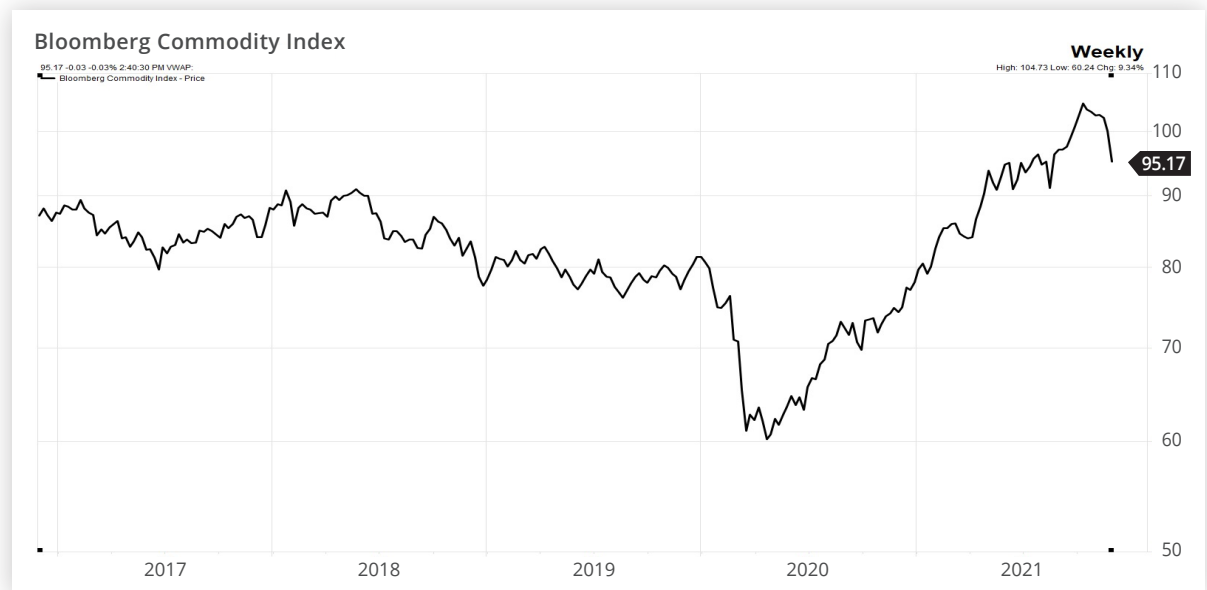


Omicron & The Fed Upend The Markets

After a week away for the Thanksgiving holiday, we are happy to be taking pen to paper to share our thoughts on the economy and markets. While our Thanksgiving was great—and we hope yours was too—the post-Thanksgiving period has been anything but for investors. The Omicron variant of the coronavirus and talk of sped-up tapering and sooner than expected rate hikes by the Federal Reserve have conspired to push volatility higher and risk assets lower. As always, our first concern is for everyone’s health and safety, and we hope the Omicron variant will not drive a spike in Covid hospitalizations or deaths (and considering the Delta variant proved more manageable than expected, that could prove to be the case). Then there is the Federal Reserve and the hawkish tone emanating from our central bank, as Chairman Powell and his colleagues contend with inflation that has proven more persistent than they expected. In fact, while testifying before Congress last week, Mr. Powell said it was time to retire the word “transitory” when it came to describing inflation, and that meaningful shift in tone was a catalyst for recent market weakness as investors worried how risk assets would fare under a less accommodative Fed. We think the Fed is right to assume a more hawkish stance, but we also find it interesting that, as the institution most associated with the concept of transitory inflation abandons the concept, the Bloomberg Commodity Index, which is comprised of any number of cyclically sensitive commodities, has dropped about 10% from its all-time high (see chart). Maybe, just maybe, we are near peak inflation. If so, the Fed should be able to gradually shift from an accommodative to neutral monetary policy stance, a dynamic that would be welcomed on Wall Street and should be supportive of risk assets for some time to come.



Stocks, bonds, and commodities (12/3/2021)

| Security name | Last | QTD chg | YTD chg | 12mo chg |
|---------------------------|---------|---------|---------|----------|
| S&P 500 | 4538.43 | 5.36% | 20.83% | 22.69% |
| MSCI AC World ex USA | 333.26 | -1.78% | 2.08% | 4.51% |
| MSCI EAFE | 2235.12 | -2.02% | 4.08% | 6.38% |
| MSCI EM | 1224.64 | -2.27% | -5.16% | -2.11% |
| Bloomberg Barclays US Agg | 105.62 | 0.11% | -3.87% | -3.58% |
| Crude Oil WTI | 66.22 | -11.74% | 36.48% | 43.15% |
| Natural Gas | 4.09 | -30.22% | 62.07% | 58.99% |

Treasury rates (12/3/2021)

| | Price | Yield |
|-----|--------------|-------|
| 2Y | 99.26 / 0.00 | 0.583 |
| 3Y | 99.23 / 0.00 | 0.835 |
| 5Y | 100.1 / 0.00 | 1.124 |
| 7Y | 101.1 / 0.00 | 1.290 |
| 10Y | 100.1 / 0.00 | 1.340 |
| 30Y | 104.2 / 0.00 | 1.669 |

Weekly reports

| |
|--|
| This week (12/6/2021) |
| • CPI Nov NSA Y/Y |
| • UofM Dec Consumer Sentiment NSA |
| Last week (11/22/2021) |
| • Markit PMI Manufacturing SA Nov 59.1 |
| • New Home Sales SAAR Oct 745.0K |

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 | RISK POSITIONING | | | |
|--------------------|--------|------------------|---------|----------|---|
| | | 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 | RISK POSITIONING | | | |
|---------------------------|--------|------------------|---------|----------|--|
| | | 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 | RISK POSITIONING | | | |
|----------------|--------|------------------|---------|----------|---|
| | | 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 |

For informational purposes only. Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of November 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. Brinker Capital Investments, LLC a registered investment advisor.