



Wealth Advisors,
Investment Managers

Weekly Market Recap - 03/19/21

Market Commentary

Weekly Recap:

US equities were mostly lower last week. Among large caps, a few sectors managed to finish in positive territory, including traditional defensives like communications (+0.5%), healthcare (+0.4%), and consumer staples (+0.4%). The worst performing sector by far was energy (-7.7%), driven by falling oil prices and flagging demand as much of Europe institutes new lockdown measures to combat rising covid-19 case counts. See the Chart of the Week for a time series of YTD returns for the energy sector vs. the S&P 500.

Rates markets also continue to be in focus. After briefly stabilizing somewhat during the prior week, US Treasury yields resumed their upward march last week, with benchmark 10y yields rising 10 basis points and the 2s10s curve reaching its steepest level (+157bp) in more than five years. Credit spreads compressed slightly, but not by enough to offset the rate move, driving small price declines in USD-denominated bond markets.

Economic data was mixed last week, with retail sales (-3.3% m/m ex autos & gas), industrial production (-2.2% m/m), and housing activity (-200k bldg. permits m/m) all coming in below expectations, while jobless claims were steady. On a more positive note, the Conference Boards Index of Leading Economic Indicators (LEI) improved sequentially for the 10th consecutive month. Most importantly, the Fed reiterated its commitment to keeping interest rates low and maintaining asset purchases until substantial further progress has been made towards full employment.

Albion's "Four Pillars":

*Economy & Earnings - The New York Fed's Weekly Economic Index estimates real-time GDP growth to be -1.0% 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.

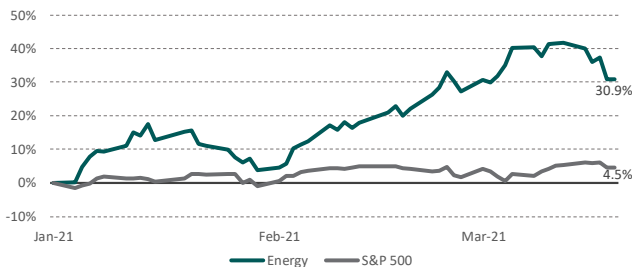
*Inflation - After staving off deflation early in the pandemic, the Fed has communicated tolerance for short periods of above-target inflation. A cyclical bump in inflation may occur in 2021 as pent-up demand is released, testing the Fed's resolve, but we do not expect higher inflation to persist.

Albion's Dashboard of Key Leading Economic Indicators as of 03/19/21

- Initial Jobless Claims 4wma (746k) - Steady: claims have been 700-900k per week since Sept
- Conference Board LEI (-1.3%) - Stronger: 10 consecutive months of sequential improvement
- Building Permits (1,682k) - Stronger: now exceeding pre-pandemic levels
- Corporate Bond Spreads (0.90%) - Steady: spreads have been 85-95bp throughout 2021
- Treasury Yield Curve (+157bp) - 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 - S&P 500 Energy Index YTD Total Return



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	3,913	-0.7%	2.8%	4.5%	65.2%	52.7%
Dow Jones Indus. Avg.	32,628	-0.4%	5.6%	7.1%	66.0%	42.1%
NASDAQ	13,215	-0.8%	0.2%	2.7%	86.3%	85.4%
S&P Midcap 400	2,614	-1.2%	4.8%	13.6%	101.4%	43.2%
Russell 2000 (Small Cap)	2,288	-2.8%	4.0%	16.0%	118.7%	51.7%
MSCI EAFE (Int'l Dev Mkt Eq)	2,231	0.6%	3.1%	4.4%	65.7%	20.7%
MSCI EM (Emerging Mkt Eq)	1,337	-0.8%	0.0%	3.8%	78.8%	20.6%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.72%	-0.9%	-3.0%	-7.0%	-4.3%	15.9%
U.S. Bonds (Aggregate)	1.62%	-0.3%	-1.5%	-3.6%	4.3%	14.9%
Global Bonds	1.16%	-0.2%	-1.4%	-4.0%	9.1%	9.5%
U.S. Munis	1.25%	-0.5%	0.2%	-0.8%	10.2%	15.3%
U.S. Investment Grade Corp	2.32%	-0.2%	-2.4%	-5.3%	15.7%	19.5%
U.S. High Yield Corporates	4.55%	-0.5%	-0.7%	-0.1%	29.9%	20.7%

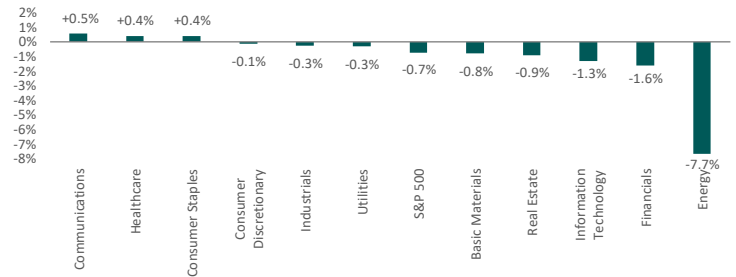
US Interest Rates	Levels (%)					
	3/19/21	3/12/21	2/26/21	12/31/20	3/19/20	3/19/18
2y Treasuries	0.15	0.15	0.13	0.12	0.45	2.31
10y Treasuries	1.72	1.62	1.40	0.91	1.14	2.86
30y Treasuries	2.43	2.38	2.15	1.64	1.78	3.09
3m LIBOR (USD)	0.20	0.19	0.19	0.24	1.20	1.20
30y Fixed Mortgage	3.09	3.05	2.97	2.67	3.65	4.44
Prime Rate	3.25	3.25	3.25	3.25	3.25	4.50

Commodity Prices	Levels					
	3/19/21	3/12/21	2/26/21	12/31/20	3/19/20	3/19/18
Oil (WTI)	61.42	65.61	61.50	48.52	25.22	49.80
Gasoline	2.88	2.85	2.71	2.25	2.17	2.56
Natural Gas	2.54	2.60	2.77	2.54	1.65	3.24
Gold	1,745	1,727	1,734	1,898	1,471	1,317

Currency Crosses	Levels					
	3/19/21	3/12/21	2/26/21	12/31/20	3/19/20	3/19/18
\$ per £	1.39	1.39	1.39	1.37	1.15	1.40
\$ per €	1.19	1.20	1.21	1.22	1.07	1.23
¥ per \$	108.9	109.0	106.6	103.3	110.7	106.1
\$ per Bitcoin	58,410	56,966	45,672	28,996	6,254	8,427

Macroeconomic Data	Value	Date	Data Source:
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	

Sector Total Returns for the Week Ending 03/19/21



YTD Sector Total Returns as of 03/19/21

