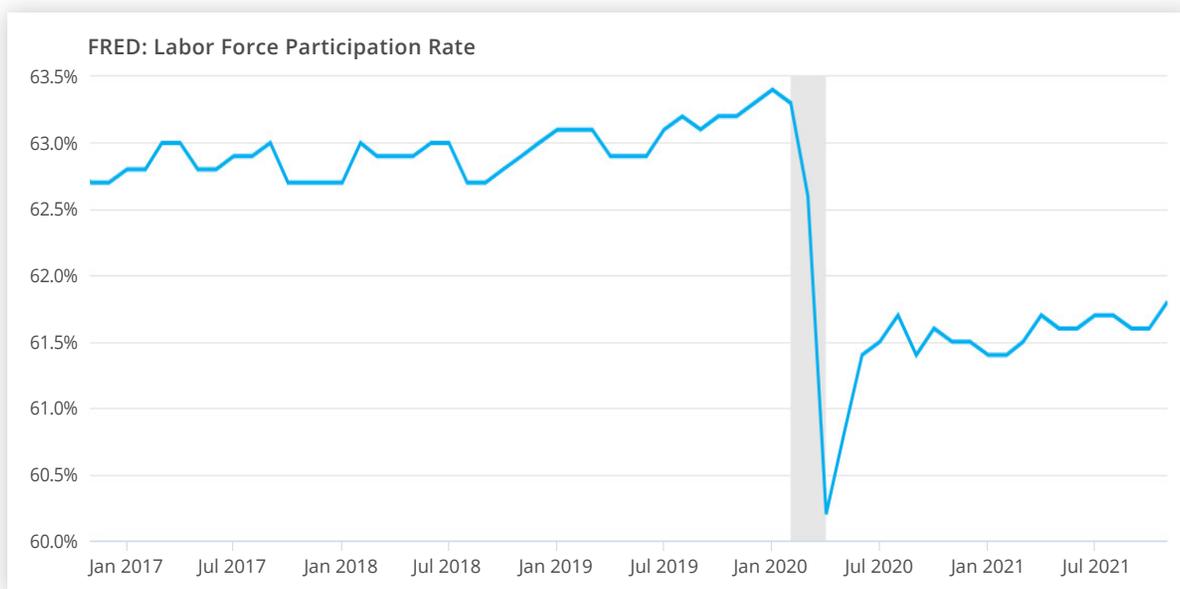


## It's Not Much, But We'll Take It

Excluding this awful pandemic, we think most market observers would cite inflation as the greatest risk to the economy and markets. More specifically, the risk that inflation remains high or moves higher, forcing the Fed to tighten monetary policy quicker than it wants, putting the economy and bull market in jeopardy. We also think most market observers would cite the still shockingly low labor force participation rate – and the still missing (estimated) 3+ million jobs relative to where we were pre-pandemic – as the biggest conundrum of the economic recovery.

Setting aside the possible causes for the labor market shortfall, that risk and conundrum are intertwined, with inflation being pushed along by both higher wages (as employers compete for employees) and stressed supply chains (stressed, at least somewhat, due to a lack of available workers). Inflation could ease, all things being equal, as more Americans return to the workforce. And, as the economy continues to reopen, consumers could spend more on services and less on goods, further destressing supply chains, and further mitigating inflation.

We have gotten some good news of late as it concerns Americans coming back to – and not leaving – the workforce. The labor force participation rate ticked up ever so slightly to a post-pandemic high of 61.8% in November (see chart) and the number of Americans quitting their jobs (as a percentage of the workforce) dropped from a record 3% in September to 2.8% in October, per the latest Job Openings and Labor Turnover Survey. We think the labor market moving in the right direction is a big deal as it concerns inflation and monetary policy in 2022. It's not much, but we'll take it.



### Stocks, bonds, and commodities (12/10/2021)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4712.02	9.39%	25.45%	28.62%
MSCI AC World ex USA	339.95	0.19%	4.13%	6.75%
MSCI EAFE	2289.62	0.37%	6.62%	9.54%
MSCI EM	1238.54	-1.16%	-4.08%	-1.52%
Bloomberg Barclays US Agg	104.79	-0.68%	-4.62%	-4.59%
Crude Oil WTI	71.96	-4.09%	48.31%	54.52%
Natural Gas	3.89	-33.73%	53.92%	50.06%

### Treasury rates (12/10/2021)

	Price	Yield
2Y	99.21 / 0.00	0.664
3Y	100.0 / 0.00	0.987
5Y	99.31 / 0.00	1.252
7Y	100.1 / 0.00	1.421
10Y	98.30 / 0.00	1.486
30Y	99.26 / 0.00	1.881

### Weekly reports

This week (12/13/2021)
• NFIB Small Business Index Nov
• NAHB Housing Market Index SA Dec
Last week (12/6/2021)
• CPI Nov NSA Y/Y 6.8%
• UofM Dec Consumer Sentiment NSA 70.4

# Brinker Capital Market Barometer

DECEMBER 2021

The US economy is still on track for very strong growth in the fourth quarter despite any headwinds from the new COVID-19 variant. The labor market continues to improve, as the unemployment rate has fallen to 4.2% and wages have meaningfully increased. Monetary policy remains accommodative, however, the more persistent inflation we are experiencing may cause the Fed to accelerate its timeline for tapering, followed by rate increases, in 2022. Fiscal policy is currently supportive, and we avoided a government shutdown for now, but the debt ceiling and President Biden's Build Back Better plan must be addressed. With broad-based economic growth, we expect another strong quarter of growth in corporate profits, which is supportive of equities. Longer-term Treasury yields have fallen recently, and the yield curve has steepened, but credit conditions remain favorable. While the weight of the evidence still leans largely positive, which is aligned with our modest overweight risk positioning across portfolios, the few changes to the barometer in December were negative.

## SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum	←		●		Overall market momentum still positive but breadth has deteriorated
Trend				●	US large cap above LT moving average, but international and small cap weaker
Investor sentiment			●		Bullish sentiment has come down recently but not in extreme territory
Seasonality				●	Seasonality a tailwind through year-end

## INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal support remains; tax impact of BBB looks relatively benign
Monetary policy				●	Fed has clearly communicated plan; watching for speeding up of timeline
Inflation	←	●			Persistent inflation causing Fed to adjust timeline; weighing on sentiment
Interest rate environment				●	Longer-term Treasury yields have fallen in recent weeks; yield curve has flattened
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			●		Survey data negative but not in sync with consumer behavior
Corporate earnings				●	Broad-based strength in earnings although pace of growth should decelerate
Credit environment				●	Modest widening of corporate credit spreads; 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			●		Emerging markets with 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 December 6, 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. Brinker Capital Investments, LLC a registered investment advisor.