

JUNE 5, 2023



Weekly Wire

New Bull Market?

By Rusty Vanneman, CMT, CFA, BFA™

As of last Friday's close, the S&P 500 closed nearly 20% higher from its bear market lows (i.e, a price decline of 20% or more from prior price highs) from last fall. Both the S&P 500 and another prominent TV benchmark, the NASDAQ, also hit new price highs for the year. In addition, a measure of expected volatility in the market called the [VIX](#), fell below 15 for the first time since February 2020 according to [BeSpoke Investments](#). The [VIX](#) indicator, when levels are high like they were, is often considered a measure of investor fear. The streak of VIX readings above 15 was the 3rd longest in 30+ years, with the only times longer were after the dot.com bust and after the Great Financial Crisis. I would not be surprised to see another negative sentiment streak end this week: the [AAll investor sentiment survey](#) has been negative for 15 consecutive weeks. That's remarkably the 4th longest bearish streak since 1987.

Some good things are indeed happening in the economy and markets. As mentioned in past commentaries, the economy remains more resilient than most expected. Last week was another case in point as the non-farm payrolls data was [once again much stronger](#) than expected – for the 14th consecutive month! The unemployment rate did tick up, but still essentially remains near [70+ years](#) lows.

Another positive remains the buzz over artificial intelligence. Recently, [tech funds attracted a record \\$8.5 billion](#) in the week through May 31. A poster child of AI/tech enthusiasm is NVIDIA (NVDA), which recently became one of the top 10 largest stocks in the stock market. Could AI/tech stocks still move higher? Of course they could, but it's useful to [note the historical data](#) showing how well stocks performed in the year(s) before they became part of the top 10 (i.e, they significantly outperformed) and how they performed in the year(s) that followed (i.e, they significantly underperformed).

Stay invested. Stay diversified. Stay disciplined.

Interest Rates as of June 02, 2023		
Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.22%	0.10%
10-Yr Treasury Yield	3.69%	-0.12%
Bloomberg US Agg Yield	4.78%	-0.13%
Avg Money Mkt Yield	4.91%	0.04%
Avg 30-Yr Mortgage Rate	7.08%	-0.04%

Key Economic Data This Week		
Data Point	Expectation	Release Date
ISM Services	52.3%	6/5/2023
Consumer Credit	\$21.6B	6/7/2023
Wholesale Inventories	-0.2%	6/8/2023

Key Economic Data Last Week		
Data Point	Expectation	Actual
Job Openings	9.5M	10.1M
ISM Manufacturing	47.0%	46.9%
Nonfarm Payrolls	190,000	339,000
US Unemployment Rate	3.5%	3.7%

Stocks, Bonds, Alternatives, & Real Assets as of June 02, 2023						
Security Name	Risk Score*	1 Wk Δ%	1 Mo Δ%	QTD Δ%	YTD Δ%	12 Mo Δ%
Global Equities (60% US, 40% Intl)	100	1.71%	2.63%	2.96%	10.26%	3.29%
S&P 500 Total Return	110	1.88%	4.17%	4.53%	12.37%	4.32%
Morningstar US Large Cap	110	1.93%	5.02%	5.74%	14.89%	5.84%
Morningstar US Mid Cap	122	2.25%	2.24%	-0.20%	3.47%	-2.78%
Morningstar US Small Cap	128	3.05%	3.90%	0.90%	5.84%	-1.20%
Morningstar US Value	98	1.90%	0.11%	0.20%	0.38%	-1.35%
Morningstar US Growth	146	2.71%	8.71%	6.83%	22.63%	5.13%
MSCI ACWI Ex USA	88	1.08%	0.00%	0.97%	8.04%	2.35%
MSCI EAFE	94	0.90%	-0.51%	1.43%	10.18%	6.72%
MSCI EM	86	1.26%	1.34%	-0.10%	3.92%	-4.16%
Bloomberg US Agg Bond Index**	35	1.44%	0.10%	-0.27%	2.69%	-1.58%
Bloomberg Commodity Index	94	-0.15%	-2.01%	-4.54%	-9.66%	-22.46%
Wilshire Liquid Alternative Index	23	0.50%	0.19%	0.59%	1.79%	-1.23%
US Dollar**	42	-0.66%	1.38%	1.03%	0.04%	1.04%
Bloomberg US Treasury Bill 1-3mo	1	0.09%	0.43%	0.81%	1.91%	3.36%

