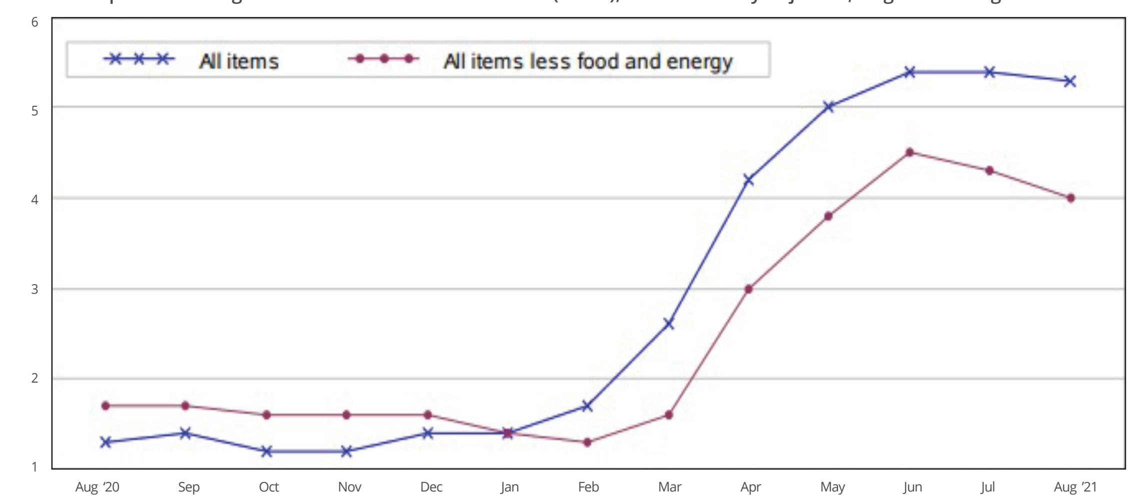
Weekly Wire

SEPTEMBER 20, 2021

Is That A Light At The End Of The Inflation Tunnel?

As long-time economic and market observers we appreciate that a single data point does not a trend make; but we also appreciate that any change in trend does take place at an inflection point (i.e., a single data point; of course, that change in trend is only obvious with additional data points and hindsight). With that said, we are focusing this week on a single data point, one that ties back to a topic key to the outlook for monetary policy and, in turn, the outlook for the economy and markets into 2022. Working backward, that topic is inflation and that data point is the August Consumer Price Index, released by the Bureau of Labor Statistics on September 14. The August CPI was up 0.3% on a seasonally adjusted, month-to-month basis, a slower rate of change than the 0.5% increase in July and well below the 0.9% increase in June, and the smallest rate of change since February. Over the last 12 months, the CPI increased 5.3%, less than the 5.4% rise for the 12 month period ending in July. So, the CPI in August on both a month-to-month and a year-over-year basis ticked down from its most recent readings. The Federal Reserve believes the recent spike in inflation will prove to be transitory; while, again, one data point does not a trend make, the most recent CPI data, we think, bolsters the Fed's transitory case and gives our Central Bank, at least for now, a bit more wiggle room when it comes to the tapering of its monthly securities purchase program. Monetary policy has been exceptionally supportive of economic growth and risk assets. A more benign inflationary environment would enable the Fed to remain very accommodative.

12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Aug. 2020 - Aug. 2021



Stocks, bonds, and commodities (9/17/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4432.99	3.15%	18.02%	33.55%
MSCI AC World ex USA	348.05	-1.13%	6.61%	21.03%
MSCI EAFE	2348.46	1.89%	9.36%	22.84%
MSCI EM	1279.35	-6.93%	-0.92%	15.41%
Bloomberg Barclays US Agg	106.55	0.29%	-3.02%	-3.50%
Crude Oil WTI	71.67	-2.45%	47.71%	74.34%
Natural Gas	4.97	36.11%	96.67%	142.58%

Treasury rates (9/17/2021)

	Price	Yield
2Y	99.26 / 99.2	0.218
3Y	99.23 / 99.2	0.462
5Y	99.15 / 99.1	0.858
7Y	99.24 / 99.2	1.161
10Y	98.28 / 98.2	1.369
30Y	102.0 / 102.	1.904

Weekly reports

This week

- NAHB Housing Market Index SA Sep
- New Home Sales SAAR Aug

Last week

- Capacity Utilization NSA Aug 76.4%
- Retail Sales SA M/M Aug 0.70%

Brinker Capital Market Barometer

SEPTEMBER 2021

While growth may have stalled in recent months due to concerns surrounding the Delta variant, the US economy remains on track for solid growth in 2021. The August employment report was weaker than expected, but wages continue to accelerate. Fiscal policy is currently supportive; however, uncertainty may arise in September as there are a number of fiscal initiatives to work through, which could result in higher taxes, causing the fiscal backdrop to shift. Monetary policy is also supportive, and the weaker unemployment report may have further delayed the Fed's plans for tapering asset purchases. The increase in inflation measures look more sticky than transitory, but we are still working through COVID-19 related disruptions to supply and demand. Consumer and business sentiment remain at elevated levels but have receded some from recent highs likely due to renewed COVID-19 concerns. Overall, the barometer remains tilted positively in September, aligned with our overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum remains solid
Trend				●	Developed market indices remain above 50-day and 200-day moving averages
Investor sentiment		●			Bullish sentiment declined in recent weeks; equity ETF flows remain strong
Seasonality		●			Seasonally weak period through October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Still supportive but watching budget bill negotiations for higher taxes
Monetary policy				●	Federal Reserve remains supportive; tapering possible before year-end
Inflation			●		Inflation has picked up and appears more sticky than transitory
Interest rate environment				●	Treasury yields stable at low levels
Macroeconomic				●	Expect solid growth in 2H21; labor market weaker than expected in August
Business sentiment				●	CEO confidence increased again in 2Q to a record high level
Consumer sentiment				●	August readings weaker due to delta variant concerns
Corporate earnings				●	Strong earnings growth so far in 2021
Credit environment				●	High yield spreads have remained relatively stable

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations well above long-term averages but not a near-term driver
Business cycle				●	In an economic expansion period with positive GDP growth since 3Q20
Demographics			●		Mixed - US and emerging markets positive but developed international negative

Source: Brinker Capital. Information is accurate as of September 8, 2021. 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 Inc., a registered investment advisor. 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-weighed 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.

2483-BCI-9/20/2021