

If We Could Only Keep One Thing in Mind in 2022...

Happy New Year! We hope you all had a wonderful holiday season and we wish you and your loved ones a happy, healthy, and prosperous 2022. As we kick off a new year, the world is – as expected and maybe even more so this year – offering up more than a few things for investors to be concerned about. Consider the dramatic spike in the Covid case count, driven by the highly transmissible Omicron variant; the elevated level and persistency of inflation; the still “missing” millions of Americans from the labor force; uncertainty around fiscal policy as the Democrats look to revive the Build Back Better Act; the mid-term elections (November will be here before we know it!); an expected step down in earnings and economic growth (relative to 2021); a backing up in bond yields and perhaps, most importantly – outside of the pandemic – the hawkish tilt by the Federal Reserve, as our central bank winds down its securities purchase program and looks to begin raising interest rates and shrinking its balance sheet. It’s enough to make one’s head spin and make one more than a bit pessimistic on the markets. Our head might be spinning, but we remain optimistic on stocks in the new year, thinking that still strong economic and corporate profit growth, ample and attractively priced capital for companies and consumers, and still-low rates – among other factors – will help push the market up and to the right. And for those times in 2022 when our head is really spinning – and we expect that will happen more than once – we will keep in mind what we think is the most important dynamic for the economy and markets this year – that we are very early in the Fed rate hiking cycle, and that if history is any guide, it takes multiple interest rate hikes before monetary policy puts the US economy at risk of recession (see graph) and US stocks at risk of a bear market.

Federal Funds Effective Rate



Stocks, bonds, and commodities (1/7/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4677.03	-1.87%	-1.87%	22.29%
MSCI AC World ex USA	343.00	-0.39%	-0.39%	1.30%
MSCI EAFE	2328.99	-0.30%	-0.30%	5.14%
MSCI EM	1226.10	-0.48%	-0.48%	-9.41%
Bloomberg Barclays US Agg	103.10	-1.56%	-1.56%	-5.28%
Crude Oil WTI	78.94	4.96%	4.96%	51.11%
Natural Gas	3.74	5.14%	5.14%	40.81%

Treasury rates (1/7/2022)

	Price	Yield
2Y	99.24 / 0.00	0.870
3Y	99.17 / 0.00	1.153
5Y	98.25 / 0.00	1.504
7Y	97.27 / 0.00	1.699
10Y	96.14 / 0.00	1.769
30Y	94.22 / 0.00	2.113

Weekly reports

This week (1/10/2022)
• Consumer Price Index NSA Y/Y Dec
• Producer Price Index NSA Y/Y Dec
Week of 12/20/2021
• Existing Home Sales SAAR Nov 6,460K
• New Home Sales SAAR Nov 744K

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.