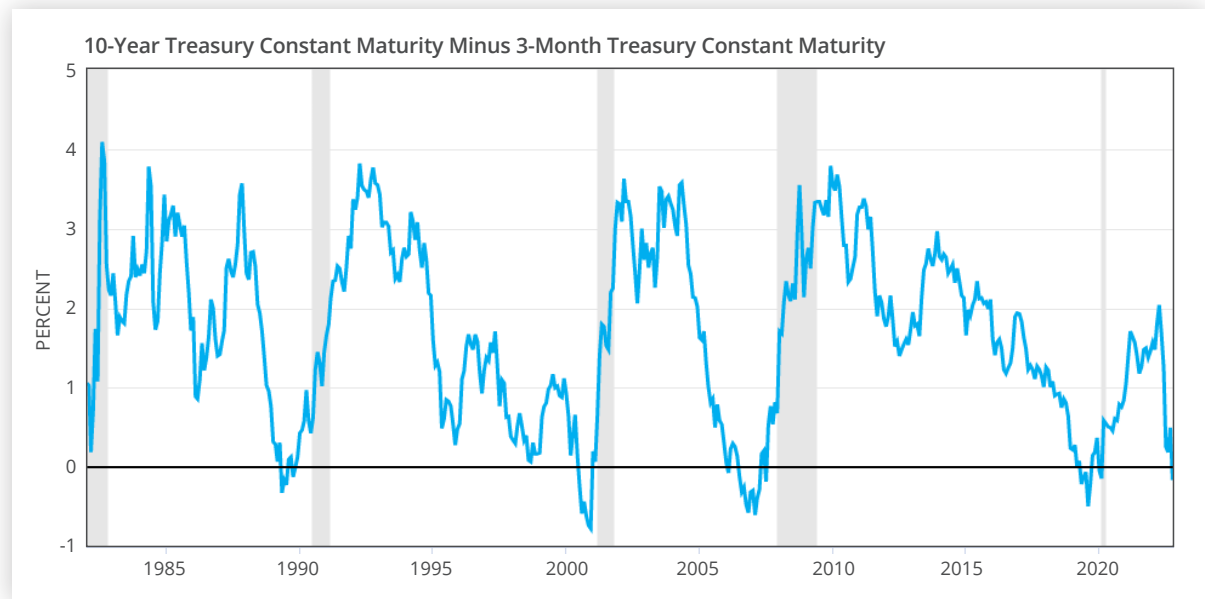


## Recession Watch

It might seem a bit silly to pen a piece titled “Recession Watch” just a few days on from a US Commerce Department report that showed US Gross Domestic Product (GDP) grew (on a preliminary basis) at a 2.6% annual rate in the third quarter. Given such a positive print, along with a 3.5% unemployment rate and 10 million job openings for 5.8 million unemployed Americans a recession, one could argue, is among the least of our worries as we say goodbye to October and say hello to November (and for one more bit of good news, what an October it was for the markets as the S&P 500 gained 8.8% through 10/28).

At the risk of muddying the waters even more this week, some folks would argue we already experienced a recession as US GDP contracted – on a preliminary basis – approximately 1% during the first half of 2022 (many on Wall Street define a recession as two consecutive quarters of negative GDP growth; the official arbiter of our nation’s business cycle – The National Bureau of Economic Research or NBER – has both a more expansive definition of a recession and has yet to weigh in on the current business cycle).

With that all said, the reason we are on “Recession Watch” this week is the US Yield Curve, specifically the US 3 Month Bill to US 10 Year Note section of the curve as that section recently inverted – with the yield on the US 3 Month Bill higher than the yield on the US 10 Year Note – the first time that has happened since February of 2020 (see chart). The inversion of this part of the curve follows the inversion of the more closely watched US 2 Year Note to US 10 Year Note section, which has been inverted since July of this year. As we know, the US yield curve has historically inverted prior to a recession. And the reason we are only on “recession watch” now is, for our 2 cents, the more important and predictive part of the curve is the US 3 Month to US 10 Year section. A recession is not preordained, but the longer the US Federal Reserve maintains its hawkish policy stance, the more likely one becomes.



### Stocks, bonds, and commodities (10/28/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	3901.06	8.80%	-18.15%	-15.29%
MSCI AC World ex USA	254.05	2.83%	-26.22%	-26.81%
MSCI EAFE	1748.92	5.26%	-25.13%	-25.12%
MSCI EM	845.58	-3.45%	-31.37%	-33.14%
Bloomberg Barclays US Agg	86.77	-1.07%	-17.15%	-17.51%
Crude Oil WTI	88.37	11.17%	17.50%	5.74%
Natural Gas	6.06	-10.48%	70.28%	9.55%

### Treasury rates (10/28/2022)

	Price	Yield
2Y	99.30 / 99.3	4.404
3Y	99.21 / 99.2	4.372
5Y	99.23 / 99.2	4.181
7Y	99.10 / 99.1	4.109
10Y	89.26 / 89.2	4.014
30Y	80.16 / 80.1	4.144

### Weekly reports

This week (10/31/2022)
• Sep JOLTS Job Openings
• Oct Nonfarm Payrolls SA
Week of 10/24/2022
• Aug FHFA Home Price Index 392.0
• Q3 GDP SA Q/Q 2.6%

# 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.