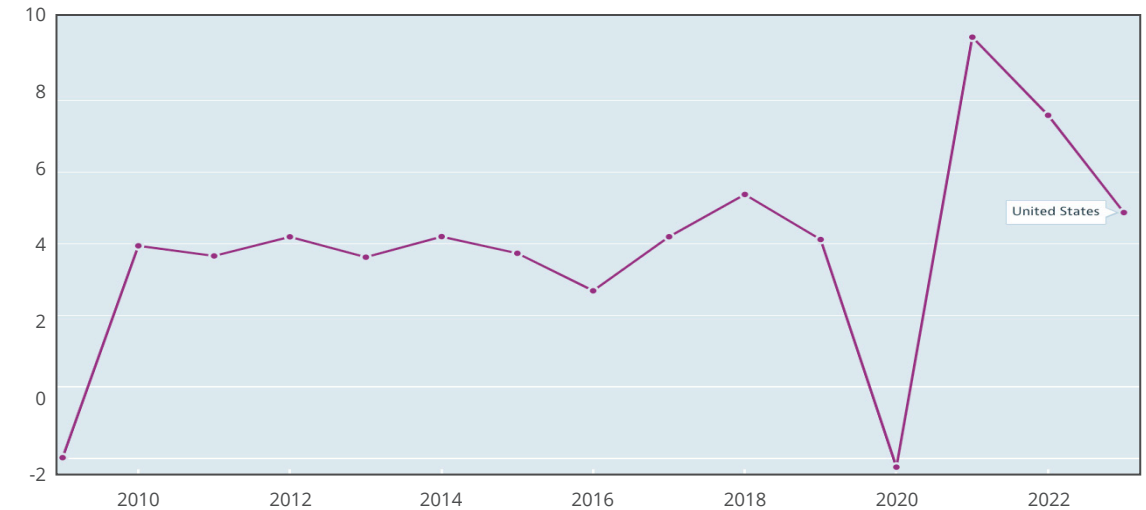


## Apologies to Madonna...We are Living in a Nominal World

I have come to appreciate that the older I get, the less my pop culture references resonate. With that written, I am working off the assumption that everyone reading this knows who Madonna is (and, truth be told, if you don't, I prefer not knowing). Madonna, as one of the most prolific and successful pop singers of the past forty years, has had a number of huge hits, including 1984's Material Girl, in which she sang of living in a material world. Well, we may or may not be living in a material world, but when it comes to the economy and the markets, we think we are living in a nominal world.

Nominal Gross Domestic Product is a measure of the value of all final goods and services produced within our country at current market prices during a particular period (usually a calendar quarter or year). Nominal GDP doesn't distinguish between the volume of goods and services produced and the price of those goods and services, which means when prices are moving sharply higher, nominal GDP is likely moving sharply higher. That dynamic, with inflation in the mid-to-high single digits, is certainly in play today as Q4 nominal GDP increased an estimated 14%. While one can credibly argue that real GDP – which does account and solve for price when measuring output – is a more accurate reflection of an economy's performance, companies' financial results are ultimately driven by and reflect price and volume. On that front, we are coming to the end of a Q4 earnings season that has seen S&P 500 revenues increase 15% and EPS increase 31%, on average, year on year. And as we look further out, the Organization for Economic Cooperation and Development expects US nominal GDP to increase 7.6% in 2022 and 4.9% in 2023 (see chart). Our economy – especially on a nominal basis – continues to power ahead.

Nominal GDP Forecast (Total Annual Growth Rate (%), 2009-2023)



Stocks, bonds, and commodities (2/11/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4418.64	-7.29%	-7.29%	12.30%
MSCI AC World ex USA	340.04	-1.24%	-1.24%	-1.75%
MSCI EAFE	2279.33	-2.43%	-2.43%	2.32%
MSCI EM	1240.51	0.69%	0.69%	-13.18%
Bloomberg Barclays US Agg	100.78	-3.77%	-3.77%	-6.81%
Crude Oil WTI	93.90	24.85%	24.85%	57.89%
Natural Gas	4.00	12.45%	12.45%	37.36%

Treasury rates (2/11/2022)

	Price	Yield
2Y	98.24 / 0.00	1.516
3Y	99.09 / 0.00	1.739
5Y	98.08 / 0.00	1.866
7Y	98.22 / 0.00	1.954
10Y	99.10 / 0.00	1.947
30Y	99.29 / 0.00	2.252

Weekly reports

This week (2/14/2022)
• PPI NSA Y/Y Jan
• NAHB Housing Market Index SA Feb
Week of 2/7/2022
• NFIB Small Business Index Jan 97.1
• CPI NSA Y/Y Jan 7.5%

# Brinker Capital Market Barometer

FEBRUARY 2022

The US economy is experiencing solid growth to start the year, as evidenced by strength in the labor market, the housing market, and consumer spending. While monetary policy currently remains accommodative, persistently high levels of inflation could force the Federal Reserve to take a more aggressive stance on rate hikes, and possibly quantitative tightening. Fiscal policy is more of a headwind this year and the likelihood of sizeable new fiscal spending is slim. With economic growth more broad-based, we expect another strong quarter of growth in corporate profits, which is supportive of equities. Treasury yields continue to edge higher, and while we have not yet reached levels that would impact the economy and equity market, the yield curve has flattened. The pull-back in equity markets has caused investor sentiment to recede, and given our still favorable outlook over the near term, we maintain an overweight risk positioning across portfolios. We expect continued market volatility as we experience a normalization of liquidity and policy, a backdrop that is favorable for our active approach.

## SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum			●		Market momentum weakened but still positive
Trend			●		US large caps above 200-day moving average and remain in uptrend
Investor sentiment				●	Surveys show significantly more bears than bulls, a contrarian indicator
Seasonality	→			●	In a mid-term election year, more seasonal support through April

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

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy			●		Fiscal drag a headwind in 2022; unlikely to see any major new fiscal spending
Monetary policy				●	Fed may have to more aggressively hike, but balance sheet still supportive for now
Inflation		●			Persistently high inflation may cause Fed to adjust timeline; weighing on sentiment
Interest rate environment				●	Yields have moved higher but not yet at concerning levels; curve has flattened
Macroeconomic				●	Economic growth continues to be solid (e.g. employment, housing, spending)
Business sentiment				●	Business confidence measures declined from recent highs, but remain elevated
Consumer sentiment			●		Survey data show negative sentiment, but not in sync with consumer behavior
Corporate earnings				●	Broad-based strength in earnings although pace of growth should decelerate
Credit environment				●	Corporate credit spreads remain well behaved; credit conditions supportive

## LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation		●			Equity valuations still 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 February 11, 2022. 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. 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.