Weekly Wire

JULY 11, 2022

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

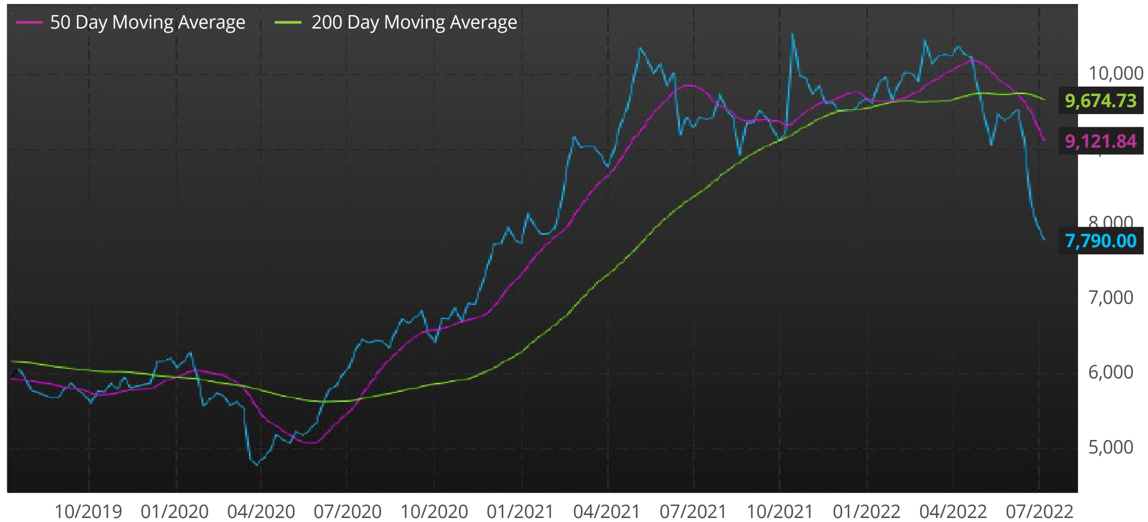
Just What We Need.....Another Acronym

The world of investing is full of acronyms. There are BRICs (shorthand for Brazil, Russia, India, and China), ETF (shorthand for exchange-traded fund), LIFO (shorthand for last in, first out – which is one way to approach the valuation or cost of a company's inventory) and FOMO (which is shorthand for fear of missing out, though we are guessing that one transcends Wall Street). To this long list of acronyms, we would like to add one more: CANZ, which is shorthand for copper, aluminum, nickel, and zinc, four of the world's most important industrial metals. Though apparently, CANZ is already shorthand for Canada, Australia, and New Zealand – hopefully, we won't be getting a tongue lashing by the representatives of any of those great nations.

What got us thinking about copper, aluminum, nickel, and zinc, was their respective prices, or, we should say the trajectory of their respective prices over the past two and half years. Not surprisingly, the price of each metal corrected meaningfully through the spring of 2020 as the world's economy was shut down due to the coronavirus; then, as economic activity rebounded so did the price of each metal, in parabolic fashion, with all four trading up to 10+ year highs, moves in price that were no doubt aided along by overwhelmed global supply chains. Then, more recently, the price of each metal has come down sharply, likely pushed lower by increased production and an end to panic buying and hoarding by the users of the metals.

Consider the case of copper, which traded at $6,300 per metric ton in January of 2020; $4,800 per metric ton in March of 2020; $10,700 per metric ton in March of 2022, and today is priced at $7,800 per metric ton (see chart). Higher prices for key industrial metals have weighed on the margins of the users of those metals and fed into historically high inflation. All things being equal, lower prices should mean higher margins for the users of those metals and reduced inflationary pressure going forward.

Copper Cash Official LME ($/mt) (CA-FDS)



Stocks, bonds, and commodities (7/8/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3899.38	3.01%	-18.19%	-10.76%
MSCI AC World ex USA	276.74	0.11%	-19.63%	-20.52%
MSCI EAFE	1849.48	0.17%	-20.83%	-20.05%
MSCI EM	999.57	-0.11%	-18.87%	-24.17%
Bloomberg Barclays US Agg	92.27	-0.39%	-11.90%	-13.53%
Crude Oil WTI	104.80	-0.91%	39.34%	40.56%
Natural Gas	6.00	11.28%	68.68%	63.31%

Treasury rates (7/8/2022)

	Price		Yield
2Y	99.25 /	99.2	3.111
3Y	99.08 /	99.0	3.139
5Y	100.1 /	100.	3.127
7Y	100.2 /	100.	3.144
10Y	98.07 /	98.0	3.082
30Y	92.25 /	92.2	3.252

Weekly reports

This week (6/27/2022)

- June CPI NSA Y/Y
- July UofM Sentiment NSA

Week of 6/20/2022

- June Nonfarm Payrolls SA 372.0K
- June Unemployment Rate 3.6%

Chart source: FactSet, July 2022. 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

JULY 2022

A healthy labor market and solid balance sheets for both consumers and corporations are providing support to the U.S. economy despite the headwinds from high inflation, tightening monetary policy, and geopolitical stress. Financial markets are more acutely focused on the downside pressures with most major global equity markets falling into bear market territory during the second quarter. The Fed's last-minute pivot to a 75 basis point increase in the Fed funds rate at the most recent FOMC meeting led to greater skepticism that they will be able to engineer a "soft landing" without tipping the U.S. economy into a recession. Longer-term Treasury yields have shown some stability over recent weeks, and consensus expectations for CY 2022 earnings growth remain resilient (+10%). The trajectory of inflation over the coming months will be critical in determining the outlook for the economy and markets in the back half of the year.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Despite sporadic attempts to rally, most equity markets remain in 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 in midst of seasonally-weak period; more pronounced in midterm election years

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Diminshed likelihood of significant legislation; surging tax revenues aiding deficit reduction
Monetary policy			●		Fed moving toward more restrictive stance; money supply and negative real yields supportive
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 maintains modestly positive slope
Macroeconomic	←		●		Labor market remains healthy but consumer spending and other economic data moderating
Business sentiment		●			Business confidence measures have continued to decline with inflation as a primary driver
Consumer sentiment		●			Consumer sentiment decidedly pessimistic; expectations over next 6-12 months deteriorating
Corporate earnings				●	Earnings remain resilient; margin pressures causing modest rise in negative estimate revisions
Credit environment				●	Widening in corporate credit spreads orderly in nature; 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	←		●		Decelerating GDP growth and negative LEI increasing the potential for shallow recession
Demographics			●		Emerging markets possess more favorable trends overall than developed markets

1205-BCI-7/11/2022