Brinker Capital Market Barometer

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From a macroeconomic lens, the numerous data releases over the past month have done little to change the mixed economic outlook. Inflationary pressures continue to challenge global economies and are forcing central banks into difficult trade-offs between fighting inflation and supporting economic growth. Financial markets are hanging on central bankers' every word and dissecting how each new piece of data might influence monetary policy. The recent economic softening and a hopeful interpretation of Chair Powell's comments after the late-July FOMC meeting unleashed the bulls who are in a "bad news is good news" mindset. U.S. equity markets surged higher by nearly 10% in July alongside declining long-term Treasury yields. We believe this optimism may be tempered somewhat in coming months if the economy continues to display just enough resilience to provide the Fed cover for more aggressive policy action.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Even after July rally, most global equity markets are still exhibiting technical weakness
Trend		●			Major equity indices below longer-term moving averages but short-term trends improving
Investor sentiment				●	Surveys continue to 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			●		Increased likelihood of slimmed-down BBB passing via reconciliation; fiscal impact modest
Monetary policy			●		Fed continuing on path to more restrictive policy but negative real yields remain supportive
Inflation		●			Headline inflation at 40-year high in June; core inflation also elevated but moderating slightly
Interest rate environment			●		Inverted yield curve signals economic slowdown but decline in long rates tailwind for equities
Macroeconomic			●		Labor market healthy and consumer resilient but wide array of economic data decelerating
Business sentiment		●			Business confidence measures remain subdued with elevated inflation as a primary driver
Consumer sentiment		●			Consumer sentiment decidedly pessimistic; expectations over next 6-12 months deteriorating
Corporate earnings				●	Earnings growth remains positive despite modest downward pressure from higher input costs
Credit environment				●	Credit spreads narrowed over past month and remain tight relative to historical ranges

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

SUMMARY

Short-term factors were unchanged from the prior month with global equity markets below their moving averages, pessimistic investor sentiment, and seasonality still a headwind.

Intermediate-term factors were unchanged from last month as conflicting data paint a picture of a slowing economy seeking to maintain its footing amid swirling crosscurrents.

Long-term factors remain neutral and are unchanged from the previous month.

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