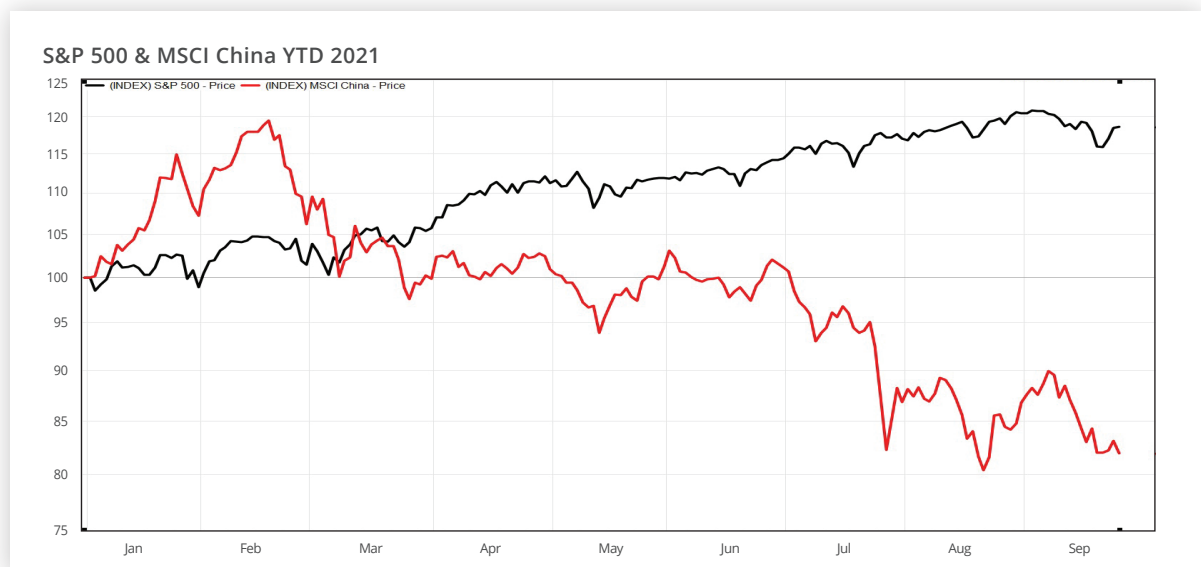


Systemic: of, relating to, or common to a system

Systemic was a word heard often on Wall Street last week as investors tried to divine the impact China's Evergrande Group might have on the world economy – as in did Evergrande pose a systemic risk to the world's economy? Before speaking to the conclusion we think markets have reached on that point, some background - Evergrande is China's second-largest real estate developer with \$80 billion in annual sales and \$300 billion in outstanding liabilities (making it the world's most indebted real estate developer). By most accounts, the company enjoyed great success until several forces came together late last year to put it on the back foot, including a pandemic-driven real estate downturn, government curbs on borrowing, too much debt, and unsuccessful forays into non-core businesses, including electric vehicles. More recently, company bonds have traded at 25 cents on the dollar, and concerns the company would miss debt payments helped send the S&P 500 nearly 2% lower on Monday, September 20, its worst day since May. While it will likely take time for the Evergrande story to play out, we think markets are signaling the company doesn't present a systemic risk to the world economy - consider risk assets have rallied since early last week and bond and currency markets have traded in an orderly fashion. It seems the most likely path forward for the company is a government-led restructuring. Finally, Evergrande has become one more reason – along with the Chinese government's regulatory crackdown and geo-political tensions – for many investors to question the wisdom of investing in China; we don't dispute those concerns and note US equities have easily outdistanced Chinese stocks year-to-date. With that said, China's economy is growing in the high single digits, while its markets trade at a meaningful discount to the US.



Stocks, bonds, and commodities (9/24/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4455.48	3.68%	18.62%	35.08%
MSCI AC	346.27	-1.63%	6.07%	25.64%
World ex USA				
MSCI EAFE	2341.69	1.60%	9.04%	27.89%
MSCI EM	1265.10	-7.97%	-2.03%	19.45%
Bloomberg Barclays US Agg	105.98	-0.25%	-3.54%	-3.81%
Crude Oil WTI	74.62	1.57%	53.79%	85.39%
Natural Gas	5.34	46.38%	111.52%	90.35%

Treasury rates (9/24/2021)

	Price	Yield
2Y	99.23 / 99.2	0.268
3Y	99.16 / 99.1	0.540
5Y	99.00 / 99.0	0.954
7Y	99.02 / 99.0	1.263
10Y	98.01 / 98.0	1.463
30Y	100.0 / 100.	1.995

Weekly reports

This week
• Richmond Fed Index Sep
• Chicago PMI Sep
Last week
• NAHB Housing Market Index SA Sep 76.0
• New Home Sales SAAR Aug 740K

Brinker Capital Market Barometer

SEPTEMBER 2021

While growth may have stalled in recent months due to concerns surrounding the Delta variant, the US economy remains on track for solid growth in 2021. The August employment report was weaker than expected, but wages continue to accelerate. Fiscal policy is currently supportive; however, uncertainty may arise in September as there are a number of fiscal initiatives to work through, which could result in higher taxes, causing the fiscal backdrop to shift. Monetary policy is also supportive, and the weaker unemployment report may have further delayed the Fed's plans for tapering asset purchases. The increase in inflation measures look more sticky than transitory, but we are still working through COVID-19 related disruptions to supply and demand. Consumer and business sentiment remain at elevated levels but have receded some from recent highs likely due to renewed COVID-19 concerns. Overall, the barometer remains tilted positively in September, aligned with our overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid
Trend				●	Developed market indices remain above 50-day and 200-day moving averages
Investor sentiment		●			Bullish sentiment declined in recent weeks; equity ETF flows remain strong
Seasonality		●			Seasonally weak period through October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Still supportive but watching budget bill negotiations for higher taxes
Monetary policy				●	Federal Reserve remains supportive; tapering possible before year-end
Inflation			●		Inflation has picked up and appears more sticky than transitory
Interest rate environment				●	Treasury yields stable at low levels
Macroeconomic				●	Expect solid growth in 2H21; labor market weaker than expected in August
Business sentiment				●	CEO confidence increased again in 2Q to a record high level
Consumer sentiment				●	August readings weaker due to delta variant concerns
Corporate earnings				●	Strong earnings growth so far in 2021
Credit environment				●	High yield spreads have remained relatively stable

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations well above long-term averages but not a near-term driver
Business cycle				●	In an economic expansion period with positive GDP growth since 3Q20
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of September 8, 2021. 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. Brinker Capital Inc., a registered investment advisor. 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.