Weekly Wire

JULY 5, 2022

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

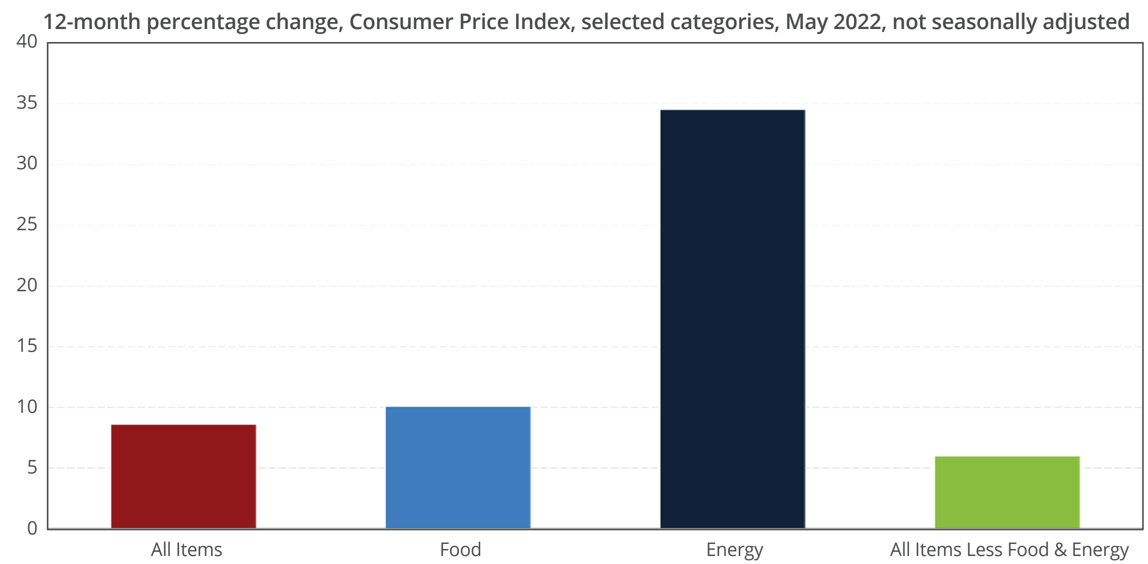
Three Dates in July

As investors, we strive to put near-term economic and market headlines and volatility – to the upside and downside – in perspective, keeping our focus on the long-term and our long-term investment objectives, aided in that effort by a thoughtfully constructed and carefully managed multi-asset class portfolio. But, as we say goodbye to the second quarter of 2022 and hello to the month of July, our focus turns to three very important dates during the month, named in honor of the Roman Emperor Julius Caesar.

The first is one date that matters every year this time of year and that is July 4th, the date we celebrate our country's Declaration of Independence from the British Empire and the beginning of what has become one of the world's longest-lived democracies. And we hope you all had a wonderful 4th of July holiday weekend.

The other two dates this month that we think matter, at least to investors, are July 13th—when the Bureau of Labor Statistics releases the Consumer Price Index for the month of June, and July 27th—when the US Federal Reserve concludes its July meeting. As it concerns the former, Wall Street is expecting the June CPI to have risen month-to-month by 8.7% (you will recall that the May CPI – which was released on June 10th – rose a greater than expected 8.6%, causing the Fed to raise the Fed Funds Rate by 75 bps at its June meeting and reinforcing an inflation dynamic that has weighed heavily on investor sentiment and risk assets; see graph, far left column).

As it concerns the latter, Wall Street is expecting the Fed to hike interest rates by 75 basis points at its upcoming meeting, bringing the Fed Funds Rate to a range of 2.25% to 2.50%. What will likely be more important than the July move in interest rates is how the Fed is thinking about and communicating around the path for monetary policy through year-end. Ideally, the June CPI number will come in cooler than expected, providing support to the peak inflation narrative and room for the Fed to move away from a 75 bps hike in the Fed Funds Rate at its September meeting.



Stocks, bonds, and commodities (7/1/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3825.33	1.06%	-19.74%	-12.11%
MSCI AC World ex USA	274.45	-0.72%	-20.29%	-21.94%
MSCI EAFE	1832.34	-0.76%	-21.56%	-20.87%
MSCI EM	992.84	-0.78%	-19.41%	-26.75%
Bloomberg Barclays US Agg	93.13	0.54%	-11.07%	-12.51%
Crude Oil WTI	108.46	2.55%	44.21%	44.31%
Natural Gas	5.60	3.93%	57.55%	51.46%

Treasury rates (7/1/2022)

	Price	Yield
2Y	100.10 / 100.1	2.833
3Y	100.01 / 100.0	2.852
5Y	101.21 / 101.2	2.884
7Y	102.00 / 102.0	2.930
10Y	99.266 / 99.27	2.892
30Y	95.100 / 95.12	3.116

Weekly reports

This week (6/27/2022)

- June Nonfarm Payrolls SA
- June Unemployment Rate

Week of 6/20/2022

- June Conf Board Consumer Confidence 98.7
- June Chicago PMI SA 56.0

Chart source: U.S. Bureau of Labor Statistics, June 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

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