



Wealth Advisors,
Investment Managers

Weekly Market Recap - 03/12/21

Market Commentary

Weekly Recap:

Equity markets rallied last week, particularly after Wednesday's release of consumer price inflation (CPI) data that was slightly below consensus estimates. The S&P 500 and the Dow both finished the week at fresh all-time highs, while the Nasdaq remains -5% below its mid-February record. Small and midcap stocks continued their run of dominant performance, extending their YTD lead over large caps. International indices also finished higher.

Rates drifted lower for much of the week before abruptly moving higher on Friday. In the end, 10-year yields rose 5bp on the week to 1.62%, the highest close since February 12, 2020. 30-year yields rose 8bp to 2.38%, the highest level since late 2019. Investment grade credits spreads were largely unchanged while high yield spreads tightened, resulting in moderate price declines for high quality corporates while riskier bonds were close to flat.

Oil prices fell early in the week and then rallied; the US dollar did the reverse.

In an encouraging sign for the labor market, weekly jobless claims (new and continuing) reached their lowest levels of the pandemic in data released on Thursday. See the Chart of the Week for a time series.

Finally, in a Thursday night address to the nation, President Joe Biden announced that he would direct all US states to make vaccines available to any adult that wants one by no later than May 1st.

Albion's "Four Pillars":

***Economy & Earnings** - The New York Fed's Weekly Economic Index estimates real-time GDP growth to be -1.6% y/y. Growth is expected to be modest early in 2021, and pick up in the second half of the year.

***Equity Valuation** - the S&P 500's forward P/E of 21x 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.

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	3,943	2.7%	3.5%	5.3%	61.8%	50.0%
Dow Jones Indus. Avg.	32,779	4.2%	6.1%	7.6%	58.1%	39.5%
NASDAQ	13,320	3.1%	1.0%	3.5%	86.5%	80.8%
S&P Midcap 400	2,646	5.4%	6.1%	15.0%	88.4%	42.5%
Russell 2000 (Small Cap)	2,353	7.4%	7.0%	19.3%	112.2%	53.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,219	3.0%	2.5%	3.7%	52.7%	18.6%
MSCI EM (Emerging Mkt Eq)	1,348	0.7%	0.8%	4.7%	56.5%	19.8%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.62%	-0.6%	-2.2%	-6.2%	-5.9%	17.3%
U.S. Bonds (Aggregate)	1.57%	-0.4%	-1.2%	-3.3%	0.9%	15.4%
Global Bonds	1.14%	-0.2%	-1.2%	-3.8%	3.5%	10.1%
U.S. Munis	1.14%	0.4%	0.7%	-0.2%	6.0%	16.0%
U.S. Investment Grade Corp	2.29%	-0.6%	-2.2%	-5.1%	5.3%	19.9%
U.S. High Yield Corporates	4.39%	-0.1%	-0.2%	0.5%	18.0%	20.9%

US Interest Rates	Levels (%)					
	3/12/21	3/5/21	2/26/21	12/31/20	3/12/20	3/12/18
2y Treasuries	0.15	0.14	0.13	0.12	0.48	2.26
10y Treasuries	1.62	1.57	1.40	0.91	0.80	2.87
30y Treasuries	2.38	2.30	2.15	1.64	1.44	3.13
3m LIBOR (USD)	0.19	0.19	0.19	0.24	0.74	1.20
30y Fixed Mortgage	3.05	3.02	2.97	2.67	3.36	4.46
Prime Rate	3.25	3.25	3.25	3.25	4.25	4.50

Commodity Prices	Levels					
	3/12/21	3/5/21	2/26/21	12/31/20	3/12/20	3/12/18
Oil (WTI)	65.61	66.09	61.50	48.52	31.50	49.80
Gasoline	2.85	2.76	2.71	2.25	2.30	2.52
Natural Gas	2.60	2.70	2.77	2.54	1.84	3.24
Gold	1,727	1,701	1,734	1,898	1,576	1,323

Currency Crosses	Levels					
	3/12/21	3/5/21	2/26/21	12/31/20	3/12/20	3/12/18
\$ per €	1.39	1.38	1.39	1.37	1.26	1.39
\$ per ¥	1.20	1.19	1.21	1.22	1.12	1.23
¥ per \$	109.0	108.3	106.6	103.3	104.6	106.4
\$ per Bitcoin	56,966	49,053	45,672	28,996	5,725	9,018

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.0%	03/12/21
Inflation (Core PCE Def)	1.5%	01/31/21
Unemployment (U-3)	6.2%	02/28/21
GDP Growth (Q/Q SAAR)	4.1%	12/31/20
ISM Manufacturing PMI	60.8	02/28/21
Consumer Confidence	91.3	02/28/21

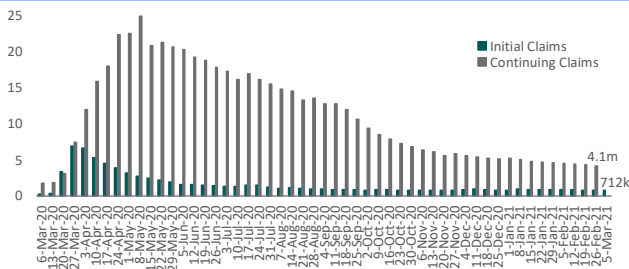
Data Source:
Bloomberg

Albion's Dashboard of Key Leading Economic Indicators as of 03/12/21

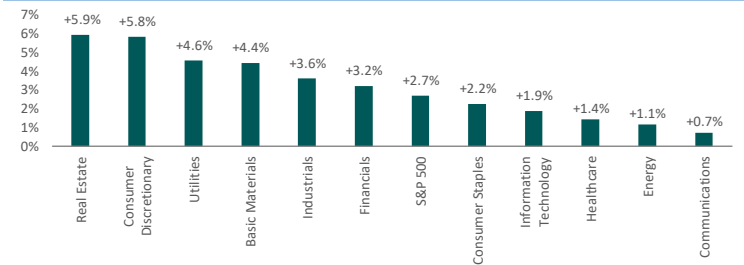
- Initial Jobless Claims 4wma (759k) - Steady: claims have been 700-900k per week since Sept
- Conference Board LEI (-1.5%) - Stronger: 9 consecutive months of sequential improvement
- Building Permits (1,886k) - Stronger: now exceeding pre-pandemic levels
- Corporate Bond Spreads (0.92%) - Steady: spreads have been 85-95bp throughout 2021
- Treasury Yield Curve (+148bp) - 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 - New and Continuing Jobless Claims (millions)



Sector Total Returns for the Week Ending 03/12/21



YTD Sector Total Returns as of 03/12/21

