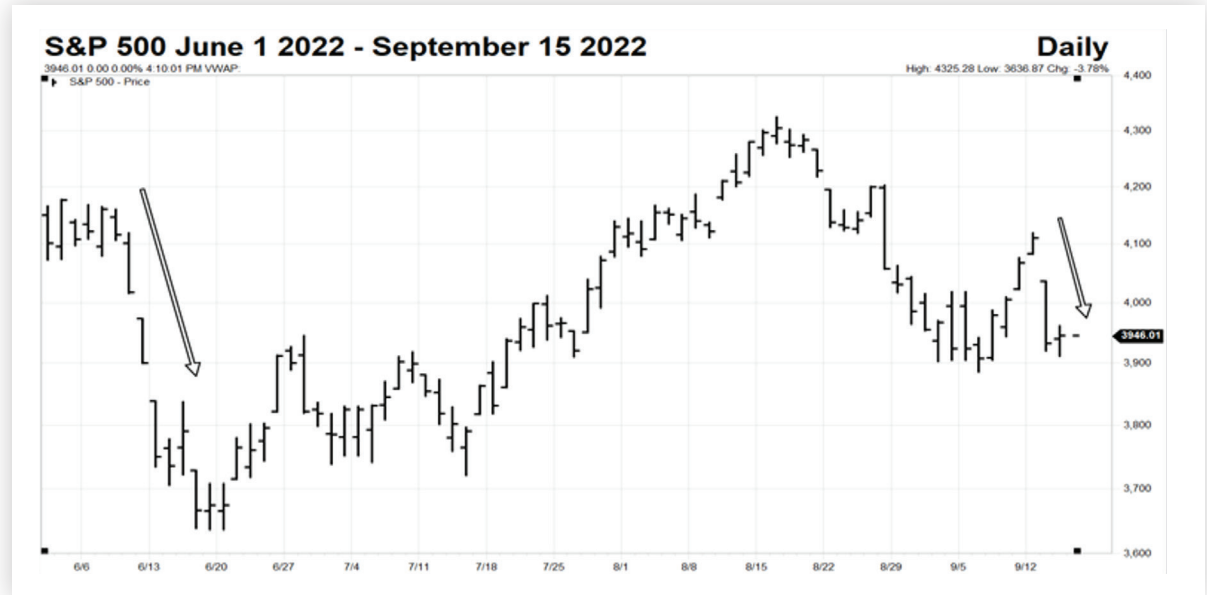


“It’s Like Déjà Vu All Over Again”

Last week’s August Consumer Price Index release – and the stock market’s reaction to it – got us thinking of a famous quote from Yogi Berra, “It’s like déjà vu all over again,” which was how the New York Yankee great explained how events tend to repeat themselves. Unfortunately for investors, the market’s response to the hotter-than-expected August CPI data repeated its response to the hotter-than-expected May CPI data, with stocks moving sharply lower. You will recall that the May CPI report, released on June 10th, showed headline inflation running at 8.6%, the highest since 1981, and core inflation – ex-food and energy – running at 6%, year over year, both readings above Wall Street’s estimates. You will also recall that report pushed the Fed to raise the Fed Funds Rate by 75bps at its June meeting, its largest interest rate hike since 1994. The May CPI data and the very hawkish response from the Fed were primary contributors to a 13% move lower in the S&P 500 through late June (see chart; far left). That written, as we moved through summer and got increasing evidence that inflation had peaked, US stocks rallied, and the S&P 500 stood 13% higher than its late June low heading into the release of the August CPI on September 13th.

Unfortunately, that report revealed year-on-year inflation up 8.3% and core inflation up 0.60% on a month-to-month basis, bigger increases than Wall Street expected. If anything, it was the core data that was most concerning, as the report showed pricing pressures broadening out beyond categories like energy to include rents and autos. We also learned food costs were up 11% year-on-year in August, the largest jump since 1979. As noted above, the August CPI data sparked a steep selloff on Wall Street, with the S&P 500 moving lower by more than 4% on the 13th, its biggest down day in more than 2 years (see chart; far right).

Some think the latest CPI report will push the Fed to raise rates by 100bps this week. We don’t know what the Fed will do, but we do believe the August CPI reading has made its goal of tamping down inflation without putting the economy into a recession much more difficult. When it comes to the battle against inflation, as Yogi would say, “It ain’t over ‘till it’s over.”



Stocks, bonds, and commodities (9/16/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3873.33	2.32%	-18.73%	-12.62%
MSCI AC World ex USA	266.26	-3.68%	-22.67%	-23.50%
MSCI EAFE	1788.60	-3.12%	-23.44%	-23.84%
MSCI EM	944.12	-5.65%	-23.37%	-26.20%
Bloomberg Barclays US Agg	90.908	-2.75%	-13.99%	-15.46%
Crude Oil WTI	85.40	-19.25%	13.55%	18.66%
Natural Gas	7.82	44.97%	119.76%	53.12%

Treasury rates (9/16/2022)

	Price	Yield
2Y	98.27 / 98.2	3.863
3Y	99.03 / 99.0	3.818
5Y	97.22 / 97.2	3.636
7Y	97.10 / 97.1	3.564
10Y	94.04 / 94.0	3.451
30Y	90.14 / 90.1	3.516

Weekly reports

This week (9/19/2022)
• Sep NAHB Housing Market Index SA
• Aug Housing Starts SAAR
Week of 9/12/2022
• Aug CPI NSA Y/Y 8.3%
• Aug PPI NSA Y/Y 8.7%

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

For informational purposes only. Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of September 6, 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.