Weekly Wire

One Year Anniversary

By Rusty Vanneman, CMT, CFA, BFA™

Last week celebrated the 1-year anniversary of the bear market lows from last year. Since then, the global equity market is up over 20%, with US growth stocks leading the way (though developed international is up about 25% over that time). Interestingly, this is basically tied to the second weakest 1-year return after a bear market low since WWII. Of course, above-average equity valuations and rising interest rates have constrained stock market returns, as 10 Year Treasuries are up about 5/8 of 1% over that time frame.

Regarding interest rates though, a plus for stocks and bonds last week was that the 10-year Treasury yield did end the week at 4.62%. It had been nearly as high as 4.90% recently. This is due to the tragic situation in the Middle East as investors sought the safe haven of US Treasuries. Other diversifiers such as commodities also benefited from the geopolitical stress, as they were up about 3%. Last week also had key inflation data. While the initial analysis and reaction was mixed, in the end the markets felt the data was sufficient to keep the Federal Reserve on pause this year.

As for this week, the Middle East and interest rates will again be key drivers of the global financial markets. This week, however, corporate earnings will hopefully assert themselves more. This includes key reports from some leading financial firms (after last week's solid reports from other financial firms, including JPMorgan) and key tech names such as Netflix and Tesla. Currently, earnings growth for the quarter is basically expected to be flattish in terms of year-over-year growth (and an improvement over the last three consecutive quarters of YOY losses), but expectations are for a decent 4th quarter and 2024. The year-over-year growth numbers for 2023 and 2024 are currently expected to be +1 and +13% respectively.

Add it all up...

Stay invested. Stay diversified. Stay disciplined.

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



Interest Rates as of October 13, 2023				
Rate	This Week	1 Wk Δ%		
13-Wk Treasury Yield	5.33%	-0.02%		
10-Yr Treasury Yield	4.63%	-0.15%		
Bloomberg US Agg Yield	5.55%	-0.10%		
Avg Money Mkt Yield	5.17%	0.00%		
Avg 30-Yr Mortgage Rate	7.80%	-0.08%		

Key Economic Data This Week Data Point Release Date Expectation US Retail Sales 0.2% 10/16/2023 1.37M 10/18/2023 Housing Starts 10/19/2023 Existing Home Sales 3.9M US Leading Economic Indicators -0.4% 10/19/2023

Source: MarketWatch

Key Economic Data Last Week					
Data Point	Expectation	Actual			
Wholesale Inventories	-0.1%	-0.1%			
Producer Price Index (PPI) YoY	-	2.2%			
Core PPI YoY	-	2.8%			
Consumer Price Index (CPI) YoY	3.6%	3.7%			
Core CPI YoY	4.1%	4.1%			

Source: MarketWatch, First Trust

Stocks, Bonds, Alternatives, & Real Assets as of October 13, 2023							
Security Name	Risk Score*	1Wk	1 Mo	QTD	YTD	1Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	0.62%	-3.12%	0.06%	10.07%	20.01%	6.01%
S&P 500 Total Return	102	0.47%	-3.00%	0.99%	14.19%	19.92%	8.91%
Dow Jones Industrial Average	97	0.79%	-2.54%	0.54%	3.29%	14.52%	7.64%
NASDAQ 100 Total Return	122	0.15%	-2.24%	1.93%	37.98%	37.10%	8.32%
TV Benchmark	107	0.47%	-2.59%	1.15%	18.49%	23.85%	8.29%
Morningstar US Large Cap	102	0.48%	-2.87%	1.32%	17.75%	22.72%	8.37%
Morningstar US Mid Cap	113	0.10%	-3.74%	-0.76%	2.23%	9.26%	5.99%
Morningstar US Small Cap	125	-0.79%	-5.64%	-2.80%	2.75%	7.03%	5.19%
Morningstar US Value	98	0.68%	-3.82%	-1.05%	0.99%	10.81%	11.91%
Morningstar US Growth	126	-0.71%	-4.65%	0.04%	20.60%	20.49%	0.23%
MSCI ACWI Ex USA	98	1.18%	-2.84%	-0.70%	5.08%	21.47%	2.78%
MSCI EAFE	101	0.97%	-2.95%	-0.89%	6.63%	25.91%	4.97%
MSCI EM	98	1.52%	-2.22%	-0.12%	2.04%	14.78%	-3.00%
Bloomberg US Agg Bond Index	27	0.95%	-2.08%	-0.23%	-1.43%	1.46%	-5.30%
Bloomberg Commodity Index	70	2.75%	-1.12%	0.64%	-2.83%	-4.65%	15.55%
Wilshire Liquid Alternative Index	25	0.24%	-0.98%	-0.20%	2.28%	3.58%	1.46%
US Dollar**	10	0.25%	1.80%	0.35%	2.97%	-5.93%	4.63%
Bloomberg US Treasury Bill 1-3mo	1	0.14%	0.47%	0.22%	3.94%	4.77%	1.83%

Source: Morningstar

*The Orion Risk Score represents risk relative to the global equity market.

**As of 10/12/2023

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Brinker Capital Five Factor Stock 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. 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 How much do we pay for those fundamentals? Starting points matter.					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 Rates Both the level and trend of interest rates impact earnings and valuations.					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 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 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 Over the short term, the market is like a voting machine.					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



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.

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Brinker Capital Asset Class Barometer



сн	ANGE NEGATIVE	NEUTRAL	Factors considered within domestic equity include allocations to the traditional style box asset classes. Less constructive on US large cap stocks; elevated multiples and third consecutive quarter of
Domestic Equity			YoY earnings decline • Monetary policy environment is a headwind for broader market appreciation as economy tightens and cost of capital rises • The valuation gaps between value and growth stocks as well as large and small cap stocks are highly extended, thus favoring value-oriented and smaller market capitalization companies
International Equity			Factors considered within international equity include a breakdown between developed and emerging markets as well as allocations across the traditional style box. Modestly positive on international equities; more attractive valuations and upward trending EPS Within international equity, we are neutral on developed vs. emerging markets More recent bout of dollar strength has pressured international equity returns but can serve as an economic tailwind for export-oriented countries and companies
Core Fixed Income			Factors considered within core fixed income include credit quality and duration of the broad fixed income universe. • Modestly positive on core fixed income with the most attractive yield environment in nearly two decades • Investment grade corporate and securitized spreads remain tight; risk/return trade-off for Treasuries is compelling • While net neutral on duration, duration risk looks relatively attractive to capitalize on price appreciation potential from rate normalization
Global Fixed Income			 Factors considered within global fixed income include allocations to various spread and/or non-core fixed income sectors as well as duration. Modestly positive on global fixed income with spreads on high yield securities proving resilient in the face of equity selloff Compelling opportunities in several areas of global fixed income with attractive total return potential Despite spreads being tight relative to long-term averages, starting yields provide a buffer against potential risks that could lead to declining market values
Alternatives			Factors considered within liquid alternatives include high versus low beta sub-asset classes. Neutral on liquid alternatives Positioning within alternatives has been tilted toward lower-volatility complements to core fixed income Liquid alternatives offer a relatively stable risk profile with the potential for little correlation to equity beta or fixed income duration
Real Assets			Factors considered within real assets include allocations to the subcategories of commodities, real estate, natural resource equities, and infrastructure Neutral on real assets Within real assets, commodities and natural resource stocks have seen strong recent relative performance The green energy transition provides elevated demand for a variety of industrial metals; real estate valuations have become more attractive as higher interest rates have pressured prices

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.

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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.