



Wealth Advisors,
Investment Managers

Weekly Market Recap - 04/09/21

Market Commentary

Weekly Recap:

US large cap stocks were strong last week, with all sectors in the S&P 500 posting positive returns except for energy. The Dow (33,801) and S&P (4,129) both closed at record highs on Friday, while the Nasdaq remains slightly below its high from mid-February. Results were mixed in other segments of the market, with US midcaps higher, US small caps lower, international developed markets posting solid gains, and emerging markets off a touch.

Bond markets also rallied over the course of last week, despite PPI data that came in higher than expected. Benchmark 10-year US Treasury yields fell 6 basis points, while 2y yields were down 4bp and 30y yields down 3bp. Investment grade credit spreads were steady, while high yield spreads rallied -10 basis points, allowing riskier bonds to outperform.

Energy prices fell last week as investors weighed the impact of renewed restrictions on mobility and economic activity in Europe. The broader commodity complex was mostly stable, as it has been for the past month.

In economic news, US PPI inflation data came in much higher than expected. Core PPI (ex food and energy) rose 0.7% sequentially and 3.1% y/y (a 10-year high). See the Chart of the Week for a time series. Meanwhile, the newly released FOMC Meeting Minutes showed that the Fed remains committed to continuing its asset purchases until substantial further progress has been made towards its 2% inflation target (PCE Deflator) and full employment.

Albion's "Four Pillars":

***Economy & Earnings** - The consensus estimate for GDP growth in Q1 2021 is +4.7% SAAR, accelerating to +7.0% 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 04/09/21

- Initial Jobless Claims 4wma (724k) - Stronger: claims are slowly trending lower
- 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 (0.84%) - Stronger: spreads are near YTD tightests for 2021
- Treasury Yield Curve (+150bp) - Stronger: 2s10s curve has steepened on recovery expectations
- Consumer Confidence (109.7) - Stronger: large improvement in March on vaccine availability
- 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 - Producer Price Index (PPI) ex Food & Energy (y/y chg)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,129	2.8%	4.0%	10.4%	50.5%	67.2%
Dow Jones Indus. Avg.	33,801	2.0%	2.5%	11.0%	45.6%	51.0%
NASDAQ	13,900	3.1%	4.9%	8.0%	71.8%	106.0%
S&P Midcap 400	2,671	0.9%	2.4%	16.2%	70.8%	51.2%
Russell 2000 (Small Cap)	2,243	-0.5%	1.0%	13.9%	82.0%	54.2%
MSCI EAFE (Int'l Dev Mkt Eq)	2,262	2.0%	2.5%	6.2%	44.4%	22.7%
MSCI EM (Emerging Mkt Eq)	1,330	-0.3%	1.1%	3.5%	53.5%	24.2%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.66%	0.1%	0.7%	-6.4%	-7.3%	15.9%
U.S. Bonds (Aggregate)	1.56%	0.2%	0.5%	-2.9%	0.4%	15.2%
Global Bonds	1.13%	0.5%	0.7%	-3.8%	4.9%	9.5%
U.S. Munis	1.10%	0.4%	0.5%	0.1%	6.0%	16.0%
U.S. Investment Grade Corp	2.21%	0.1%	0.8%	-3.9%	6.7%	20.6%
U.S. High Yield Corporates	4.02%	0.5%	0.7%	1.6%	20.8%	22.3%

US Interest Rates	Levels (%)					
	4/9/21	4/2/21	3/31/21	12/31/20	4/9/20	4/9/18
2y Treasuries	0.15	0.19	0.16	0.12	0.23	2.28
10y Treasuries	1.66	1.72	1.74	0.91	0.72	2.78
30y Treasuries	2.33	2.36	2.41	1.64	1.34	3.01
3m LIBOR (USD)	0.19	0.20	0.19	0.24	1.22	2.34
30y Fixed Mortgage	3.13	3.18	3.17	2.67	3.33	4.40
Prime Rate	3.25	3.25	3.25	3.25	3.25	4.75

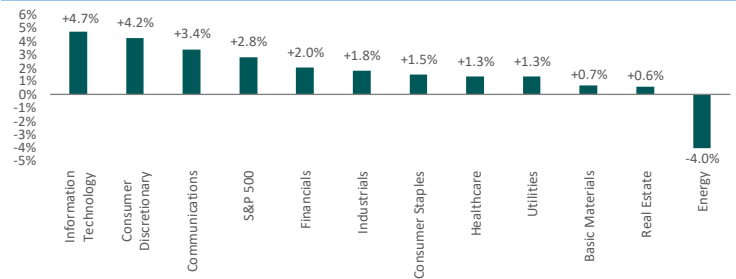
Commodity Prices	Levels					
	4/9/21	4/2/21	3/31/21	12/31/20	4/9/20	4/9/18
Oil (WTI)	59.32	61.45	59.16	48.52	22.76	49.80
Gasoline	2.87	2.87	2.88	2.25	1.88	2.66
Natural Gas	2.53	2.64	2.61	2.54	1.73	3.24
Gold	1,744	1,729	1,708	1,898	1,684	1,336

Currency Crosses	Levels					
	4/9/21	4/2/21	3/31/21	12/31/20	4/9/20	4/9/18
\$ per €	1.37	1.38	1.38	1.37	1.25	1.41
\$ per ¥	1.19	1.18	1.17	1.22	1.09	1.23
¥ per \$	109.7	110.7	110.7	103.3	108.5	106.8
\$ per Bitcoin	58,334	58,674	58,960	28,996	7,306	6,662

Macroeconomic Data	Value	Date	
Inflation (Core PCE Def)	1.4%	02/28/21	
Unemployment (U-3)	6.0%	03/31/21	
GDP Growth (Q/Q SAAR)	4.3%	12/31/20	
ISM Manufacturing PMI	64.7	03/31/21	
Consumer Confidence	109.7	03/31/21	

Data Source:
Bloomberg

Sector Total Returns for the Week Ending 04/09/21



YTD Sector Total Returns as of 04/09/21

