

Brinker Capital Market Barometer

NOVEMBER 2022



Markets staged a much-needed comeback in October. Although the Consumer Price Index (CPI) remains elevated, year-over-year changes have slowed for several months, aiding sentiment. There was no Federal Open Market Committee meeting (FOMC) in October, fueling hopes of any sign of a policy change or reduction in the pace of interest rate hikes. Despite this, yields continued to rise, as the yield curve shifted upward in near parallel fashion. Economic activity showed resilience in the labor market and consumer sector and slowing in other areas such as housing. Both the US dollar and commodities eased off of their highs during the month. Third quarter earnings began in October, and early results were mixed as fewer companies than average beat estimates, but growth overall remained positive. Markets are entering the strongest seasonal period of the year in November, which has historically been amplified in midterm election years. Going forward, even the slightest monetary policy reprieve may have the power to support and build on October's rally.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Solid October gains across markets, but intermediate-term returns remain depressed
Trend		●			Markets have rebounded off of lows, but major indices remain below major moving averages
Investor sentiment				●	Surveys continue to show significantly more bears than bulls; tends to be a contrarian signal
Seasonality	→			●	Markets are in the strongest seasonal period of the year, particularly following midterm elections

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Upcoming midterm election results will shed light on likelihood of major policy initiatives
Monetary policy		●			Rate hikes continue at a rapid pace; still unclear that the pace of hikes has peaked
Inflation		●			Headline inflation has moderated, but y/y numbers 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 the past few months but near the lowest recorded levels
Corporate earnings	←		●		Earnings growth and the number of companies beating estimates continues to slow during Q3 season
Credit environment				●	Level of credit spreads at long-term averages, defaults remain low, credit conditions modest

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			●		Strong initial Q3 GDP release diminishes near-term recession risk
Demographics			●		Emerging markets possess more favorable trends overall than developed markets

SUMMARY

Short-term factors were updated to include a positive view on seasonality. Historically, equity market performance is strongest from mid-October forward.

Intermediate-term factors were also updated to reflect a neutral view on corporate earnings. Although earnings for the third quarter grew year-over-year, the pace of growth and the percentage of companies beating estimates has declined.

Long-term factors remain neutral and are unchanged from the previous month.



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Source: Brinker Capital. Information is accurate as of November 7, 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. Brinker Capital Investments, LLC, a registered investment advisor.