Weekly Wire

SEPTEMBER 12, 2022

BRINKER CAPITAL INVESTMENTS

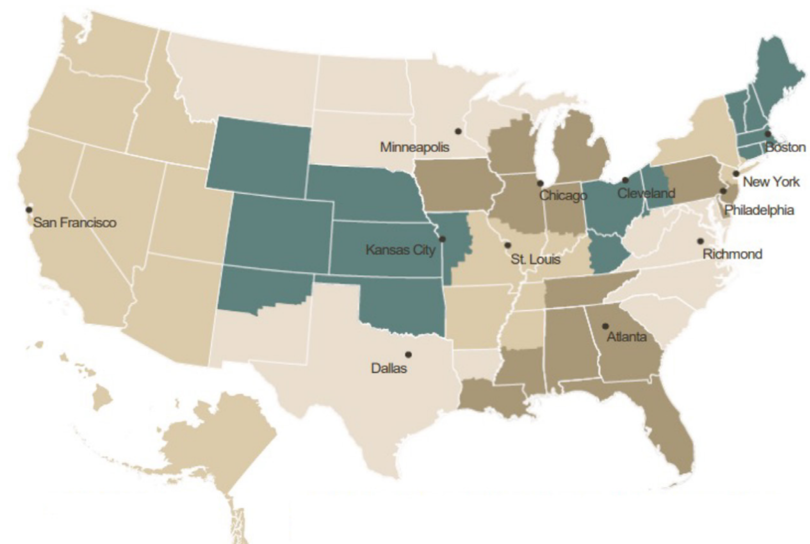
AN ORION COMPANY

Beige Seems About Right

One of the neat things about the Federal Reserve is the vast amount of economic and stock market research it produces and makes available to the public. It seems our central bank is keeping busy the more than 400 Ph.D. economists it employs! If you haven't had the opportunity, we highly recommend you take some time to explore The Federal Reserve Bank of St. Louis Federal Reserve Economic Data website, better known as FRED. It is an easy-to-navigate portal where you can take a deeper dive into everything from the yield curve to the labor force participation rate. You can find the website at FRED.stlouisfed.org.

It is one of the better-known Federal Reserve research pieces that is the subject of this week's weekly wire, and that is The Beige Book. Begun in 1970 under Fed Chairman Arthur Burns and first made public in 1983 under Fed Chairman Paul Volcker, The Beige Book is published eight times a year (in advance of meetings of The Federal Open Market Committee) and is a report of anecdotal information on current economic conditions by each of the twelve districts that make up the Federal Reserve System (see map). The book is called The Beige Book – not surprisingly – as its cover is colored beige. At the risk of going off on a tangent or offending those among us who really like the color beige, that has always bothered me a bit. I mean, we are the largest and most powerful economy in the world—can't we come up with something punchier than beige?

That said, one could come up with worse colors to describe the just-released August Beige Book which showed that five Fed Districts reported slight to modest growth in activity, five others reported slight to modest softening and two reported conditions held steady. Looking across the country, on the positive side of the ledger, consumer spending was solid and energy prices came in; on the negative side of the ledger, home sales fell in all 12 districts and workers remain hard to find. At a high level, the outlook for economic growth remained generally weak and nine districts reported that pricing levels were moderating. If the Fed is looking for evidence of slowing economic growth and waning inflation, it seems the August Beige Book could be a good place to start.



Federal Reserve Districts

Alaska and Hawaii are part of the San Francisco District.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands.

Stocks, bonds, and commodities (9/9/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4067.36	7.45%	-14.66%	-8.77%
MSCI AC World ex USA	273.93	-0.91%	-20.44%	-22.61%
MSCI EAFE	1838.80	-0.41%	-21.29%	-22.79%
MSCI EM	970.29	-3.04%	-21.24%	-25.87%
Bloomberg Barclays US Agg	90.95	-1.82%	-13.16%	-14.72%
Crude Oil WTI	86.10	-18.59%	14.48%	23.49%
Natural Gas	8.04	49.07%	125.98%	62.78%

Treasury rates (9/9/2022)

	Price		Yield
2Y	99.13 /	99.1	3.557
3Y	98.21 /	98.2	3.601
5Y	98.18 /	98.1	3.435
7Y	98.09 /	98.1	3.399
10Y	95.08 /	95.0	3.313
30Y	91.21 /	91.2	3.447

Weekly reports

This week (9/5/2022)

- Aug ISM Services PMI SA 56.9
- Initial Claims SA 222.0K

Week of 9/12/2022

- Aug CPI NSA Y/Y
- Aug PPI NSA Y/Y

Source: Board of Governors of the Federal Reserve System. For informational purposes only.

Brinker Capital Market Barometer

SEPTEMBER 2022

Global equities continued their rebound in early August until met by strong technical resistance levels in thin, late-summer trading. There was not a Federal Reserve FOMC meeting in August, but that did not stop Fed officials from reiterating a tough stance towards inflation at the annual Jackson Hole policy forum. Despite data releases throughout the month showing some indications of cooling prices, FOMC Chair Jerome Powell confirmed the central bank's commitment to 2% inflation. Treasury yields moved higher across the yield curve, and the U.S. Dollar continues to show strength. Volatility will likely remain a factor across asset classes until market participants find more clarity on monetary policy and mid-term elections.

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 indices are well off their lows, but failed to break above long-term moving averages
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			●		Total impact of recently passed Inflation Reduction Act unclear; deficit continues to shrink
Monetary policy			●		Fed has stated their intention to make policy more restrictive; low real yields supportive
Inflation		●			Headline inflation has moderated, but y/y numbers are still at very elevated levels
Interest rate environment			●		Curve remains inverted despite shift higher in August; absolute level of rates still modest
Macroeconomic			●		Labor market healthy and consumer resilient but wide array of economic data is 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				●	Second quarter earnings were generally better than expected; we continue to monitor input costs
Credit environment				●	Credit spreads have recently widened but remain tight relative to long-term averages

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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