

Weekly Wire



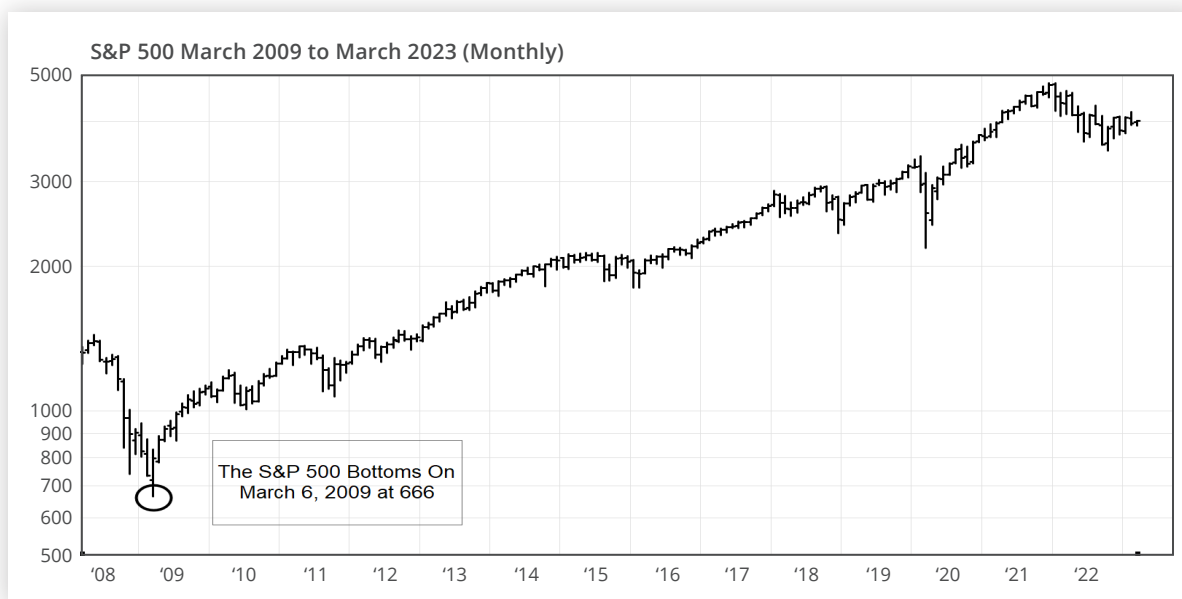
MARCH 6, 2023

14 Years On

An anniversary is an easy reason to look back on an event, a point in time – good or bad, happy or sad – that has given our life meaning. The event can be personal (a wedding) or professional (the first day at a new job). For the purposes of this week’s Weekly Wire, for me, I guess it is a bit of both.

I was working as an equity portfolio manager when the S&P 500 bottomed out during the Great Recession, so how the stock market was performing at the time had a meaningful impact on me professionally, and, as you might imagine, it had been a very stressful 18 months as the index moved from its October 2007 peak to its March 2009 trough. Navigating that period had a meaningful impact on me personally, as I learned a set of coping skills that enabled me to better focus on what I could control and to compartmentalize the pressures and challenges that a severe bear market brings. And to dig a bit deeper into the bear market of 2007 to 2009 (setting aside the countertrend rally of late 2008 / early 2009), the S&P 500 peaked at 1,576 on October 12, 2007, and bottomed out at 666 on March 6, 2009 (see chart - 14 years ago today), having given up approximately 58% of its value.

But, as we like to remind ourselves, markets go up much more than they go down, and the market sure has gone up since the S&P 500 hit 666 on March 6, 2009. More specifically, over the past 14 years, the S&P 500 has produced a total return of approximately 505% and an average annual return of 13.7% through today (I got to run those numbers on the same HP12C calculator I was using back in 2009, which was kind of neat). As we navigate a still very challenging macro and market environment, the resiliency of the US economy and the US stock market is something we all might want to keep in mind.



Stocks, bonds, and commodities (3/3/2023)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4045.64	5.37%	5.37%	-6.54%
MSCI AC	296.90	5.54%	5.54%	-3.92%
World ex USA	2070.64	6.52%	6.52%	1.73%
MSCI EAFE	988.03	3.31%	3.31%	-13.70%
Bloomberg Barclays US Agg	88.77	-0.13%	-0.13%	-12.11%
Crude Oil WTI	79.86	-0.50%	-0.50%	-30.96%
Natural Gas	3.15	-23.15%	-23.15%	-37.37%

Treasury rates (3/3/2023)

	Price	Yield
2Y	99.17 / 0.00	4.863
3Y	98.10 / 0.00	4.607
5Y	98.26 / 0.00	4.265
7Y	99.02 / 0.00	4.153
10Y	96.04 / 0.00	3.971
30Y	95.08 / 0.00	3.893

Weekly reports

This week (3/6/2023)
• Feb Nonfarm Payrolls SA
• Feb Unemployment Rate
Week of 2/27/2023
• Dec FHFA Home Price Index 392.1
• Jan Construction Spending SA M/M -0.10%

Brinker Capital Market Barometer

FEBRUARY 2023

Global stocks got off to a strong start in 2023, a welcome development after a challenging 2022. Positive returns in January have historically led to positive calendar year returns in equity markets. Fixed income markets also saw positive returns during the month as longer-term yields declined and credit spreads compressed. The Federal Reserve once again slowed its pace of hikes to 0.25% while maintaining that further increases are needed. The degree of decline in corporate earnings remains under scrutiny; expectations are for a decline in Q4 earnings, and—to this point—companies have reported earnings below expectations. Forward guidance and analyst revisions will be in focus to see how restrictive monetary policy is affecting earnings prospects and, in turn, equity market multiples. Several measures of inflation continue to show moderation, providing hope that the trend has changed and global central banks will be able to end their rate-hiking campaigns. The often-quoted 2Y/10Y Treasury spread remains deeply inverted, signaling an elevated risk of recession moving forward. Wall Street consensus continues to align with this signal of an approaching recession, but there is a growing sense that it could be shallow in nature. While most economic data is pointing to a slowdown in growth, employment data remains robust as there continues to be multiple job openings for each unemployed person. While global economies and markets remain subject to many risks, January provided a much-needed reprieve of positive returns, and we remain cautiously optimistic that markets can grind higher over the remainder of the year.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	→		●		January saw strong gains leading to positive six-month performance but YoY returns remain negative
Trend			●		Markets have held above 200-day MAs; global markets portraying stronger trends than US
Investor sentiment				●	Survey data is off bearish extremes, but contrarian view still indicates positive returns going forward
Seasonality				●	Strong start to the year as well as 3rd year of presidential cycle bode well for forward returns

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Spending increases unlikely; debt ceiling debate bears watching
Monetary policy		●			Latest Fed meeting saw another shift lower to 25 bp hike; Powell states further hikes necessary
Inflation		●			Numerous measures pointing to cooling inflation but levels remain well above Fed target
Interest rate environment		●			Deep curve inversion signals growth warning; higher short term rates affecting cost of capital
Macroeconomic			●		Global PMIs show contraction; labor market strength continues despite slowdown/recession fears
Business sentiment		●			Business confidence measures remain subdued as a growth slowdown is expected
Consumer sentiment		●			Consumer sentiment has rebounded over the past few months but remains depressed
Corporate earnings			●		Q4 earnings have modestly lagged expectations; forward guidance, analyst revisions bear watching
Credit environment				●	Level of credit spreads at or below 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			●		Q4 GDP came in higher than expectations, but underlying components stoke slowdown fears
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 February 6, 2023. 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.