market currently pricing roughly even odds of another rate hike through year-end
- Market consensus has fully shifted to no expectations for Fed rate cuts this year
- Political issues surrounding government funding are not resolved and potential for government shutdown is causing market stress

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

- Despite September pullback in risk assets, equity markets remain in uptrend
- Market breadth remains tepid; broader participation could be needed to sustain trends
- Sentiment headwinds less pronounced; extreme optimism has abated over past month
- Seasonality is bearish over next month with negative 3M forward returns on average

Brinker Capital Asset Class Barometer



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.

Source: Brinker Capital. Information is accurate as of October 1, 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.