Brinker Capital Market Barometer

JUNE 2022

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

A strong labor market, robust wage growth, and healthy consumer balance sheets are providing support to the U.S. economy, but financial markets continue to be more acutely focused on the downside potential from inflation, geopolitics, and tightening monetary policy. Global equity markets staged a modest rally at the end of May alongside an easing in long-term Treasury yields. However, most major indices remain near bear market territory amid uncertainty regarding the Fed's ability to engineer a 'soft landing' without tipping the U.S. economy (and global economy) into a recession. Nevertheless, the first quarter earnings season has been solid with S&P 500 earnings growth of 9.2% and over 75% of companies exceeding earnings forecasts. A strong consumer bodes well for economic cycle durability, but we are watching to see if the negative sentiment from persistent inflation and geopolitical turmoil will curtail spending.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum		●			Despite the recent bounce, most equity markets remain near bear market territory
Trend		●			Major global equity indices remain below moving averages
Investor sentiment				●	Surveys show significantly more bears than bulls; tends to be a contrarian signal
Seasonality		●			Markets entering seasonally-weak period; more pronounced in midterm election years

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Diminshed likelihood of significant legislation; surging tax revenues aiding deficit reduction
Monetary policy	←		●		Fed rate hikes and forecasts of tightening throughout 2022 have moderated easy conditions
Inflation		●			Might have reached peak inflation but prices are still rising at historically high rates
Interest rate environment			●		Rates moving higher but still historically low; yield curve has steepened after brief inversion
Macroeconomic				●	Healthy labor market supporting consumer spending despite higher interest rates
Business sentiment	← ←	●			Business confidence measures have continued to deteriorate with inflation as a primary driver
Consumer sentiment		●			Consumer sentiment at lowest level since 2013 but hasn't negatively impacted spending
Corporate earnings				●	Continued strength in revenues/earnings and analyst estimates; margin pressures materializing
Credit environment				●	Corporate credit spreads widening in orderly fashion; remain tight relative to history

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				●	In economic expansion with positive year-over-year GDP growth despite modest dip in Q1
Demographics			●		Emerging markets possess more favorable trends overall than developed markets

SUMMARY

Short-term factors were unchanged from the prior month with global equity markets below their moving averages, pessimistic investor sentiment, and weak seasonality that is more pronounced in midterm election years.

Within **intermediate-term factors**, monetary policy was changed to neutral and business sentiment was changed to negative. Fed rate hikes and guidance for future tightening have shifted monetary policy to a neutral stance. Concerns about inflation have led to a more negative outlook from executives at large companies and small businesses.

Long-term factors are unchanged from the prior month.

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