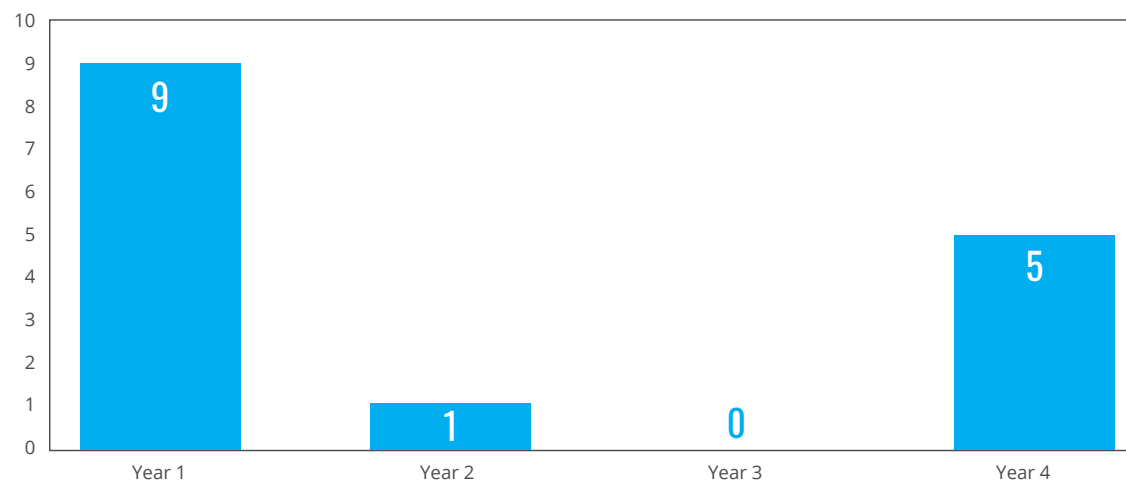


## The Other Presidential Cycle

Most stock market investors are familiar with The Presidential Cycle—the fact that the US market, as measured by the S&P 500, has on average, meaningfully outperformed its long-term rate of return in the third year of the President’s term, regardless of whether the White House is held by a Republican or Democrat. More specifically, according to Strategas, a leading institutional research firm and investment manager, the S&P 500 has returned an average of 16.8% in the third year of the President’s term since 1948, easily outdistancing its average annual return over the same time period of about 11%. Now considering that the S&P 500 is down about 21% year-to-date, 2023 – which will be year three of the Presidential Cycle – can’t come soon enough!

That written, there is another, albeit less well-known, Presidential Cycle that ties back to the real economy, which, if past is prologue, also points to brighter days to come in 2023. Again, according to Strategas, going all the way back to 1929, the US has never experienced a negative year of GDP growth during the third year of a President’s term, regardless of who is sitting in the White House (see chart). We find the data point particularly compelling and timely given that most major Wall Street firms and US banks seem to be calling for a recession in the new year. Now, why markets and the economy tend to do well during the third year of The Presidential Cycle is very much up for debate – some think there is no rhyme or reason to the pattern, just simply chance while others think that any President will do all they can to push the economy and the markets up and to the right in the third year of their term to better ensure their own reelection or the election of their party’s nominee come the next general election. Truth be told, no one really knows why the patterns have held for so long. But given how difficult a year it has been for the US economy and US stock market, we will take all the positive data points we can get!

# of Recessions Starting in the Year of The Presidential Cycle (1929 - 2021)



\*Financial Crisis/Great Recession considered Jan 2008 (Year 4) start.

### Stocks, bonds, and commodities (10/21/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3752.75	4.66%	-21.26%	-17.43%
MSCI AC World ex USA	248.34	0.52%	-27.88%	-29.05%
MSCI EAFE	1679.67	1.09%	-28.10%	-28.18%
MSCI EM	865.04	-1.23%	-29.79%	-33.11%
Bloomberg Barclays US Agg	85.37	-2.67%	-18.48%	-18.50%
Crude Oil WTI	85.14	7.11%	13.20%	1.65%
Natural Gas	4.99	-26.22%	40.34%	-5.45%

### Treasury rates (10/21/2022)

	Price	Yield
2Y	99.17 / 99.1	4.500
3Y	99.08 / 99.0	4.511
5Y	99.00 / 99.0	4.348
7Y	97.15 / 97.1	4.297
10Y	88.07 / 88.0	4.226
30Y	77.20 / 77.2	4.342

### Weekly reports

This week (10/24/2022)
• Aug FHFA Home Price Index
• Q3 GDP SA Y/Y
Week of 10/17/2022
• Sep Capacity Utilization NSA 80.3%
• Sep Housing Starts SAAR 1,439K

# Brinker Capital Market Barometer

OCTOBER 2022

Global equities fell in September to end a third consecutive quarter of negative performance. Elevated price pressures and another 0.75% interest rate hike by the Federal Reserve fueled asset price volatility around the globe. Treasury yields shifted higher across the still-inverted yield curve, the U.S. Dollar continues to climb, and commodities slumped. Volatility will likely remain elevated across asset classes until market participants gain more clarity on monetary policy and mid-term elections in the United States. Despite this economic and geopolitical uncertainty, a high percentage of corporations were able to beat second quarter earnings estimates. Looking forward, how both corporations and consumers deal with increased costs will be important gauges of the path of the economy. Once the Fed signals a moderation in its rate-hiking campaign and the dollar appreciation abates, the reset in equity and fixed income valuations over the past year provides the potential for a durable, longer-term recovery in asset prices.

## SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Global markets gave up summer gains in September; y/y returns remain negative
Trend		●			Major indices retouched year-to-date lows and are below moving averages
Investor sentiment				●	Surveys continue to show significantly more bears than bulls; tends to be a contrarian signal
Seasonality	→		●		Market entering a seasonally strong period, particularly in mid-term 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	←	●			Rate hikes continue at a rapid pace on top of hawkish Fed rhetoric that is affecting asset volatility
Inflation		●			Headline inflation has moderated but y/y readings are still at very elevated levels
Interest rate environment	←	●			Absolute level of rates is moderate but rate volatility and curve inversion are at historical levels
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 has rebounded over past few months but still near the lowest recorded levels
Corporate earnings				●	Second quarter earnings were generally better than expected; we continue to monitor input costs
Credit environment				●	Credit spreads have widened this year 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 October 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.