Weekly Wire

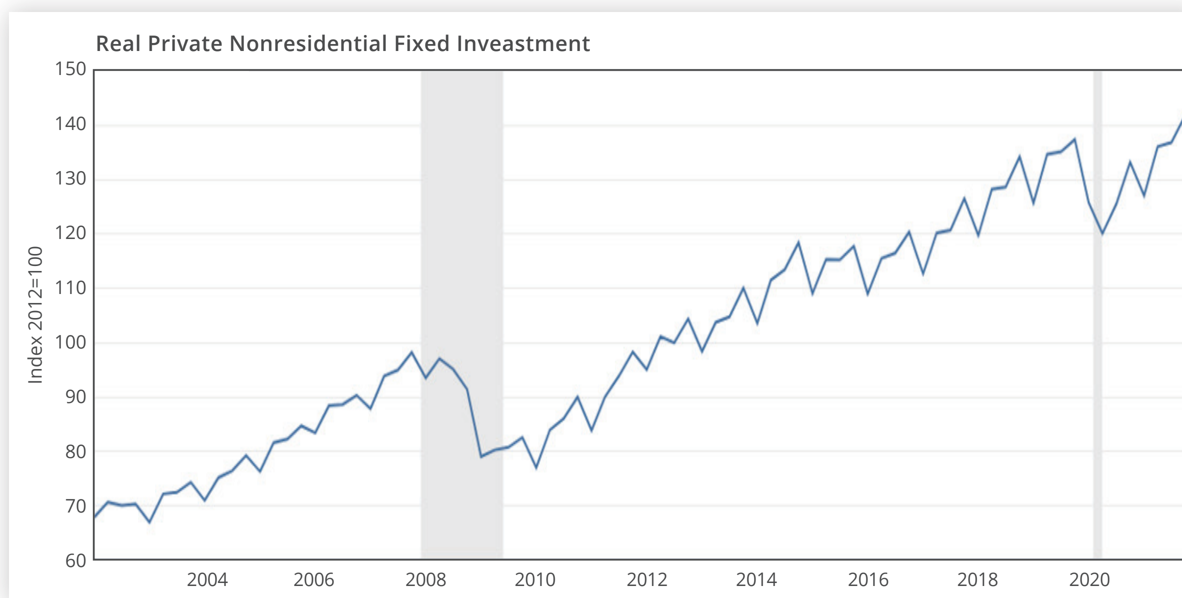
APRIL 4, 2022

BRINKER CAPITAL INVESTMENTS

You Have To Spend Money To Make Money

It can be difficult identifying an economic, market or policy topic to write about weekly that we think will be one that is both of interest to our readers and one that we are comfortable addressing. That has been less of a challenge of late, considering the crisis in Ukraine, historically high inflation, a hawkish Fed and the worst start to the year for US equities in two years and for US bonds in decades. As we will be speaking to those topics in our upcoming quarter-end Q&A VLOG, we wanted to take pen to paper this week on a more mundane point, but one that is incredibly important to the health of the US economy, and that is the ongoing – if little noticed – boom in capital spending. As we know, GDP growth comes from people and productivity – the more people in the workforce and the more productive they are the more growth our economy can produce. That written, workers need physical assets to work with day to day (think PCs, forklifts, airplanes, etc.) if they are going to deliver more goods and services, and if those assets go stale, or become antiquated, growth will suffer. As our population ages and we struggle, at least for now, to fill those millions of jobs that go wanting, more modern physical equipment becomes even more important.

On that front, we have very good news of late; according to The Wall Street Journal, private nonresidential business investment adjusted for inflation grew 7.4% year on year in 2021, the fastest pace since 2012. And according to the US Bureau of Economic Analysis, Real Private Nonresidential Fixed Investment just hit an all-time high, taking out its pre-pandemic peak (see chart; by way of comparison, it took six years for Nonresidential Fixed Investment to exceed its pre-Great Recession peak). It might not be the most top-of-mind topic to focus on, but the fact that the economy continues to merit and attract meaningful capital investment, and meaningful spending on productive assets, is very good news for our ongoing economic expansion, and our economy's long-term potential.



Stocks, bonds, and commodities (4/1/2022)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	4545.86	0.34%	-4.62%	13.08%
MSCI AC World ex USA	322.96	-0.19%	-6.21%	-4.71%
MSCI EAFE	2171.14	-0.48%	-7.06%	-2.16%
MSCI EM	1145.85	0.36%	-6.99%	-14.18%
Bloomberg Barclays US Agg	97.53	-0.29%	-6.87%	-7.63%
Crude Oil WTI	99.42	-0.86%	32.19%	61.79%
Natural Gas	5.72	1.42%	60.87%	116.82%

Treasury rates (4/1/2022)

	Price		Yield
2Y	99.18 /	99.1	2.461
3Y	97.16 /	97.1	2.629
5Y	99.21 /	99.2	2.569
7Y	99.05 /	99.0	2.505
10Y	95.17 /	95.1	2.383
30Y	96.01 /	96.0	2.436

Weekly reports

This week (4/4/2022)

- ISM Non-Manufacturing SA Mar
- Initial Claims SA

Week of 3/28/2022

- Chicago PMI SA Mar 62.9
- Nonfarm Payrolls SA Mar 431.0K

Chart source: US Bureau of Economic Analysis, April 2022. 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

MARCH 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 the geopolitical events in eastern Europe are cause for concern and are currently weighing on global equity markets, historically, these types of events are not a significant issue for capital markets unless a recession develops. While growth in the US is accelerating, events may have a larger impact on economies in Europe. Inflation continues to move higher, now helped by higher commodity prices. The Federal Reserve is expected to raise short-term rates only a quarter of a point at the March meeting, but their path to normalization may need to accelerate if we continue to see persistently high inflation. Higher inflation continues to weigh on consumer confidence, but spending levels are strong. Fiscal policy is more of a headwind this year and the likelihood of sizeable new fiscal spending is slim. Treasury yields continue to edge higher, and while we have not yet reached levels that would impact the economy, the yield curve has flattened. We expect continued market volatility as we experience a normalization of liquidity and policy and heightened geopolitical concerns, a backdrop that is favorable for our active approach.

SHORT-TERM FACTORS (< 6 months)

Factor	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	Comment
Momentum	←	●			Market momentum has weakened and breadth is generally poor
Trend	←	●			Trend has deteriorated; major indices below 200 day moving average
Investor sentiment				●	Surveys show significantly more bears than bulls, a contrarian indicator
Seasonality				●	In a mid-term election year, more seasonal suport through April

INTERMEDIATE-TERM FACTORS (6-36 months)

Factor	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	Comment
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 will decelerate
Credit environment				●	Corporate credit spreads are widening but still at tight levels relative to history

LONG-TERM FACTORS (36+ months)

Factor	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	Comment
Valuation	→		●		Equity valuations have moved closer to long-term averages
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 March 15, 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-weighed 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.

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