



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Last week saw solid gains in the S&P 500 and the Dow, both of which closed at new all-time record highs on Friday. The Nasdaq pulled back slightly, driven in part by some mid-week softness in biotech. Small and midcap stocks were mixed.

Internationally, most developed market equities were stronger, while emerging market equities in aggregate were lower. Chinese stocks rallied early in the week, only to be met by renewed selling pressure on regulatory fears as the week progressed. MSCI's China Index finished the week essentially unchanged.

Bond yields moved higher early in the week before falling abruptly on Friday in the wake of a significant decline in the University of Michigan's consumer sentiment gauge. In the end, 10y and 30y Treasury yields both finished the week 2 basis points lower than where they started. Investment grade credit spreads held firm, while high yield spreads moved wider.

Economic data was plentiful last week:

- * The JOLTS report showed more than 10 million US job openings
- * Headline CPI held steady at +5.4% y/y (+4.3% ex food and energy)
- * PPI rose to +7.8% y/y (+6.2% ex food and energy)
- * Initial jobless claims fell for a 3rd straight week, to 375k
- * U of M Consumer Sentiment fell to 70.2 in August, a new pandemic-era low

Albion's "Four Pillars":

*Economy & Earnings - US GDP growth was +6.3% annualized in Q1 and +6.5% in Q2, with estimates of +6.9% in Q3, and +5.4% in Q4. Meanwhile, EPS for the S&P 500 is forecast to rise to an all-time annual record in 2021.

*Equity Valuation - The S&P 500's forward P/E of 21.1x 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.

Albion's Dashboard of Key Leading Economic Indicators as of 08/13/21

- Initial Jobless Claims 4wma (396k) - Stronger: new claims have fallen for 3 consecutive weeks
- 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 (0.83%) - Steady: spreads are near multi-decade tights
- Treasury Yield Curve (+107bp) - Steady: 2s10s curve stable after flattening in Q2
- Consumer Confidence (129.1) - Mixed: divergence btwn Conf Board (strong) and UoM (weak)
- 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 - University of Michigan Consumer Sentiment



Weekly Market Recap - 08/13/21

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,468	0.8%	1.7%	20.0%	34.5%	67.3%
Dow Jones Indus. Avg.	35,515	0.9%	1.7%	17.3%	29.8%	50.7%
NASDAQ	14,823	-0.1%	1.1%	15.5%	35.2%	95.0%
S&P Midcap 400	2,731	0.6%	1.1%	19.3%	41.7%	44.4%
Russell 2000 (Small Cap)	2,223	-1.1%	-0.1%	13.2%	42.2%	38.0%
MSCI EAFE (Int'l Dev Mkt Eq)	2,379	1.6%	2.6%	12.9%	27.7%	34.5%
MSCI EM (Emerging Mkt Eq)	1,281	-0.8%	0.3%	0.7%	19.4%	32.7%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.28%	0.3%	-0.4%	-2.4%	-3.8%	20.7%
U.S. Bonds (Aggregate)	1.43%	0.1%	-0.3%	-0.8%	-0.3%	17.4%
Global Bonds	1.02%	0.2%	-0.3%	-2.2%	1.1%	15.2%
U.S. Munis	0.94%	-0.2%	-0.3%	1.6%	2.7%	16.3%
U.S. Investment Grade Corp	2.00%	0.2%	-0.5%	-0.4%	1.9%	25.0%
U.S. High Yield Corporates	4.11%	-0.2%	-0.3%	3.6%	9.9%	22.4%

US Interest Rates	Levels (%)					
	8/13/21	8/6/21	7/30/21	12/31/20	8/13/20	8/13/18
2y Treasuries	0.21	0.21	0.18	0.12	0.16	2.61
10y Treasuries	1.28	1.30	1.22	0.91	0.72	2.88
30y Treasuries	1.93	1.95	1.89	1.64	1.43	3.05
3m LIBOR (USD)	0.12	0.13	0.12	0.24	0.28	2.31
30y Fixed Mortgage	2.87	2.77	2.80	2.67	2.96	4.59
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.00

Commodity Prices	Levels					
	8/13/21	8/6/21	7/30/21	12/31/20	8/13/20	8/13/18
Oil (WTI)	68.44	68.28	73.95	48.52	42.24	67.20
Gasoline	3.19	3.19	3.17	2.25	2.18	2.86
Natural Gas	3.86	4.14	3.91	2.54	2.18	2.93
Gold	1,780	1,763	1,814	1,898	1,954	1,194

Currency Crosses	Levels					
	8/13/21	8/6/21	7/30/21	12/31/20	8/13/20	8/13/18
\$ per £	1.39	1.39	1.39	1.37	1.31	1.28
\$ per €	1.18	1.18	1.19	1.22	1.18	1.14
¥ per \$	109.6	110.3	109.7	103.3	106.9	110.7
\$ per Bitcoin	47,610	42,720	40,689	28,996	11,615	6,278

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.0%	08/13/21
Inflation (Core PCE Def)	3.5%	06/30/21
Unemployment (U-3)	5.4%	07/31/21
GDP Growth (Q/Q SAAR)	6.5%	06/30/21
ISM Manufacturing PMI	59.5	07/31/21
Consumer Confidence	129.1	07/31/21

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 08/13/21



YTD Sector Total Returns as of 08/13/21

