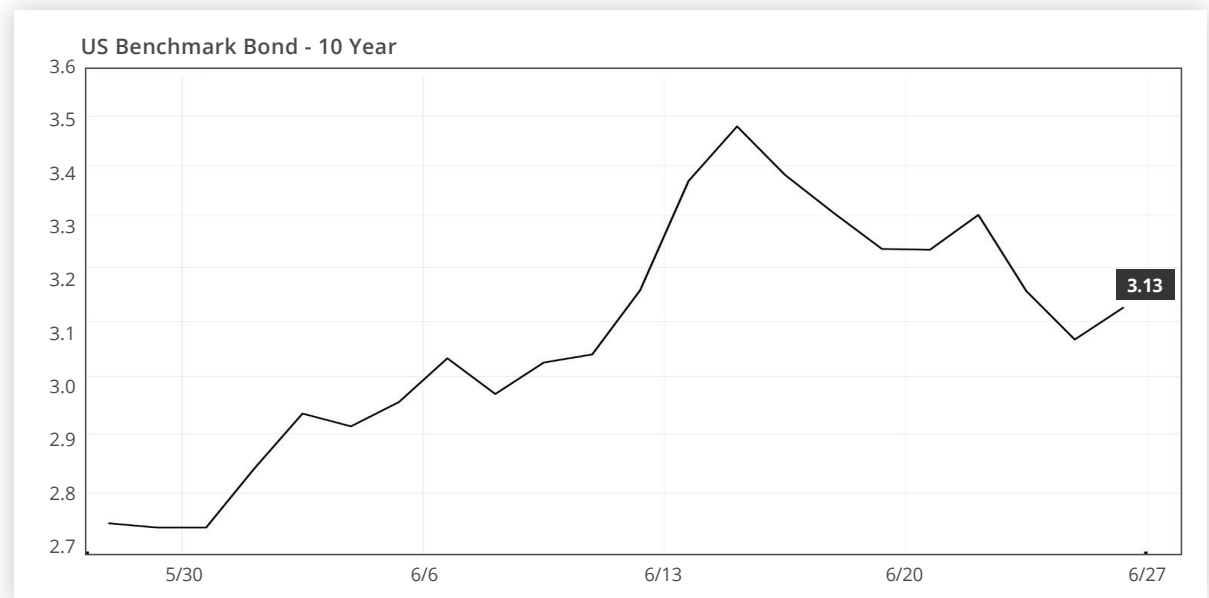


## A Recession is Not Preordained

We try to construct these weekly pieces as narrative or mini-narrative essays. This week we are taking a different approach, simply listing the reasons why we think a US recession isn't pre-ordained. Before we get to those reasons, we would point out that since 1980, the US economy has been in recession just 13% of the time, and that the yield on the US 10 Year Note has come in by about 40bps, a possible sign the market is increasingly confident the Fed will win the battle against inflation (see chart).

- Corporate America, the US consumer is in fantastic financial shape
- Companies hold \$7 trillion in cash; excess household savings total \$2 trillion
- The labor market is exceptionally strong – sub 4% unemployment rate
- Home prices are at an all-time high; record tappable equity
- Some inflation data points appear to have peaked/have rolled over
- No signs of meaningful sector or industry imbalance
- Credit conditions aren't overly tight
- Recession call seems the consensus on Wall Street



### Stocks, bonds, and commodities (6/24/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3911.74	-13.66%	-17.93%	-8.62%
MSCI AC World ex USA	280.08	-13.45%	-18.66%	-21.38%
MSCI EAFE	1874.19	-14.09%	-19.77%	-19.99%
MSCI EM	1011.18	-11.44%	-17.92%	-26.70%
Bloomberg Barclays US Agg	92.05	-5.90%	-12.11%	-13.04%
Crude Oil WTI	107.08	6.78%	42.37%	44.60%
Natural Gas	6.18	9.45%	73.60%	75.43%

### Treasury rates (6/24/2022)

	Price	Yield
2Y	98.29 / 98.3	3.072
3Y	99.06 / 99.0	3.161
5Y	97.14 / 97.1	3.184
7Y	97.06 / 97.0	3.202
10Y	97.25 / 97.2	3.134
30Y	92.20 / 92.2	3.261

### Weekly reports

This week (6/27/2022)
• June Conf Board Consumer Confidence
• June Chicago PMI SA
Week of 6/20/2022
• June Markit PMI Services SA 51.6
• May New Home Sales SAAR 696.0K

# Brinker Capital Market Barometer

JUNE 2022

A strong labor market, robust wage growth, and healthy consumer balance sheets are providing support to the U.S. economy, but financial markets continue to be more acutely focused on the downside potential from inflation, geopolitics, and tightening monetary policy. Global equity markets staged a modest rally at the end of May alongside an easing in long-term Treasury yields. However, most major indices remain near bear market territory amid uncertainty regarding the Fed's ability to engineer a 'soft landing' without tipping the U.S. economy (and global economy) into a recession. Nevertheless, the first quarter earnings season has been solid with S&P 500 earnings growth of 9.2% and over 75% of companies exceeding earnings forecasts. A strong consumer bodes well for economic cycle durability, but we are watching to see if the negative sentiment from persistent inflation and geopolitical turmoil will curtail spending.

## SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Despite the recent bounce, most equity markets remain near bear market territory
Trend		●			Major global equity indices remain below moving averages
Investor sentiment				●	Surveys show significantly more bears than bulls; tends to be a contrarian signal
Seasonality		●			Markets entering seasonally-weak period; more pronounced in midterm election years

## INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Diminished likelihood of significant legislation; surging tax revenues aiding deficit reduction
Monetary policy	←		●		Fed rate hikes and forecasts of tightening throughout 2022 have moderated easy conditions
Inflation		●			Might have reached peak inflation but prices are still rising at historically high rates
Interest rate environment			●		Rates moving higher but still historically low; yield curve has steepened after brief inversion
Macroeconomic				●	Healthy labor market supporting consumer spending despite higher interest rates
Business sentiment	← ←	●			Business confidence measures have continued to deteriorate with inflation as a primary driver
Consumer sentiment		●			Consumer sentiment at lowest level since 2013 but hasn't negatively impacted spending
Corporate earnings				●	Continued strength in revenues/earnings and analyst estimates; margin pressures materializing
Credit environment				●	Corporate credit spreads widening in orderly fashion; remain tight relative to history

## LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		U.S. equity valuations near long-term averages; overseas markets below average valuations
Business cycle				●	In economic expansion with positive year-over-year GDP growth despite modest dip in Q1
Demographics			●		Emerging markets possess more favorable trends overall than developed markets

For informational purposes only. Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of June 6, 2022. 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. 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.