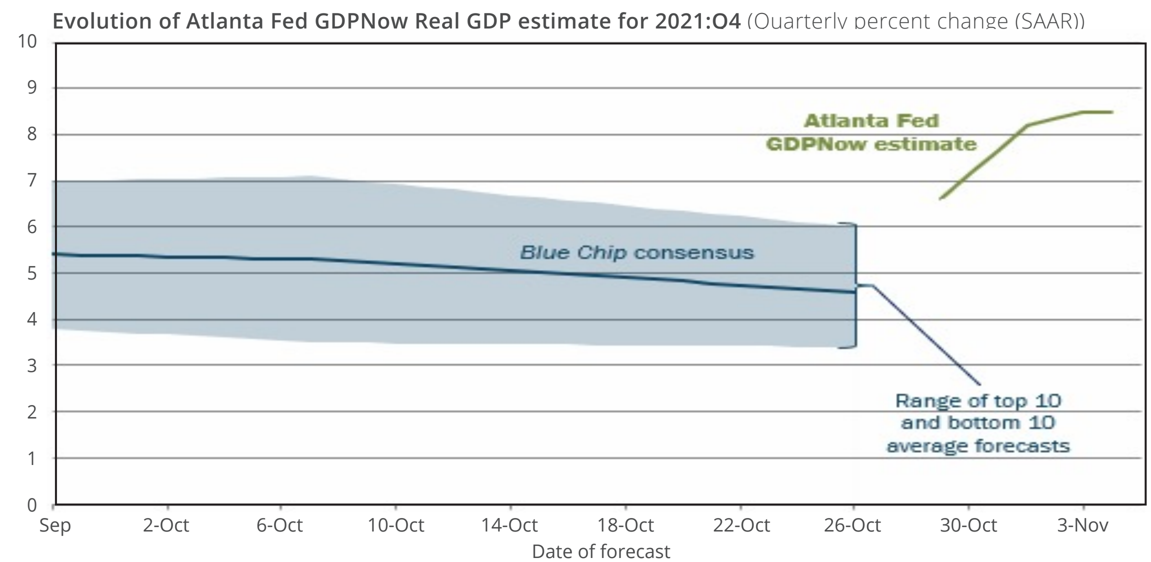
Weekly Wire

NOVEMBER 8, 2021

BRINKER CAPITAL INVESTMENTS

The Atlanta Fed's GDPNow "Nowcast" Taketh and Giveth

One of the more well-reported stories of the past several months was the deceleration in economic growth as we moved through the third quarter. As we now know, the Delta variant and snarled supply chains and labor shortages, among other challenges, conspired to (somewhat) put the brakes on consumer and corporate spending during July, August, and September. That dynamic was identified by the Atlanta Fed's GDPNow "nowcast" of Q3 GDP growth, which dropped from an estimated growth rate of 6.1% on July 30 to an estimated growth rate of 0.2% on October 27; not that far removed from the estimated Q3 GDP growth rate of 2.0% released by the Bureau of Economic Analysis on October 28. As we have written of late, we do expect the economy to perform much better in the fourth quarter as the impact of the Delta variant fades, supply chains catch up with demand, the labor market continues to improve, and consumers spend down their rather significant pile of accumulated savings during the holiday season (some economists estimate that consumers have socked away $2 trillion in cumulative savings since February of 2020). On that front, the latest reading from the Atlanta Fed's GDPNow nowcast of Q4 GDP growth is 8.5% (which the bank released on November 4th). Clearly, the economy continues to face meaningful headwinds but as we move further into the fourth quarter it also seems clear that economic growth is accelerating. Before we sign off, and with Atlanta on our minds, a big shout out to the Atlanta Braves for winning the World Series, and a big shout out to our own Chief Behavioral Officer, Atlanta resident and big Braves booster – Dr. Daniel Crosby!



Stocks, bonds, and commodities (11/5/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4697.53	9.05%	25.07%	33.85%
MSCI AC World ex USA	351.02	3.45%	7.52%	19.30%
MSCI EAFE	2373.27	4.03%	10.51%	23.34%
MSCI EM	1264.07	0.88%	-2.11%	7.46%
Bloomberg Barclays US Agg	105.88	0.36%	-3.63%	-3.58%
Crude Oil WTI	81.68	8.86%	68.34%	119.92%
Natural Gas	5.64	-3.90%	123.20%	86.01%

Treasury rates (11/5/2021)

	Price	Yield
2Y	99.30 / 99.3	0.395
3Y	99.29 / 99.3	0.648
5Y	100.1 / 100.	1.054
7Y	100.1 / 100.	1.315
10Y	98.05 / 98.0	1.451
30Y	102.1 / 102.	1.887

Weekly reports

This week

- PPI NSA Y/Y Oct
- JOLTS Job Openings Sept

Last week

- Private Nonfarm Payrolls Oct 531K
- Unemployment Rate Oct 4.6%

Chart source: Federal Reserve Bank of Atlanta, November 2021. Blue Chip Economic Indicators and Blue Chip Financial Forecasts. Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Brinker Capital Market Barometer

OCTOBER 2021

Growth is likely to pick up again as concerns over the Delta variant fade. We are seeing economic strengths on many fronts, including corporate earnings, capital expenditures, housing, and employment. Monetary policy remains a tailwind, and the Fed has been transparent in its plan, assuming desired economic conditions have been met. Fiscal policy is currently supportive; however, uncertainty exists near term as Congress works through several fiscal initiatives, including addressing the debt ceiling. Depending on where the legislation ends up, it could result in higher taxes, causing the fiscal backdrop to shift. The increase in inflation measures look 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 October, 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 dropped below 50-day moving average, but still in an uptrend
Investor sentiment	→		●		Bearish sentiment has increased; outflows from equity funds/ETFs
Seasonality		●			Seasonally weak period until end of October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Remains supportive but watching for level of tax increases in final bill
Monetary policy				●	Fed has clearly communicated plan for tapering ('21) and potential rate hikes ('22)
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				●	Improved slightly in September; higher inflation weighing on purchases
Corporate earnings				●	Earnings picture remains strong; pace of growth may decelerate in 2H21
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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