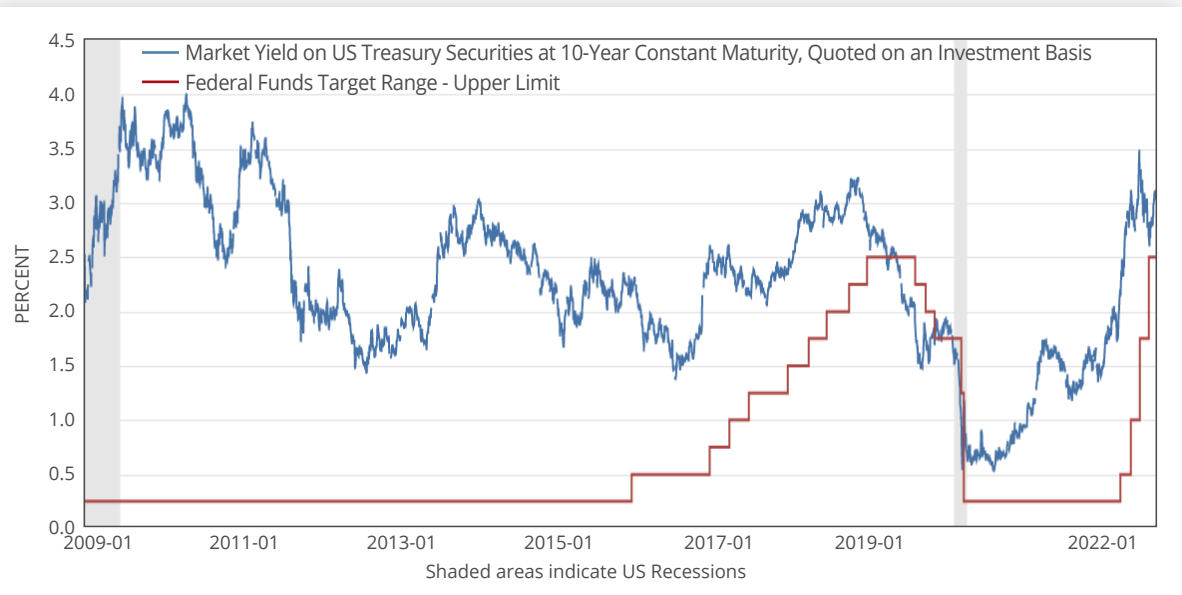


“What’s Your Prediction for the Fight? Prediction? Yes, Prediction. Pain.”

So went the exchange between Clubber Lang – played by the iconic Mr. T – and a reporter in 1982’s Rocky III as the reporter asked for Mr. T’s prediction of his upcoming fight with Rocky Balboa – played by the iconic Sylvester Stallone. Before we dig into this week’s Weekly Wire, I feel compelled to point out that my brothers and I – after viewing Rocky III in the local movie theater 40 years ago – promptly went home and cut the sleeves and the bottom half off every t-shirt we owned (those who have seen the movie will understand; our parents were not pleased).

What got us thinking about Clubber Lang’s prediction was Fed Chair Powell’s Jackson Hole speech in which he said the Fed – as it seeks to tamp down historically high inflation – expects to continue raising rates in a way that will cause some pain to the US economy. While we are having some fun with a great quote from a great movie, we don’t mean to dismiss the strain higher borrowing costs inflict on US companies and consumers, including the real risk of recession (and we might be in recession, even if one has not been declared by the National Bureau of Economic Research).

As we move into September, we think the appropriate path forward for monetary policy is much less clear than a few months ago. Consider the Fed has raised rates by 225 basis points this year (yet much of the impact from those hikes has yet to hit the economy); inflation is well above the Fed’s long-term target of 2%, but there is much evidence inflation has peaked and is moving lower (and the Fed’s preferred inflation index – the PCE – sits at 4.6%, just above the bank’s year-end target of 4.3%); several US economic datapoints have proven disappointing, but the consumer has remained resilient (our unemployment rate is just 3.5%), and the US 2 Year to US 10 Year Note section of the yield curve has inverted, which is a historic harbinger of recession (yet the Fed Fund’s rate has not moved above the yield on the US 10 Year Note, another historic harbinger of recession; see chart). We appreciate the Fed’s desire to restore price stability and applaud it. That said, we worry the Fed could go too far, too fast, and believe the bank should consider moderating the pace of interest rate hikes at its September meeting.



Stocks, bonds, and commodities (9/2/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3924.26	3.67%	-17.66%	-13.48%
MSCI AC World ex USA	271.97	-1.62%	-21.01%	-23.55%
MSCI EAFE	1823.46	-1.24%	-21.94%	-23.69%
MSCI EM	972.02	-2.86%	-21.10%	-26.13%
Bloomberg Barclays US Agg	91.62	-1.09%	-12.52%	-14.13%
Crude Oil WTI	87.25	-17.50%	16.01%	25.92%
Natural Gas	8.90	65.10%	150.27%	88.92%

Treasury rates (9/2/2022)

	Price	Yield
2Y	99.22 / 99.2	3.398
3Y	99.04 / 99.0	3.432
5Y	99.06 / 99.0	3.296
7Y	99.01 / 99.0	3.281
10Y	96.06 / 0.00	3.197
30Y	93.14 / 93.1	3.346

Weekly reports

This week (9/6/2022)
• Aug ISM Services PMI SA
• Initial Claims SA
Week of 8/29/2022
• June FHFA Home Price Index 398.0
• Aug Chicago PMI SA 52.2

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.