



Wealth Advisors,
Investment Managers

Weekly Market Recap - 07/30/21

Market Commentary

Weekly Recap:

Large cap indices finished lower last week, although performance was quite mixed across sectors. Amazon fell 9% on the week after issuing a revenue forecast that disappointed investors, dragging the consumer discretionary sector to a return of -2.6%. Cyclical like basic materials (+2.8%), energy (+1.7%), and finance (+0.8%) outperformed, as did domestic small and midcap stocks.

International equity markets were dominated by China last week, as a crackdown on the for-profit education sector led to widespread selling of Chinese stocks early in the week. By Tuesday's close, the MSCI China Index was down more than 31% from its February peak, but later rose >5% after Beijing regulators sought to reassure investors that the selloff was overdone.

Bonds rallied as Treasury yields fell despite a modest shift in the Fed's language around asset purchases. 10y yields fell 6bp to 1.22%, just a few basis points above mid-July lows. Investment grade credit spreads were stable while high yield spreads drifted wider, muting the gains in bonds from riskier borrowers.

Bitcoin got a significant boost from news that Amazon had posted a job opening for a director of cryptocurrency strategy, finishing above \$40k for the first time since May's dramatic selloff.

Q2 US GDP growth came in at +6.5% annualized versus consensus of +8.4%. The miss was driven by supply constraints that impacted inventories and net trade. Final demand remained strong as consumer spending rose +11.8% annualized.

Albion's "Four Pillars":

*Economy & Earnings - US GDP growth was +6.3% annualized in Q1 and +6.4% in Q2, with estimates of +7.1% in Q3, and +5.0% in Q4. Meanwhile, EPS for the S&P 500 is forecast to rise to an all-time calendar year record in 2021.

*Equity Valuation - The S&P 500's forward P/E of 21.2x 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-historical 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	4,395	-0.4%	2.4%	18.0%	37.5%	65.8%
Dow Jones Indus. Avg.	34,935	-0.4%	1.3%	15.3%	35.4%	47.7%
NASDAQ	14,673	-1.1%	1.2%	14.3%	39.6%	97.8%
S&P Midcap 400	2,704	1.2%	0.3%	18.0%	46.0%	44.2%
Russell 2000 (Small Cap)	2,226	0.8%	-3.6%	13.3%	50.5%	40.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,321	0.6%	0.8%	10.0%	29.0%	26.2%
MSCI EM (Emerging Mkt Eq)	1,278	-2.5%	-6.7%	0.4%	20.7%	26.7%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.22%	0.6%	2.2%	-2.1%	-4.9%	22.2%
U.S. Bonds (Aggregate)	1.36%	0.2%	1.1%	-0.5%	-0.7%	18.3%
Global Bonds	0.99%	0.6%	1.3%	-1.9%	0.8%	14.9%
U.S. Munis	0.87%	0.0%	0.8%	1.9%	3.4%	16.8%
U.S. Investment Grade Corp	1.93%	0.4%	1.4%	0.1%	1.5%	26.1%
U.S. High Yield Corporates	3.88%	0.1%	0.4%	4.0%	10.8%	23.3%

US Interest Rates	Levels (%)					
	7/30/21	7/23/21	6/30/21	12/31/20	7/30/20	7/31/18
2y Treasuries	0.18	0.20	0.25	0.12	0.12	2.66
10y Treasuries	1.22	1.28	1.47	0.91	0.55	2.97
30y Treasuries	1.89	1.92	2.09	1.64	1.21	3.10
3m LIBOR (USD)	0.12	0.13	0.15	0.24	0.25	2.34
30y Fixed Mortgage	2.80	2.78	3.02	2.67	2.99	4.54
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.00

Commodity Prices	Levels					
	7/30/21	7/23/21	6/30/21	12/31/20	7/30/20	7/31/18
Oil (WTI)	73.95	72.07	73.47	48.52	39.92	70.13
Gasoline	3.17	3.16	3.12	2.25	2.19	2.86
Natural Gas	3.91	4.06	3.65	2.54	1.83	2.80
Gold	1,814	1,802	1,770	1,898	1,957	1,221

Currency Crosses	Levels					
	7/30/21	7/23/21	6/30/21	12/31/20	7/30/20	7/31/18
\$ per £	1.39	1.37	1.38	1.37	1.31	1.31
\$ per €	1.19	1.18	1.19	1.22	1.18	1.17
¥ per \$	109.7	110.6	111.1	103.3	104.7	111.0
\$ per Bitcoin	40,689	32,501	34,585	28,996	11,150	8,146

Macroeconomic Data	Value	Date
Inflation (Core PCE Def)	3.5%	06/30/21
Unemployment (U-3)	5.9%	06/30/21
GDP Growth (Q/Q SAAR)	6.5%	06/30/21
ISM Manufacturing PMI	60.6	06/30/21
Consumer Confidence	128.9	07/30/21

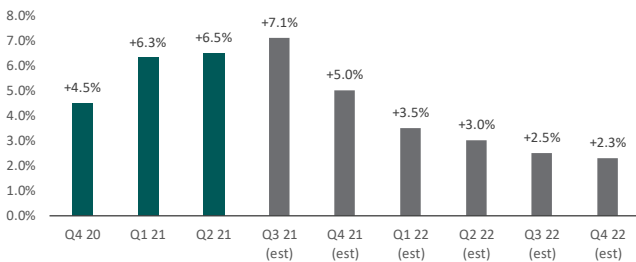
Data Source:
Bloomberg, FactSet

Albion's Dashboard of Key Leading Economic Indicators as of 07/30/21

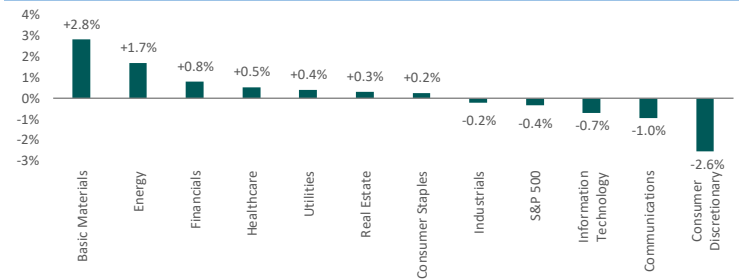
- Initial Jobless Claims 4wma (395k) - Steady: new claims are level at -400k/wk in June/July
- Conference Board LEI (+12.0%) - Stronger: 4 consecutive months of significant improvement
- Building Permits (1,594k) - Weaker: slowing but still above pre-pandemic levels
- Corporate Bond Spreads (0.81%) - Steady: spreads are near multi-decade tight
- Treasury Yield Curve (+104bp) - Weaker: 2s10s curve has flattened significantly
- Consumer Confidence (129.1) - Stronger: dramatic improvement during the first half of 2021
- Real Final Sales (+11.2%) - Stronger: double-digit growth in Q1 and Q2 of 2021

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

Chart of the Week - US GDP Growth (Actual and Estimated)



Sector Total Returns for the Week Ending 07/30/21



YTD Sector Total Returns as of 07/30/21

