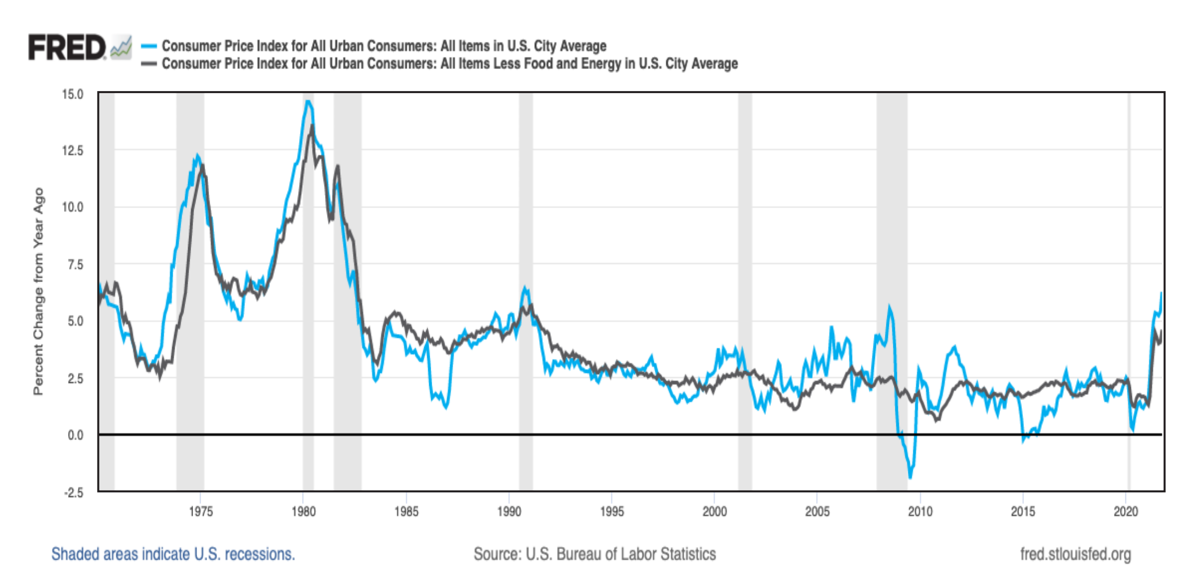
Weekly Wire

NOVEMBER 15, 2021

The Consumer Price Index Jumps 6.2%...Now What?

We pivot again to inflation this week. The catalyst for taking pen to paper this time on the topic is the 6.2% year-on-year jump in the October Consumer Price Index, a data point that was released by the Labor Department on November 10th. October saw the greatest jump in the CPI since 1990; for those of us who were hoping the October CPI, less food and energy (also known as the core price index since it excludes those often-volatile categories) might prove more benign, that registered a jump of 4.6% year on year, the largest increase since 1991 (see chart). Both data points added urgency to the debate on Wall Street over inflation, particularly whether the spike in prices could no longer be considered transitory but must be considered persistent; how long companies and consumers would be dealing with meaningfully higher prices, and how the latest inflation readings would impact monetary policy. We do think the duration and the degree of the spike in prices make it very difficult to still describe today's inflation as transitory. That being said, persistent doesn't mean permanent and we also think inflation should moderate meaningfully as we move through 2022. As it concerns monetary policy, we think last week's inflation readings could push the Fed to speed up the pace of tapering. We don't see the Fed raising rates for months, and not until tapering is complete as tapering and raising interest rates concurrently would mean easing (still buying securities, just less) and tightening (raising rates) monetary policy at the same time. While inflation remains a meaningful risk for the markets and the economy, and a real hardship for millions of Americans, it continues to run at a level well below what we experienced during the 1970s (see chart). Finally, with our nation having marked Veteran's Day last week, we want to offer our belated but heartfelt thanks to all those who serve and have served, in our nation's armed forces. Thank you for your service and your sacrifice.



Stocks, bonds, and commodities (11/12/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4682.85	8.71%	24.67%	30.62%
MSCI AC World ex USA	350.22	3.22%	7.28%	15.76%
MSCI EAFE	2356.20	3.28%	9.72%	17.93%
MSCI EM	1274.39	1.70%	-1.31%	7.24%
Bloomberg Barclays US Agg	105.01	-0.46%	-4.42%	-4.17%
Crude Oil WTI	80.69	7.54%	66.30%	101.07%
Natural Gas	4.88	-16.91%	92.99%	56.15%

Treasury rates (11/12/2021)

	Price	Yield
2Y	99.22 / 0.00	0.520
3Y	99.22 / 0.00	0.847
5Y	99.15 / 0.00	1.232
7Y	99.11 / 0.00	1.472
10Y	98.02 / 0.00	1.582
30Y	98.07 / 0.00	1.952

Weekly reports

This week
- Capacity Utilization Oct
- Philadelphia Fed Index Nov

Last week
- PPI NSA Y/Y Oct 8.6%
- JOLTS Job Openings Sept 10,438K

Chart source: US Bureau of Labor Statistics / St. Louis Federal Reserve, November 2021. The views expressed are those of Brinker Capital and are not intended as investment advice or recommendation. For informational purposes only.

Brinker Capital Market Barometer

NOVEMBER 2021

Growth is likely to pick up again in the fourth quarter. We are seeing strength in the economy on many fronts, including the labor market which showed meaningful improvement in October. Monetary policy remains accommodative, and the Fed has been transparent in its plan to begin tapering, followed by rate hikes in 2022, assuming desired economic conditions have been met. Fiscal policy is currently supportive; however, uncertainty still exists near term as Congress works through several fiscal initiatives, including addressing the debt ceiling. The pickup in inflation appears more persistent than transitory, but we are still working through supply chain issues. Treasury yields have moved slightly higher, but credit conditions remain favorable. Overall, the barometer remains tilted positively in November, aligned with our overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Momentum remains positive although the rate of change is slowing
Trend				●	S&P 500 Index back above 50-day moving average; hit record-high level
Investor sentiment			●		Sentiment not at extreme levels; modest equity inflows
Seasonality	→→			●	Seasonality a strong tailwind through year-end

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Remains supportive; tax impact of BBB looks relatively benign
Monetary policy				●	Fed has clearly communicated plan; watching for speeding up of timeline
Inflation			●		Inflation appears more persistent than transitory; supply chain issues remain
Interest rate environment				●	Treasury yields have risen modestly since August but remain at low levels
Macroeconomic				●	Economic strength on many fronts - employment, capex, personal income, housing
Business sentiment				●	Small business confidence remains at elevated level; labor shortage a concern
Consumer sentiment	←		●		Consumer sentiment weakened in October but spending remains strong
Corporate earnings				●	Earnings picture remains strong although pace of growth should decelerate
Credit environment				●	High-yield spreads have remained relatively stable; credit conditions constructive

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations 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

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