# **Weekly Wire**

### AN ORION COMPANY

### Now That Was a Fun Week

By Rusty Vanneman, CMT, CFA, BFA™

Last week was a fun week in the markets. One catalyst was that inflation continues to fall, with some of the best inflation readings in a few years. In addition, some of the early corporate earnings reports for the second quarter came in much better than expected. Stronger economic growth is also expected. In the end, the global equity market was up about 3.5% for the week. Nearly all major asset classes were higher, with the one notable exception being the U.S. dollar which was down by over 2%. In turn, given the dollar weakness, while the U.S. market was up over by 2%, international markets were up nearly 5%.

The dollar is now down nearly 8% over the last 12 months, while non-US stocks are now up nearly 21% over the last year, just like the S&P 500. What might surprise some is that while US growth stocks have been on a tear, and indeed a 23%+ return over the last year proves that, developed international stocks (as defined by the EAFE index) are now up nearly 27% over the same time frame. It's all a bit stunning to think how strong returns have been given how persistently negative investor sentiment was up until a month ago and how recession fears dominated. This all said, so what, now what? Well, last week was fun, but it would be reasonable for the stock market to take a breather. From a seasonal perspective, we just finished what is typically one of the stronger times of year for market gains. Also, in the technical parlance, the market is "overbought". A pause to refresh would be healthy for the market.

If you have any questions or comments, please let me know: Rusty@Orion.com. Enjoy the week!

Stay invested. Stay diversified. Stay disciplined.

Rate	This Week	1 Wk ∆%	
13-Wk Treasury Yield	5.22%	0.01%	
10-Yr Treasury Yield	3.82%	-0.23%	
Bloomberg US Agg Yield	4.88%	-0.21%	
Avg Money Mkt Yield	4.95%	0.01%	
Avg 30-Yr Mortgage Rate	7.25%	0.04%	

Key Economic Data This Week				
Data Point	Expectation	Release Date		
US Retail Sales	0.5%	7/18/2023		
Housing Starts	1.48M	7/19/2023		
Existing Home Sales	4.24M	7/20/2023		
US Leading Economic Indicators	-0.6%	7/20/2023		

Key Economic Data Last Week				
Data Point	Expectation	Actual		
Consumer Credit	\$21.5B	\$7.2B		
Consumer Price Index (CPI) YoY	3.1%	3.0%		
Core CPI YoY	5.0%	4.8%		
Producer Price Index (PPI) YoY	-	0.1%		
Core PPI YoY	-	2.6%		

Stocks, Bonds, Alternatives, & Real Assets as of July 14, 2023						
Security Name	Risk Score*	1 Wk Δ%	1 Mo Δ%	QTD Δ%	YTD ∆%	12 Mo Δ%
Global Equities (60% US, 40% Intl)	100	3.42%	2.72%	2.12%	16.07%	21.07%
S&P 500 Total Return	110	2.44%	3.15%	1.30%	18.41%	20.91%
Morningstar US Large Cap	110	2.51%	2.96%	1.24%	20.74%	21.98%
Morningstar US Mid Cap	122	2.77%	4.43%	2.08%	10.77%	17.25%
Morningstar US Small Cap	128	3.32%	4.29%	2.41%	13.44%	18.42%
Morningstar US Value	98	1.53%	1.94%	0.54%	4.61%	13.83%
Morningstar US Growth	146	3.59%	4.14%	2.19%	30.96%	23.43%
MSCI ACWI Ex USA	88	4.77%	1.81%	3.05%	13.21%	20.87%
MSCI EAFE	94	4.87%	1.59%	2.73%	15.19%	26.83%
MSCI EM	86	4.96%	2.15%	4.33%	9.65%	10.10%
Bloomberg US Agg Bond Index	35	1.51%	0.44%	0.20%	2.29%	-1.03%
Bloomberg Commodity Index	94	2.74%	3.73%	3.28%	-4.76%	-2.26%
Wilshire Liquid Alternative Index	23	0.88%	0.76%	0.46%	3.07%	3.31%
US Dollar	42	-2.31%	-2.95%	-2.91%	-3.49%	-7.95%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.41%	0.20%	2.53%	3.92%

#### **JULY 2023**

### **Brinker Capital Five Factor Market Barometer**



CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fundamentals We invest to participate in company success. Over time, stock prices follow earnings.		•		<ul> <li>Fundamental indicators include factors such as corporate earnings, profitability, and the credit environment.</li> <li>While Q2 earnings are expected to decline YoY, trailing 12-month earnings have troughed which is often a leading indicator for stronger market returns</li> <li>Profit margins continue to be under pressure despite slight moderation in input costs</li> <li>Domestic Return on Equity ratios are trending lower but remain well above historic averages</li> <li>Credit spreads remain well behaved; absolute yields put debt servicing stress on companies</li> </ul>
Valuation  How much do we pay for those fundamentals? Starting points matter.				Valuation indicators include factors such as price multiples and the Cyclically adjusted price-to-earnings (CAPE) ratio.  Domestic large cap valuations have pushed higher YTD and remain elevated vs. history Excitement around Al is boosting valuations of some tech stocks to extreme levels Small cap stocks, developed international, and emerging markets are attractively valued Fixed Income yields are relatively attractive compared to stock market yields
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 and inflation.  • Yield curve inversion deepened further in June; approaching levels from the early '80s  • CMBS and MBS spreads signal heightened stress in real estate market  • Real rates continue to move higher with US rates at some of the highest levels globally  • While rates remain near cycle highs, the expectation is for lower rates across the curve moving forward
Policy Monetary and fiscal policy impact interest rates, valuations, and earnings.				Policy indicators include factors such as monetary and fiscal policy.  Third year of presidential election cycle bodes well for accommodative policy  Following the Fed's pause at the June meeting, 1-2 additional rate hikes are expected  The market is no longer pricing Fed rate cuts occurring in 2023  Headlines may paint the Inflation Reduction Act as an economic boost; in reality, spending yet to begin and isn't most impactful until 2026
<b>Behavioral</b> Over the short term, the market is like a voting machine.				Behavioral indicators include factor such as sentiment, momentum, trend, and breadth.  Upward trends in equity markets remain robust  Market breadth improving with recent high in number of stocks above moving averages  After a historic period of bearish (market bullish) sentiment, surveys reversed and are at the most bullish (market bearish) levels in several years

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.

Seasonality turning bearish through Q3 with negative 3M forward returns on average

## **Disclosures**



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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 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. Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.