

## What Are the Odds (Revisited)?

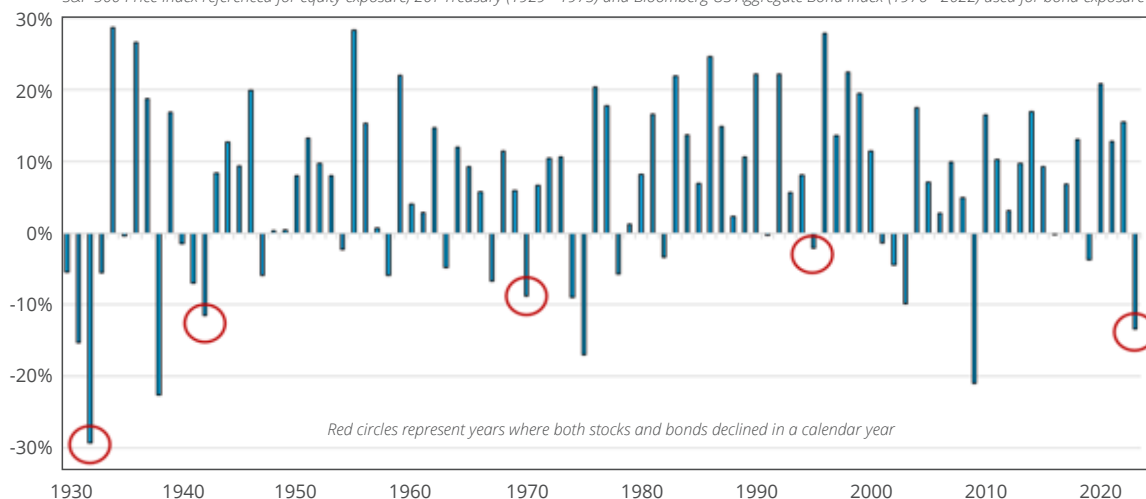
Following on an exceptionally rough and rare return set for stocks and bonds in 2022 – the S&P 500 was off 18% and the Bloomberg US Aggregate was off 13% last year – our first Weekly Wire of the year pondered the likelihood of a repeat performance for the major asset classes in 2023 (the title of that first Weekly Wire was simply What Are The Odds?). To put a finer point on how rough and rare 2022 was from a return set perspective, consider it was just the fifth year in 93 where stocks and bonds both declined for the full year (see chart - the circles mark those years). And when one considers that the year following the prior four years when stocks and bonds both traded lower saw stocks produce an average return of 7.8% and bonds produce an average return of 11.6%, our cautiously optimistic outlook for the major asset classes coming into this year likely makes more sense.

But it wasn't just market history and the turning of the calendar that had us thinking investors were in for a better 2023 relative to 2022 – it was the belief that the US Federal Reserve was closer than not to being done on the rate hiking front; that bond yields had likely peaked and that the dour investor sentiment and valuation reset we experienced in late 2022 had made the risk/return profile of US equities much more attractive.

As we get ready to say goodbye to Q1 2023, we continue to think – despite some recent disappointing inflation data; hawkish rhetoric from the Fed, and the travails of the US (and now European) banking sector that stocks will still be biased higher this year, and bond yields will still be biased lower (which should translate into higher bond prices). And at the risk of jinxing it, as of March 17th, the S&P 500 is up 2.0% year to date and the Bloomberg US Aggregate is up 2.5% year to date.

### 60 / 40 Portfolios; Calendar Year Returns 1929 - 2022

S&P 500 Price Index referenced for equity exposure, 20Y Treasury (1929 - 1975) and Bloomberg US Aggregate Bond Index (1976 - 2022) used for bond exposure



### Stocks, bonds, and commodities (3/17/2023)

| Security name             | Last    | QTD chg | YTD chg | 12mo chg |
|---------------------------|---------|---------|---------|----------|
| S&P 500                   | 3916.64 | 2.01%   | 2.01%   | -12.24%  |
| MSCI AC World ex USA      | 284.50  | 1.14%   | 1.14%   | -10.92%  |
| MSCI EAFE                 | 1986.73 | 2.20%   | 2.20%   | -7.88%   |
| MSCI EM                   | 951.56  | -0.50%  | -0.50%  | -15.26%  |
| Bloomberg Barclays US Agg | 91.07   | 2.47%   | 2.47%   | -7.73%   |
| Crude Oil WTI             | 66.33   | -17.36% | -17.36% | -35.66%  |
| Natural Gas               | 2.46    | -40.10% | -40.10% | -49.78%  |

### Treasury rates (3/17/2023)

|     | Price       | Yield |
|-----|-------------|-------|
| 2Y  | 101.1 / 101 | 3.821 |
| 3Y  | 102.1 / 102 | 3.699 |
| 5Y  | 102.0 / 102 | 3.509 |
| 7Y  | 103.0 / 103 | 3.507 |
| 10Y | 100.1 / 100 | 3.429 |
| 30Y | 99.30 / 100 | 3.626 |

### Weekly reports

| This week (1/3/2023)           |
|--------------------------------|
| • Fed Funds Target Upper Bound |
| • Feb New Home Sales SAAR      |
| Week of 3/13/2022              |
| • Feb CPI NSA Y/Y 6.0%         |
| • Feb PPI NSA Y/Y 4.6%         |

# Brinker Capital Market Barometer

MARCH 2023

Equity markets couldn't continue the strong gains to start the year as global markets declined in February. Fixed income markets also saw losses as rates rose across the yield curve. The extremely hot January jobs number marked the year-to-date peak for risk assets. The Federal Reserve continues to stick to its hawkish tone, noting that further rate increases are needed and rates will need to remain higher for longer. The fourth-quarter earnings period all but wrapped up with fewer than average companies beating expectations and the first YoY decline in earnings since Q2 2020. While domestic earnings are under pressure, developed foreign markets managed a slight increase and have seen smaller downward revisions to future earnings estimates. The trend of lower inflation readings took a pause during the month as most data was slightly above expectations and led to a renewed fear that inflation may prove to be stickier than many hoped. The 2Y/10Y yield curve remains highly inverted and the 1-Yr Treasury yield crossed above 5% for the first time since 2007. Economic data during the month generally proved more resilient than some had feared. While this may put additional pressure on the Fed to destroy demand, recession fears continue to be kept at bay. The market environment remains highly uncertain, but the opportunity set for multi-asset class portfolios continues to expand on a forward-looking basis.

## SHORT-TERM FACTORS (< 6 months)

|                    | CHANGE | NEGATIVE | NEUTRAL | POSITIVE |   |
|--------------------|--------|----------|---------|----------|---|
| Momentum           |        |          | ●       |          | Six month returns remain positive despite the February pullback; choppy market environment persists |
| Trend              |        |          | ●       |          | Markets remain above long term moving averages but are testing upward trend of shorter averages     |
| Investor sentiment |        |          |         | ●        | Survey data bearish but off extremes; fund flows remain tepid                                       |
| Seasonality        |        |          |         | ●        | Strong January as well as 3rd year of presidential cycle tends to 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           |        | ●        |         |          | While the pace of rate hikes has slowed, rhetoric from Fed remains fairly hawkish                     |
| Inflation                 |        | ●        |         |          | Negative January surprise drives importance of next few months in establishing inflation trend        |
| 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 continue 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 were first YoY decline since Q3 2020; foreign earnings and revisions proving resilient    |
| 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 March 13, 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. Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.