Weekly Wire

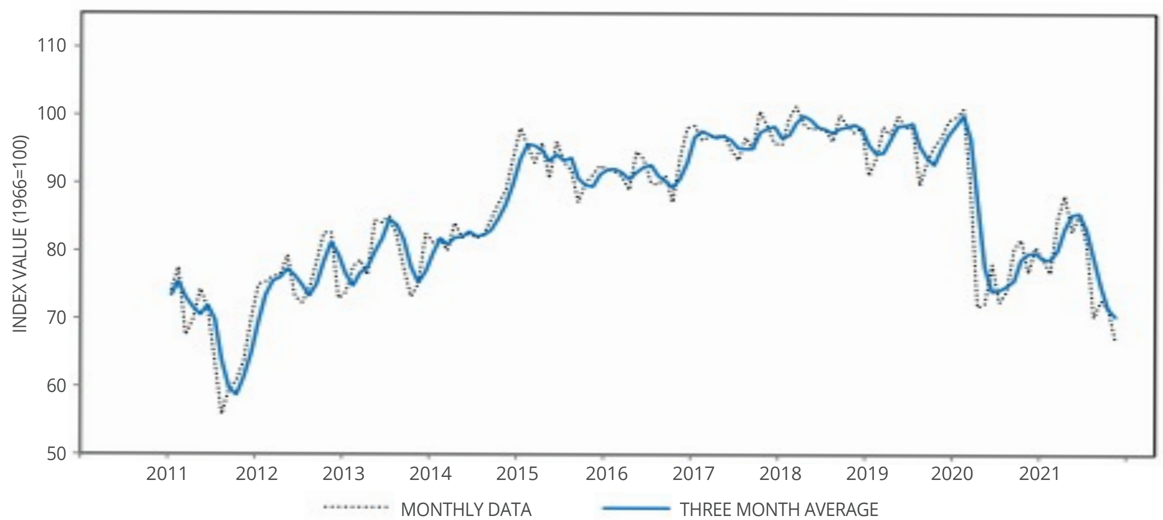
NOVEMBER 22, 2021

BRINKER CAPITAL INVESTMENTS

Do As I Do, Not As I Say

As parents, many of us have uttered the immortal phrase, “do as I say, not as I do.” And while that phrase can be confusing to a child, it is easily explained; please follow my advice, even if yours truly is not (boy, have I been there before!). In the spirit of that confusing but easily explained phrase, and in thinking about the economic powerhouse that is the US consumer and the precipitous drop in consumer sentiment (as measured by the University of Michigan Consumer Sentiment Index), along with the dramatic increase in retail sales in October, we give you: do as I do, not as I say. By that, we mean the US consumer is increasingly pessimistic but spending at a record pace. More specifically, we learned on November 12 that the UofM Consumer Sentiment Index dropped to 66.8 (see chart), its lowest level in 10 years, a reading which should indicate a consumer concerned about their financial future and inclined to save rather than spend. Yet, on November 16, we learned that October retail sales, ex food and autos, jumped 16.1% year on year—the biggest increase this century, save the April 2021 increase which lapped the plunge in sales that followed the economic shutdown. What to make of these seemingly contradictory but very important datapoints? Some speculate that concerns over inflation both drove the drop in sentiment and spurred people to spend money now, before prices potentially rise further. There could be some truth to that. For our two cents, while surveys can be valuable tools for understanding sentiment, we put greater weight on what consumers are doing (in this case with their money) as opposed to what they are saying. There are several issues buffeting the economy and the consumer, but for now, the former is accelerating helped along by the latter. We will take it. And from all of us at Orion, we wish you a happy and healthy Thanksgiving.

The Index of Consumer Sentiment



Stocks, bonds, and commodities (11/19/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4697.96	9.06%	25.08%	32.06%
MSCI AC World ex USA	348.50	2.71%	6.75%	13.04%
MSCI EAFE	2344.93	2.79%	9.19%	15.21%
MSCI EM	1269.22	1.29%	-1.71%	4.96%
Bloomberg Barclays US Agg	105.02	-0.45%	-4.41%	-4.61%
Crude Oil WTI	75.68	0.87%	55.98%	78.41%
Natural Gas	5.16	-12.14%	104.08%	86.10%

Treasury rates (11/19/2021)

	Price		Yield
2Y	99.23 /	0.00	0.513
3Y	99.22 /	0.00	0.850
5Y	99.20 /	0.00	1.199
7Y	99.18 /	0.00	1.439
10Y	98.16 /	0.00	1.536
30Y	99.07 /	0.00	1.908

Weekly reports

This week

- Markit PMI Manufacturing SA Nov
- New Home Sales SAAR Oct

Last week

- Capacity Utilization NSA Oct 76.4%
- Philadelphia Fed Index Nov 39.0

Chart source: University of Michigan, November 2021. The views expressed are those of Brinker Capital and are not intended as investment advice or recommendation. For informational purposes only.

Brinker Capital Market Barometer

NOVEMBER 2021

Growth is likely to pick up again in the fourth quarter. We are seeing strength in the economy on many fronts, including the labor market which showed meaningful improvement in October. Monetary policy remains accommodative, and the Fed has been transparent in its plan to begin tapering, followed by rate hikes in 2022, assuming desired economic conditions have been met. Fiscal policy is currently supportive; however, uncertainty still exists near term as Congress works through several fiscal initiatives, including addressing the debt ceiling. The pickup in inflation appears 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 November, 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 back above 50-day moving average; hit record-high level
Investor sentiment			●		Sentiment not at extreme levels; modest equity inflows
Seasonality	→→			●	Seasonality a strong tailwind through year-end

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Remains supportive; tax impact of BBB looks relatively benign
Monetary policy				●	Fed has clearly communicated plan; watching for speeding up of timeline
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	←		●		Consumer sentiment weakened in October but spending remains strong
Corporate earnings				●	Earnings picture remains strong although pace of growth should decelerate
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

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