



Wealth Advisors,
Investment Managers

Weekly Market Recap - 03/26/21

Market Commentary

Weekly Recap:

Equities were mixed last week as the world watched the drama unfolding in the Suez Canal. Most sectors generated positive returns, allowing the S&P 500 and the Dow to finish the week higher, while price declines in some large cap communications names pulled the Nasdaq lower. Small caps were also lower on the week, as were many international stocks.

Bond markets mostly rallied last week. Treasury yields were lower as the curve flattened modestly, while credit spreads were stable.

Oil prices gyrated day by day as investors grappled with the impact of the Suez blockage on short term global supply.

Economic news was mixed last week. On a positive note, jobless claims hit new pandemic lows, and the University of Michigan consumer sentiment index registered a large sequential index. At the same time, personal incomes & spending, capital goods orders, and home sales all fell.

Finally, in two days of testimony before the US Congress, Fed Chairman Jerome Powell and Treasury Secretary Janet Yellen both pledged to continue supporting the economic recovery, and downplayed concerns about runaway inflation caused by excessive monetary and fiscal stimulus. As the Chart of the Week shows, the Core PCE Deflator (the Fed's preferred inflation metric) remains below its 2% target.

Albion's "Four Pillars":

*Economy & Earnings - The consensus estimate for GDP growth in Q1 2021 is +4.8% SAAR, accelerating to +6.9% in Q2. Meanwhile, EPS for the S&P 500 turned positive y/y in Q4 2020.

*Equity Valuation - the S&P 500's forward P/E of 22x is above the historical average, and long-term valuation metrics like CAPE (cyclically adjusted P/E ratio) suggest that compound annual returns over the coming decade are likely to be in the single digits. That said, lower equity returns may be justified in the context of ultra-low yields on alternatives like bonds and cash.

*Interest Rates - Rates remain low by historical standards despite recent volatility, supporting equity valuations and lowering borrowing costs.

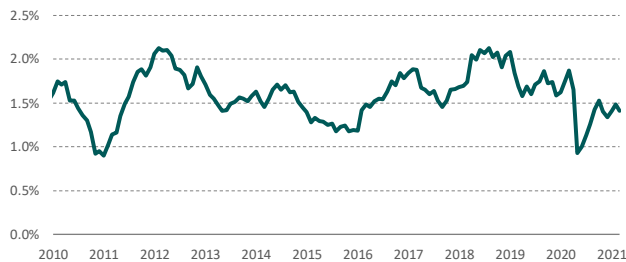
*Inflation - After staving off deflation early in the pandemic, the Fed has communicated tolerance for short periods of above-target inflation. A cyclical bump in inflation may occur in 2021 as pent-up demand is released, testing the Fed's resolve, but we do not expect higher inflation to persist.

Albion's Dashboard of Key Leading Economic Indicators as of 03/26/21

- Initial Jobless Claims 4wma (736k) - Stronger: claims hit new pandemic lows last week
- Conference Board LEI (-1.3%) - Stronger: 10 consecutive months of sequential improvement
- Building Permits (1,720k) - Stronger: now exceeding pre-pandemic levels
- Corporate Bond Spreads (0.90%) - Steady: spreads have been 85-95bp throughout 2021
- Treasury Yield Curve (+154bp) - Stronger: 2s10s curve has steepened on recovery expectations
- Consumer Confidence (91.3) - Steady: slight improvement in Jan/Feb after Nov/Dec pullback
- Real Final Sales (-2.7%) - Steady: slight improvement in Q4 after strong Q3 rebound

Legend: ● = All Clear; ● = Minor Concern; ● = Strong Warning

Chart of the Week - Core PCE Deflator



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	3,975	1.6%	4.4%	6.2%	53.7%	58.3%
Dow Jones Indus. Avg.	33,073	1.4%	7.1%	8.6%	49.9%	46.4%
NASDAQ	13,139	-0.6%	-0.4%	2.1%	69.9%	87.4%
S&P Midcap 400	2,627	0.5%	5.3%	14.2%	81.2%	46.8%
Russell 2000 (Small Cap)	2,221	-2.9%	1.0%	12.7%	90.5%	49.8%
MSCI EAFE (Int'l Dev Mkt Eq)	2,218	-0.5%	2.6%	3.8%	45.8%	22.4%
MSCI EM (Emerging Mkt Eq)	1,307	-2.2%	-2.2%	1.6%	57.4%	20.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.68%	0.6%	-2.5%	-6.4%	-6.6%	16.5%
U.S. Bonds (Aggregate)	1.58%	0.3%	-1.1%	-3.3%	1.7%	15.4%
Global Bonds	1.13%	-0.1%	-1.5%	-4.0%	5.8%	8.9%
U.S. Munis	1.17%	0.4%	0.6%	-0.4%	5.7%	15.8%
U.S. Investment Grade Corp	2.28%	0.5%	-1.9%	-4.8%	11.2%	20.5%
U.S. High Yield Corporates	4.35%	0.6%	-0.1%	0.6%	27.2%	21.8%

US Interest Rates	Levels (%)					
	3/26/21	3/19/21	2/26/21	12/31/20	3/26/20	3/26/18
2y Treasuries	0.14	0.15	0.13	0.12	0.29	2.27
10y Treasuries	1.68	1.72	1.40	0.91	0.84	2.85
30y Treasuries	2.38	2.43	2.15	1.64	1.43	3.09
3m LIBOR (USD)	0.20	0.20	0.19	0.24	1.37	1.20
30y Fixed Mortgage	3.17	3.09	2.97	2.67	3.50	4.45
Prime Rate	3.25	3.25	3.25	3.25	3.25	4.75

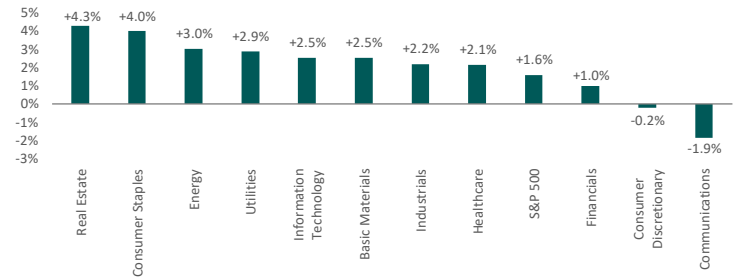
Commodity Prices	Levels					
	3/26/21	3/19/21	2/26/21	12/31/20	3/26/20	3/26/18
Oil (WTI)	60.97	61.42	61.50	48.52	22.60	49.80
Gasoline	2.86	2.88	2.71	2.25	2.05	2.62
Natural Gas	2.56	2.54	2.77	2.54	1.64	3.24
Gold	1,733	1,745	1,734	1,898	1,631	1,354

Currency Crosses	Levels					
	3/26/21	3/19/21	2/26/21	12/31/20	3/26/20	3/26/18
\$ per £	1.38	1.39	1.39	1.37	1.22	1.42
\$ per €	1.18	1.19	1.21	1.22	1.10	1.24
¥ per \$	109.6	108.9	106.6	103.3	109.6	105.4
¥ per Bitcoin	54,002	58,410	45,672	28,996	6,745	7,889

Macroeconomic Data	Value	Date
Inflation (Core PCE Def)	1.4%	02/28/21
Unemployment (U-3)	6.2%	02/28/21
GDP Growth (Q/Q SAAR)	4.3%	12/31/20
ISM Manufacturing PMI	60.8	02/28/21
Consumer Confidence	91.3	02/28/21

Data Source:
Bloomberg

Sector Total Returns for the Week Ending 03/26/21



YTD Sector Total Returns as of 03/26/21

