

What's Behind Door #3?

“What’s behind door number 3?” is a question very familiar to fans of the long-running TV game show “Let’s Make A Deal.” Well, maybe to fans of a certain age as it seems the latest incarnation of the show has moved on from doors to curtains (in the spirit of full disclosure, most of my viewing of LMAD took place during the 1970s when the show’s original host and co-creator, the late, great Monty Hall, was handling the hosting duties). For those of you who enjoy probability puzzles, we suggest you check out this [video](#) that explains “The Monty Hall Problem,” which is a pretty famous—and pretty cool—brain teaser, loosely based on the TV show.

With that said, we pivot this week to the news last week that Democrats and Republicans had reached an agreement to raise the U.S. debt ceiling into December – hence the focus on Let’s Make A Deal. More specifically, the Senate agreed to raise the U.S. borrowing limit by \$480 billion, which is the amount of money the Treasury Department has said is needed to meet the country’s cash needs until December 3rd. The bill now goes to the House, where it should pass, and then onto the White House where it would be signed by President Biden. This is only a temporary solution to the debt ceiling dynamic, and the path forward from December 3rd is unclear, as Republicans continue to argue that Democrats should use the budget reconciliation process to raise the debt ceiling, while the Democrats continue to argue that the reconciliation process is too risky and time consuming to be used to raise the debt ceiling. So, there is a very good chance we will all be right back here in two months’ time. For now, though, we think investors are cheering the deal as stocks rallied during the first full week in October, after enduring a rough September. The market hates uncertainty; and at least for the next few months, there is certainty as it concerns the government’s ability to pay its bills.



Stocks, bonds, and commodities (10/8/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4391.34	1.95%	16.91%	26.29%
MSCI AC World ex USA	339.41	0.03%	3.97%	17.44%
MSCI EAFE	2269.79	-0.50%	5.69%	18.82%
MSCI EM	1257.04	0.31%	-2.65%	11.99%
Bloomberg Barclays US Agg	104.96	-0.51%	-4.46%	-4.42%
Crude Oil WTI	79.59	6.08%	64.04%	96.03%
Natural Gas	5.61	-4.45%	121.93%	104.52%

Treasury rates (10/8/2021)

	Price	Yield
2Y	99.28 / 0.00	0.310
3Y	99.12 / 99.1	0.577
5Y	99.03 / 99.0	1.048
7Y	99.00 / 99.0	1.398
10Y	96.24 / 0.00	1.611
30Y	96.11 / 96.1	2.161

Weekly reports

This week
• Hourly Earnings Y/Y Sep
• Nonfarm Payrolls Sep
Last week
• Hourly Earnings Y/Y Sep 4.6%
• Nonfarm Payrolls Sep 194K

Brinker Capital Market Barometer

OCTOBER 2021

Growth is likely to pick up again as concerns over the Delta variant fade. We are seeing economic strengths on many fronts, including corporate earnings, capital expenditures, housing, and employment. Monetary policy remains a tailwind, and the Fed has been transparent in its plan, assuming desired economic conditions have been met. Fiscal policy is currently supportive; however, uncertainty exists near term as Congress works through several fiscal initiatives, including addressing the debt ceiling. Depending on where the legislation ends up, it could result in higher taxes, causing the fiscal backdrop to shift. The increase in inflation measures look more persistent than transitory, but we are still working through supply chain issues. Treasury yields have moved slightly higher, but credit conditions remain favorable. Overall, the barometer remains tilted positively in October, aligned with our overweight risk positioning across portfolios.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Momentum remains positive although the rate of change is slowing
Trend				●	S&P 500 index dropped below 50-day moving average, but still in an uptrend
Investor sentiment	→		●		Bearish sentiment has increased; outflows from equity funds/ETFs
Seasonality		●			Seasonally weak period until end of October

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Remains supportive but watching for level of tax increases in final bill
Monetary policy				●	Fed has clearly communicated plan for tapering ('21) and potential rate hikes ('22)
Inflation			●		Inflation appears more persistent than transitory; supply chain issues remain
Interest rate environment				●	Treasury yields have risen modestly since August but remain at low levels
Macroeconomic				●	Economic strength on many fronts - employment, capex, personal income, housing
Business sentiment				●	Small business confidence remains at elevated level; labor shortage a concern
Consumer sentiment				●	Improved slightly in September; higher inflation weighing on purchases
Corporate earnings				●	Earnings picture remains strong; pace of growth may decelerate in 2H21
Credit environment				●	High yield spreads have remained relatively stable; credit conditions constructive

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations 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

Indices are unmanaged, and an investor cannot invest directly in an index. Source: Brinker Capital. Information is accurate as of October 11, 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-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.3) Brinker Capital Investments, LLC a registered investment advisor.