Weekly Market Recap - 07/09/21

ALBION FINANCIAL GROUP
Wealth Advisors, Investment Managers

Market Commentary

Weekly Recap:

Large cap US equities moved higher last week, with the S&P 500, Dow, and Nasdaq all closing at fresh all-time highs on Friday. Most sectors finished the week higher, although financials and energy were dragged lower by the flatter yield curve and lower oil prices, respectively. Small and midcap stocks underperformed, as did international equities, as investors kept a keen eye on the rise of new cases caused by the delta variant.

Bond markets rallied yet again last week, with 10y Treasury yields falling 6 basis points to finish at 1.36%, while 30y yields finished the week just slightly below 2%. After tightening relentlessly all year, credit spreads showed the first hint of widening last week, although they remain extremely tight by historical measures. Nevertheless, last week's modest widening resulted in corporate bonds underperforming Treasuries and Munis.

Energy prices finished the week slightly lower on concerns regarding global demand and a lack of consensus on production from OPEC+.

Economic news got off to a weak start last week with a significant miss in the ISM Services Index, which initially sent equity prices and bond yields lower. Later in the week, however, there were fresh signs of labor market strength, as the monthly JOLTS report held steady at 9.2 million jobs available, while jobless claims continued to drift lower.

Albion's "Four Pillars":

*Economy & Earnings - GDP growth was +6.4% annualized in Q1 2021, and is forecast to accelerate to +10.0% in Q2. Meanwhile, EPS for the S&P 500 is forecast to rise to a new all-time record high for a full calendar year in 2021.

*Equity Valuation - The S&P 500's forward P/E of 22.4x 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-than-normal equity returns may be justified in the context of ultra-low yields on alternatives like bonds and cash.

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

*Inflation - Inflation is currently high on a y/y basis as the economy laps the early months of the pandemic, but most of the drivers appear transitory. The Fed has communicated greater tolerance for short periods of above-target inflation, but longer-term inflation expectations remain well anchored.

Market Data

Equity Indices	Close	Index Total Returns (%) 1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,370	0.4%	1.7%	17.2%	40.8%	65.9%
Dow Jones Indus. Avg.	34,870	0.3%	1.1%	15.0%	38.3%	50.6%
NASDAQ	14,702	0.4%	1.4%	14.5%	40.4%	95.0%
S&P Midcap 400	2,706	-0.1%	0.4%	18.1%	56.9%	41.3%
Russell 2000 (Small Cap)	2,280	-1.1%	-1.3%	16.0%	64.7%	39.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,313	-0.1%	0.4%	9.6%	31.5%	27.5%
MSCI EM (Emerging Mkt Eq)	1,318	-2.6%	-3.9%	3.4%	24.8%	32.6%

Fixed Income	Yield	Index Total Returns (%) 1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.36%	0.7%	0.9%	-3.3%	-5.5%	19.7%
U.S. Bonds (Aggregate)	1.45%	0.3%	0.4%	-1.2%	-0.6%	17.2%
Global Bonds	1.07%	0.4%	0.5%	-2.8%	2.3%	13.3%
U.S. Munis	0.90%	0.6%	0.7%	1.7%	4.5%	16.6%
U.S. Investment Grade Corp	2.01%	0.3%	0.5%	-0.8%	2.3%	25.2%
U.S. High Yield Corporates	3.66%	0.2%	0.4%	4.0%	14.5%	24.2%

US Interest Rates	Levels (%) 7/9/21	7/2/21	6/30/21	12/31/20	7/9/20	7/9/18
2y Treasuries	0.21	0.23	0.25	0.12	0.15	2.56
10y Treasuries	1.36	1.42	1.47	0.91	0.61	2.86
30y Treasuries	1.99	2.04	2.09	1.64	1.31	2.96
3m LIBOR (USD)	0.13	0.14	0.15	0.24	0.27	2.33
30y Fixed Mortgage	2.90	2.98	3.02	2.67	3.03	4.52
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.00

Commodity Prices	Levels 7/9/21	7/2/21	6/30/21	12/31/20	7/9/20	7/9/18
Oil (WTI)	74.56	75.16	73.47	48.52	39.62	73.85
Gasoline	3.14	3.13	3.12	2.25	2.20	2.86
Natural Gas	3.67	3.70	3.65	2.54	1.78	2.83
Gold	1,808	1,787	1,770	1,898	1,804	1,258

Currency Crosses	Levels 7/9/21	7/2/21	6/30/21	12/31/20	7/9/20	7/9/18
$ per £	1.39	1.38	1.38	1.37	1.26	1.33
$ per €	1.19	1.19	1.19	1.22	1.13	1.18
¥ per $	110.1	111.1	111.1	103.3	107.2	110.9
$ per Bitcoin	33,523	33,143	34,585	28,996	9,237	6,696

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.0%	07/09/21
Inflation (Core PCE Def)	3.4%	05/31/21
Unemployment (U-3)	5.9%	06/30/21
GDP Growth (Q/Q SAAR)	6.4%	03/31/21
ISM Manufacturing PMI	60.6	06/30/21
Consumer Confidence	127.3	06/30/21

Data Source:
Bloomberg, FactSet

Albion's Dashboard of Key Leading Economic Indicators as of 07/09/21

- Initial Jobless Claims 4wma (395k) - Stronger: claims are slowly trending lower
- Conference Board LEI (+14.7%) - Stronger: 3 consecutive months of >1% improvement
- Building Permits (1,683k) - Weaker: slowing but still above pre-pandemic levels
- Corporate Bond Spreads (0.80%) - Steady: spreads are at tightest levels since 2007
- Treasury Yield Curve (+115bp) - Weaker: 2s10s curve has flattened significantly
- Consumer Confidence (127.3) - Stronger: dramatic improvement during the first half of 2021
- Real Final Sales (+0.4%) - Stronger: 3 consecutive quarters of growth, positive y/y

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

Sector Total Returns for the Week Ending 07/09/21

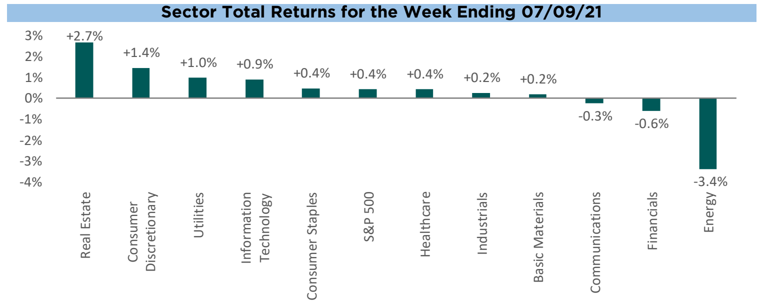
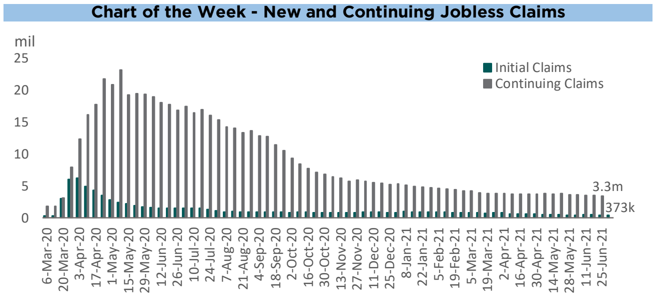


Chart of the Week - New and Continuing Jobless Claims



YTD Sector Total Returns as of 07/09/21