Weekly Wire

BRINKER CAPITAL INVESTMENTS AN ORION COMPANY

Summer Breeze

By Rusty Vanneman, CMT, CFA, BFA™

The stock market this summer has had a nice Summer Breeze ("and it makes me feel fine"). Though the winning streak for daily consecutive gains in the grandaddy of TV benchmarks, the Dow Jones Industrial Average was finally snapped last week at 13 (which was its longest winning streak since 1987 and almost since the late 1800s), the weekly winning streak for the Dow (and S&P 500) has now hit three consecutive weeks. Both have hit new 52-week highs. Going into the last day of July, it looks like the S&P will have its fifth consecutive monthly gain. It's best monthly streak in two years.

It was another solid week for the markets, with all the major equity indices in the table on this page higher, except for the overall bond market. As for bonds, the 10-year Treasury yield did gain 13 bpts last week to finish just below 4%. While this yield is still below recent highs and the highs from last fall on the daily charts, on a monthly closing basis, depending on what happens on the last day of July, it could have its highest monthly closing yield since 2008. Could this breeze be the sign of something more ominous for the stock market though?

One key report last week was last Friday's <u>personal consumption expenditures (PCE)</u> index. In short, it continues to show slowing inflation and was even lower than anticipated. Will that be enough to stop the Fed? It might be. The <u>CME FedWatch Tool - CME Group</u> is now currently pricing an 80% chance that the Fed pauses at their next meeting on September 20th at the current Fed Funds rate range of 5.25-5.50%. Another good report last week was the <u>Q223 GDP</u> report on GDP. It also came in slightly better than expected. The <u>GDPNow- Federal Reserve Bank</u> of Atlanta is even now estimating a 3.5% GDP growth for the 3Q23. Never mind the earlier fears of a hard recession, or even a soft landing, could the economy reach a Goldilocks state where economic growth is solid, and inflation is tamed? Given recent data, it's a fair question.

As for this coming week, in addition to more <u>earnings reports</u> (particularly from Big Tech), the <u>monthly jobs report</u> is released this Friday. The current consensus expectation is for 200k more jobs being created and an unemployment rate of 3.6%.

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

Stay invested. Stay diversified. Stay disciplined.

Interest Rates as of July 28, 2023				
Rate	This Week	1Wk Δ%		
13-Wk Treasury Yield	5.26%	0.01%		
10-Yr Treasury Yield	3.97%	0.13%		
Bloomberg US Agg Yield	4.99%	0.07%		
Avg Money Mkt Yield	4.99%	0.04%		
Avg 30-Yr Mortgage Rate	7.23%	0.03%		

Key Economic Data This Week				
Data Point	Expectation	Release Date		
Job Openings	-	8/1/2023		
ISM Manufacturing	46.9%	8/1/2023		
ADP Employment	173,000	8/2/2023		
US Nonfarm Payrolls	200,000	8/4/2023		
US Unemployment Rate	3.6%	8/4/2023		

Key Economic Data Last Week			
Data Point	Expectation	Actual	
New Home Sales	725,000	697,000	
Personal Income	0.4%	0.3%	
Personal Spending	0.5%	0.5%	
PCE YoY		3.0%	
Core PCE YoY	4.1%	4.2%	

Stocks, Bonds, Alternatives, & Real Assets as of July 28, 2023						
Security Name	Risk Score*	1 Wk ∆%	1 Mo Δ%	QTD Δ%	YTD ∆%	12 Mo Δ%
Global Equities (60% US, 40% Intl)	100	1.14%	4.81%	3.50%	17.64%	14.44%
S&P 500 Total Return	110	1.03%	4.81%	3.06%	20.47%	14.46%
Morningstar US Large Cap	110	1.29%	4.86%	3.18%	23.05%	15.90%
Morningstar US Mid Cap	122	0.00%	4.88%	3.12%	11.90%	8.79%
Morningstar US Small Cap	128	0.75%	6.22%	4.40%	15.64%	10.18%
Morningstar US Value	98	1.03%	5.76%	4.11%	8.33%	11.66%
Morningstar US Growth	146	0.49%	4.10%	2.34%	31.15%	13.26%
MSCI ACWI Ex USA	88	1.39%	4.54%	3.81%	14.05%	14.56%
MSCI EAFE	94	0.93%	4.02%	3.10%	15.60%	18.60%
MSCI EM	86	2.86%	5.81%	5.91%	11.31%	8.04%
Bloomberg US Agg Bond Index	35	-0.40%	-0.68%	-0.20%	1.89%	-3.41%
Bloomberg Commodity Index	94	1.07%	7.35%	6.10%	-2.16%	-6.83%
Wilshire Liquid Alternative Index	23	0.17%	0.90%	0.74%	3.36%	2.01%
US Dollar**	42	0.89%	-0.70%	-1.11%	-1.69%	-4.40%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.42%	0.39%	2.73%	4.06%

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.				 Fundamental indicators include factors such as corporate earnings, profitability, and the credit environment. While Q2 earnings are expected to decline YoY, trailing 12-month earnings have troughed which is often a leading indicator for stronger market returns Profit margins continue to be under pressure despite slight moderation in input costs Domestic Return on Equity ratios are trending lower but remain well above historic averages Credit spreads remain well behaved; absolute yields put debt servicing stress on companies
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 AI 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
Behavioral 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 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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