



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Mid-September is often a period of heightened volatility thanks to the expiration of many options and futures contracts, and this year is no exception. After a very strong first 8 months of 2021 that saw the S&P 500 up more than 20% YTD, normal seasonality has resulted in a modest pullback so far this month.

Despite last week's softer market tone, incoming economic data was mostly positive. Inflation data was better than feared, with core CPI increasing just 0.1% sequentially in August, and falling to +4.0% y/y. Import prices echoed this trend, showing a small sequential decline in August. The Empire Manufacturing Survey and Philly Fed Business Outlook were both stronger than expected. And finally, retail sales exceeded expectations, rising in August after falling slightly in July.

Apple held its virtual fall product event, with CEO Tim Cook presenting the iPhone 13 and Watch 7. Both devices feature incremental improvements relative to previous models. Apple chose to keep its iPhone price tiers unchanged, despite rumors of input cost pressures coming from some component suppliers.

Most US equity benchmarks finished lower for a 2nd consecutive week, with no clear pattern across sectors and market caps. International benchmarks were pulled lower by the renewed selloff in Chinese equities.

Treasuries fluctuated on the back of moderating inflation data. 10y yields finished the week 2bp higher, while 30y yields closed 3bp lower. Credit spreads compressed slightly, taking their cues from incoming economic data.

Albion's "Four Pillars":

***Economy & Earnings** - US GDP growth was +6.3% annualized in Q1 and +6.6% in Q2, with estimates of +5.0% in Q3, and +5.3% 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 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-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 corporate borrowing costs.

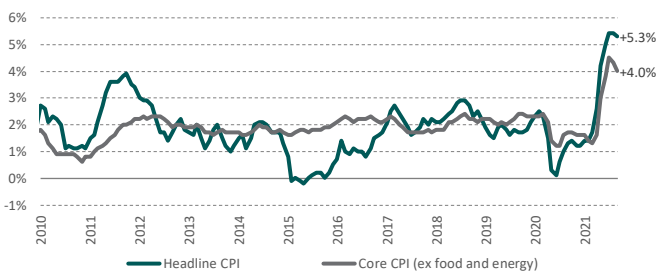
***Inflation** - Inflation is currently high on a y/y basis as the economy laps the early months of the pandemic, but most of the drivers appear transitory. The Fed has communicated greater tolerance for short periods of above-target inflation, but longer-term inflation expectations remain well anchored.

Albion's Dashboard of Key Leading Economic Indicators as of 09/17/21

- Initial Jobless Claims 4wma (336k) - Stronger: weekly claims are gradually declining
- Conference Board LEI (+10.6%) - Stronger: 5 consecutive months of significant improvement
- Building Permits (1,630k) - Steady: slowing but still above pre-pandemic levels
- Corporate Bond Spreads (0.81%) - Steady: IG spreads are still near multi-decade tights
- Treasury Yield Curve (+114bp) - Steady: 2s10s curve stable after flattening in Q2
- Consumer Confidence (113.8) - Weaker: significant pullback in August
- Real Final Sales (+11.3%) - Stronger: double-digit growth in Q1 and Q2 of 2021

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

Chart of the Week - Headline and Core CPI (y/y change)



Weekly Market Recap - 09/17/21

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,433	-0.5%	-1.9%	19.3%	34.0%	62.0%
Dow Jones Indus. Avg.	34,585	0.0%	-2.1%	14.6%	26.3%	41.9%
NASDAQ	15,044	-0.5%	-1.4%	17.3%	38.8%	95.9%
S&P Midcap 400	2,678	-0.3%	-2.6%	17.1%	43.7%	38.4%
Russell 2000 (Small Cap)	2,237	0.5%	-1.6%	14.0%	46.5%	36.5%
MSCI EAFE (Int'l Dev Mkt Eq)	2,348	-1.4%	-0.2%	11.7%	26.2%	32.2%
MSCI EM (Emerging Mkt Eq)	1,279	-2.2%	-2.1%	0.9%	18.3%	36.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.36%	-0.3%	-0.6%	-3.0%	-4.8%	20.9%
U.S. Bonds (Aggregate)	1.47%	0.0%	-0.1%	-0.8%	-0.3%	17.8%
Global Bonds	1.09%	-0.5%	-0.5%	-2.8%	-0.1%	14.1%
U.S. Munis	0.98%	0.0%	0.0%	1.5%	3.3%	16.6%
U.S. Investment Grade Corp	2.02%	0.1%	0.1%	-0.1%	2.2%	25.5%
U.S. High Yield Corporates	3.76%	0.1%	0.4%	5.0%	10.8%	23.0%

US Interest Rates	Levels (%)					
	9/17/21	9/10/21	8/31/21	12/31/20	9/17/20	9/17/18
2y Treasuries	0.22	0.21	0.21	0.12	0.14	2.78
10y Treasuries	1.36	1.34	1.31	0.91	0.69	2.99
30y Treasuries	1.90	1.93	1.93	1.64	1.44	3.13
3m LIBOR (USD)	0.12	0.12	0.12	0.24	0.23	2.34
30y Fixed Mortgage	2.86	2.88	2.87	2.67	2.87	4.60
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.00

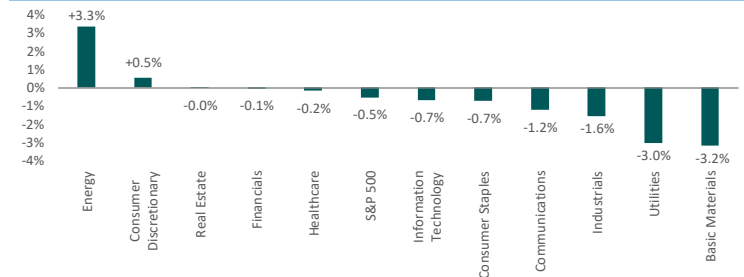
Commodity Prices	Levels					
	9/17/21	9/10/21	8/31/21	12/31/20	9/17/20	9/17/18
Oil (WTI)	71.97	69.72	68.50	48.52	40.97	68.91
Gasoline	3.19	3.18	3.17	2.25	2.18	2.85
Natural Gas	5.11	4.94	4.38	2.54	2.04	2.81
Gold	1,754	1,788	1,814	1,898	1,944	1,201

Currency Crosses	Levels					
	9/17/21	9/10/21	8/31/21	12/31/20	9/17/20	9/17/18
\$ per £	1.37	1.38	1.38	1.37	1.30	1.32
\$ per €	1.17	1.18	1.18	1.22	1.18	1.17
¥ per \$	109.9	109.9	110.0	103.3	104.7	111.9
\$ per Bitcoin	47,995	45,078	47,009	28,996	10,937	6,216

Macroeconomic Data	Value	Date
Inflation (Core PCE Def)	3.6%	07/31/21
Unemployment (U-3)	5.2%	08/31/21
GDP Growth (Q/Q SAAR)	6.6%	06/30/21
ISM Manufacturing PMI	59.9	08/31/21
Consumer Confidence	113.8	08/31/21

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 09/17/21



YTD Sector Total Returns as of 09/17/21