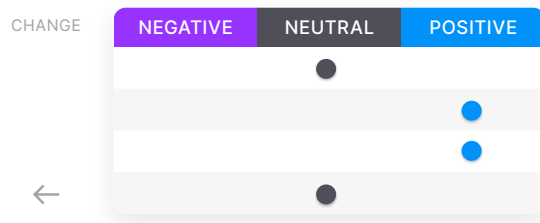
*The Orion Risk Score represents risk relative to the global equity market. **As of 06/01/2023. Table Sources: Morningstar, Yahoo Finance, S&P Global, Crane Data, BankRate, MarketWatch, First Trust.

Brinker Capital Market Barometer

The balancing act for markets continued in April as participants continue to weigh the probability of an economic slowdown versus a recession. Despite the variety of headlines and risks, both equity and fixed income markets eked out small gains during the month. Inflation continues to moderate, and the consensus expectation is that the Federal Reserve will pause rate hikes after the additional 25 bp increase at the beginning of May. Despite the additional hike, the market is calling a bluff on the Fed's hawkish rhetoric as the 2-Year Treasury has continued to rally leading to a widening gap between the fed funds rate and two-year yield. The banking sector continues to be in focus as First Republic Bank was taken into receivership by the FDIC and ultimately purchased by JPMorgan. The big banks continue to get bigger, but for now additional financial stress on the regional banks appears to have subsided. The labor market remains robust as payrolls continue to come in above expectations. Actual payroll growth has now outpaced forecasts for 13 consecutive months, an unprecedented streak for a historically mean reverting dataset. The consumer continues to prop up an otherwise slowing economy which was highlighted by the Q1 GDP report released during the month. Earnings season got off to a solid start with over half the companies reporting and earnings declines less negative than analysts expected. This resiliency removes a headwind for the bullish trending market as we move into the summer months amid a cloudy macro environment.

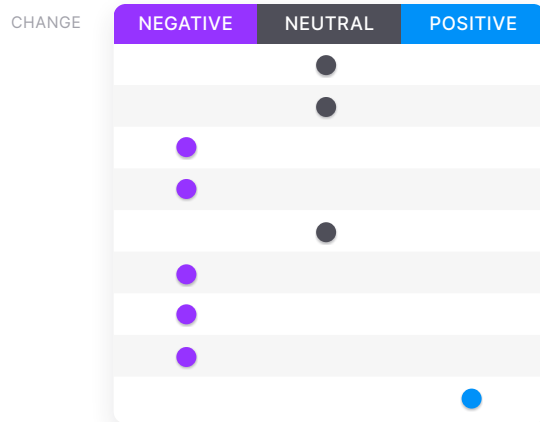
Short-term Factors

(< 6 months)



Market momentum continued in April; 12-month US returns are flat but foreign markets faring better
 Most global equity markets are above upward-sloping moving averages (small cap notable exception)
 Sentiment remains subdued despite strong market YTD; tepid equity flows amid competition for capital
 Sell in May heuristic is overstated but forward 3-month returns in this period only about average

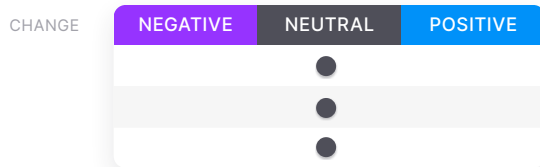
Intermediate-term Factors (6-36 months)



Yellen has stated a June 1st X-date; increasing pressure for a deal to suspend or raise debt ceiling
 Fed hiked rates by an additional 25 bps but messaging opens the door for a pause moving forward
 Inflation continues its moderating trajectory but remains well above Fed's long term target
 Deep yield curve inversion signals growth warning; elevated rate volatility affecting cost of capital
 Global PMIs show contraction; labor market strength continues despite slowdown/recession fears
 Business confidence measures remain subdued as a growth slowdown is expected
 Consumer sentiment is off its lows but remains at depressed levels
 Q1 earnings growth negative but decline not as bad as feared; margin compression stabilized for now
 Spreads widened modestly on banking stress but overall environment remains relatively tame

Long-term Factors

(36+ months)



U.S. equity valuations near long-term averages; overseas markets below average valuations
 Q1 GDP growth positive but well below expectations; consumer spending sustaining economic activity
 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-weighted 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.