**JULY 24, 2023** 

# **Weekly Wire**

### CAPITAL INVESTMENTS

AN ORION COMPANY

### Ten In a Row

By Rusty Vanneman, CMT, CFA, BFA™

Last week the old grandaddy of TV benchmarks, the <a href="Dow Jones">Dow Jones</a> Industrial Average, hit 10 consecutive days of gains. The Dow has only accomplished this feat <a href="15">15</a> times prior going back over a century to 1920. The last time was in 2017. This is another marker that "animal spirits" are alive and well in the markets, as also witnessed by the AAII Investor Sentiment Survey last week striking its most bullish reading since April 2021. It is interesting to note that the stock market isn't just dominated any more by the "Magnificent Seven", but that market leadership appears to be shifting toward other parts of the global equity market, such as the aforementioned Dow Jones. We also noted last week in this space how international stocks have likely surprised investors with better-than-expected gains over the last year.

Now, as seen in the table below, smaller and more value-oriented companies are performing better than growth stocks of late.

As for this coming week, it's a busy one. The Nasdaq 100 is doing a special rebalance Monday to reduce the concentration risk from the Magnificent Seven in that index. Nearly 20% of the companies report 2Q23 earnings this week, including some of this year's leaders: Microsoft, Alphabet (Google), and Meta (Facebook). The Federal Reserve is also expected to raise the Fed Funds rate this Wednesday to 5.25-5.50% — it's highest level since 2001. The Fed's preferred inflation measure, the PCE, is also released this Friday.

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	1Wk∆%	
13-Wk Treasury Yield	5.25%	0.03%	
10-Yr Treasury Yield	3.84%	0.02%	
Bloomberg US Agg Yield	4.92%	0.04%	
Avg Money Mkt Yield	4.95%	0.00%	
Avg 30-Yr Mortgage Rate	7.20%	-0.05%	

Key Economic Data This Week				
Data Point	Expectation	Release Date		
New Home Sales	717,000	7/26/2023		
Personal Income	0.5%	7/28/2023		
Personal Spending	0.5%	7/28/2023		
PCE YoY		7/28/2023		
Core PCE YoY	4.2%	7/28/2023		

Key Economic Data Last Week				
Data Point	Expectation	Actual		
US Retail Sales	0.5%	0.2%		
Housing Starts	1.48M	1.42M		
Existing Home Sales	4.2M	4.2M		
US Leading Economic Indicators	-0.6%	-0.7%		

Stocks, Bonds, Alternatives, & Real Assets as of July 21, 2023						
Security Name	Risk Score*	1 Wk Δ%	1 Mo Δ%	QTD Δ%	YTD ∆%	12 Mo Δ%
Global Equities (60% US, 40% Intl)	100	0.21%	3.40%	2.33%	16.31%	15.09%
S&P 500 Total Return	110	0.70%	4.01%	2.00%	19.24%	15.39%
Morningstar US Large Cap	110	0.61%	3.77%	1.86%	21.48%	16.23%
Morningstar US Mid Cap	122	1.01%	5.56%	3.12%	11.90%	11.23%
Morningstar US Small Cap	128	1.18%	6.21%	3.62%	14.78%	11.45%
Morningstar US Value	98	2.50%	4.37%	3.05%	7.23%	12.66%
Morningstar US Growth	146	-0.34%	4.48%	1.85%	30.51%	14.20%
MSCI ACWI Ex USA	88	-0.64%	2.02%	2.39%	12.49%	14.74%
MSCI EAFE	94	-0.57%	1.87%	2.15%	14.54%	19.64%
MSCIEM	86	-1.31%	1.72%	2.97%	8.22%	5.84%
Bloomberg US Agg Bond Index	35	0.01%	-0.19%	0.21%	2.30%	-1.72%
Bloomberg Commodity Index	94	1.64%	1.81%	4.97%	-3.20%	-4.25%
Wilshire Liquid Alternative Index	23	0.12%	0.75%	0.57%	3.19%	2.39%
US Dollar**	42	1.11%	-1.62%	-1.97%	-2.55%	-5.79%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.42%	0.29%	2.63%	3.99%

#### **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.