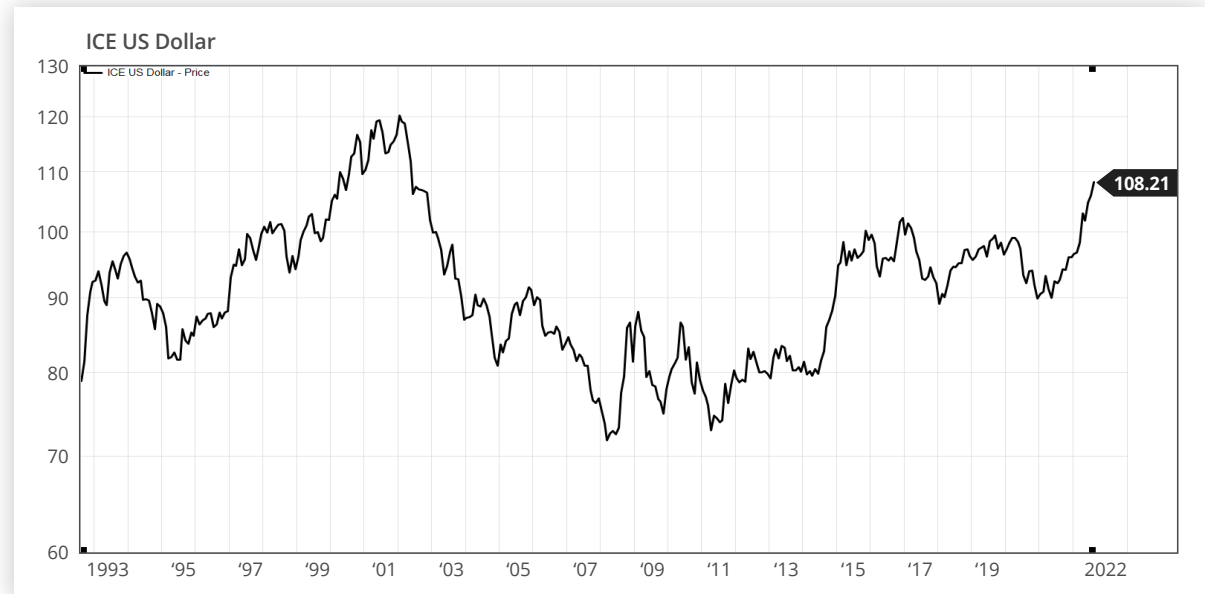


Exorbitant Privilege

A privilege—a special right, advantage, or immunity granted or available only to a particular person or group—is one thing. An exorbitant—exceeding the customary or appropriate limits in intensity, quality, amount, or size—privilege is a different matter altogether and how some 60 years ago, Valery Giscard d'Estaing, then French Minister of Finance, famously referred to the benefits that accrue to the U.S. given our currency—the U.S. dollar—was the world's reserve currency. That dynamic persists to this day, as the U.S. continues to print the world's most important and most transacted-in currency, which means, among other things, that we should never be exposed to exchange rate risk, among other currency-related challenges that most countries regularly confront.

We have been thinking about the U.S. dollar as it just came within a whisker of hitting a 20-year high relative to a basket of world currencies, per the ICE U.S. Dollar Index (see chart). As to why the U.S. dollar has been doing so well of late, market participants would likely point to the Federal Reserve aggressively raising interest rates in the face of historically high inflation; strong economic fundamentals (the U.S. created 528K jobs in July and our unemployment rate is 3.5%) and global capital seeking safe harbor during very uncertain geo-political times (consider the economic and energy challenges facing Western Europe due to Russia's invasion of Ukraine).

The benefits of a stronger dollar include a moderating influence on inflation here at home (most commodities are priced in dollars; as the dollar goes up in value, they should go down in price for the U.S. consumer) and greater purchasing power for U.S. companies and consumers abroad (today, it costs 99c to "purchase" one Euro; in 2008, it cost \$1.57). The drawbacks of a stronger dollar include a reduction in ex-U.S. earnings for U.S. multi-national corporations (overseas profits are worth less as they are converted into dollars) and greater financial stress for most nations in general as a stronger U.S. dollar pushes up their import prices and for those nations in particular that have borrowed in U.S. dollars (as it becomes harder to make interest and principal payments as the dollar rises in value and their currency falls in value). Finally, at a very macro level, the strength of our currency reflects, I think, an economic, military, and energy profile that, collectively, is the envy of the world.



Stocks, bonds, and commodities (8/26/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4057.66	7.19%	-14.87%	-10.02%
MSCI AC World ex USA	281.17	1.71%	-18.34%	-19.23%
MSCI EAFE	1882.33	1.95%	-19.42%	-19.88%
MSCI EM	1006.50	0.58%	-18.30%	-20.91%
Bloomberg Barclays US Agg	92.69	0.06%	-11.50%	-13.16%
Crude Oil WTI	92.97	-12.09%	23.61%	35.25%
Natural Gas	9.31	72.03%	161.60%	112.06%

Treasury rates (8/26/2022)

	Price	Yield
2Y	99.22 / 0.00	3.400
3Y	99.07 / 0.00	3.399
5Y	99.21 / 0.00	3.197
7Y	99.29 / 0.00	3.138
10Y	97.17 / 0.00	3.037
30Y	96.00 / 0.00	3.207

Weekly reports

This week (8/29/2022)
• JJune FHFA Home Price Index
• Aug Chicago PMI SA
Week of 8/22/2022
• July New Home Sales SAAR 511.0K
• July Personal Consumption Expenditure SA M/M 0.10%

Brinker Capital Market Barometer

AUGUST 2022

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

For informational purposes only. Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of August 5, 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.