

Market Commentary

Weekly Recap:

Most US equity indices finished the week slightly lower, due in large part to a higher-than-expected consumer price inflation (CPI) print for the month of October. Core inflation (ex food and energy) rose to 4.6% y/y, while headline inflation exceeded 6% for the first time since 1990. See the Chart of the Week for a time series of headline and core CPI.

Sector performance was mixed: basic materials (+2.6%) significantly outperformed, and four other sectors (healthcare, industrials, financials, and tech) finished with positive returns on the week. Other sectors finished lower on the week, with energy (-1.3%) and consumer discretionary (-3.2%) trailing by the widest margin. International stocks were mixed, with MSCI's developed market index easing lower while its emerging markets index posted solid gains due to strength in Chinese equities.

Bond yields moved higher in the wake of the inflation print, particularly in the front end and belly of the curve: 2y and 10y yields both rose 11bp on the week, while 30y yields were up a more modest 4bp. Credit spreads were mostly stable, passing the price declines in Treasuries through to higher quality corporate bonds.

Commodity markets were mixed last week. Energy prices eased lower, while prices rose on many other commodities, including wheat, corn, copper, and gold.

Albion's "Four Pillars":

***Economy & Earnings** - US GDP growth slowed to +2.0% annualized in Q3 as supply constraints and a surge in covid-19 case counts impacted economic activity. Despite the slower growth, EPS for the S&P 500 is still expected 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.

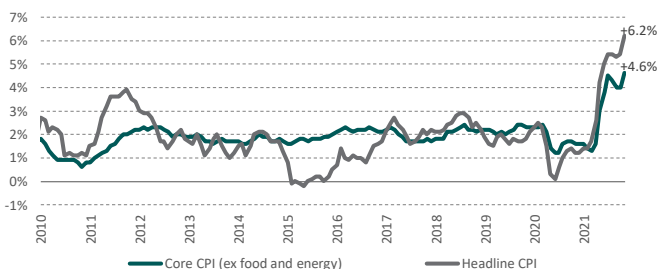
***Inflation** - Inflation is currently high on a y/y basis as the economy laps the early months of the pandemic, but most of the drivers appear transitory. The Fed has communicated greater tolerance for short periods of above-target inflation, but longer-term inflation expectations remain well anchored.

Albion's Dashboard of Key Leading Economic Indicators as of 11/12/21

- Initial Jobless Claims 4wma (278k) - Stronger: weekly claims are at pandemic lows
- Conference Board LEI (+9.3%) - Stronger: 7 consecutive months of sequential improvement
- Building Permits (1,586k) - Steady: housing activity equal to pre-pandemic peak levels
- Corporate Bond Spreads (0.83%) - Steady: IG spreads remain near multi-decade tight
- Treasury Yield Curve (+105bp) - Steady: 2s10s curve stable after flattening in Q2
- Consumer Confidence (113.8) - Steady: stabilized in October as case counts declined
- Real Final Sales (+5.1%) - Weaker: pullback in Q3 on supply constraints and covid-19 surge

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

Chart of the Week - Consumer Price Inflation (y/y change)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,683	-0.3%	1.7%	26.2%	34.3%	81.2%
Dow Jones Indus. Avg.	36,100	-0.6%	0.9%	19.8%	26.5%	51.9%
NASDAQ	15,861	-0.7%	2.4%	23.7%	36.4%	126.3%
S&P Midcap 400	2,902	-0.1%	3.9%	27.1%	42.0%	64.3%
Russell 2000 (Small Cap)	2,412	-1.0%	5.0%	23.1%	42.6%	65.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,364	-0.3%	1.3%	12.9%	21.4%	42.2%
MSCI EM (Emerging Mkt Eq)	1,285	1.7%	1.7%	11.3%	11.3%	43.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	1.56%	-0.9%	0.1%	-4.4%	-4.6%	20.6%
U.S. Bonds (Aggregate)	1.71%	-0.8%	-0.1%	-1.7%	-0.9%	17.7%
Global Bonds	1.27%	-0.8%	-0.1%	-4.4%	-2.0%	14.5%
U.S. Munis	1.13%	0.2%	0.6%	1.1%	2.7%	17.2%
U.S. Investment Grade Corp	2.26%	-1.0%	-0.1%	-1.1%	0.9%	25.8%
U.S. High Yield Corporates	4.23%	-0.3%	0.4%	4.7%	8.1%	24.0%

US Interest Rates	Levels (%)					
	11/12/21	11/5/21	10/29/21	12/31/20	11/12/20	11/12/18
2y Treasuries	0.51	0.40	0.50	0.12	0.18	2.92
10y Treasuries	1.56	1.45	1.55	0.91	0.88	3.18
30y Treasuries	1.93	1.89	1.93	1.64	1.64	3.38
3m LIBOR (USD)	0.16	0.14	0.13	0.24	0.22	2.61
30y Fixed Mortgage	2.98	3.09	3.14	2.67	2.84	4.94
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.25

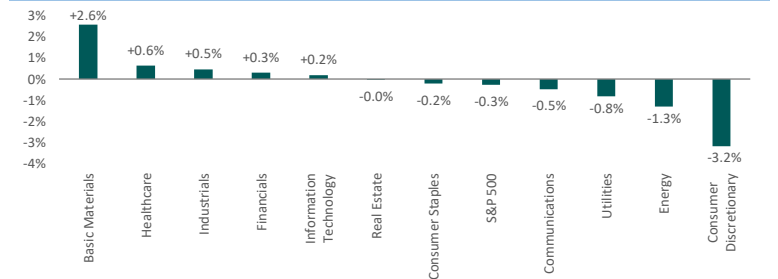
Commodity Prices	Levels					
	11/12/21	11/5/21	10/29/21	12/31/20	11/12/20	11/12/18
Oil (WTI)	80.79	81.27	83.57	48.52	41.12	59.93
Gasoline	3.42	3.42	3.40	2.25	2.13	2.69
Natural Gas	4.79	5.52	5.43	2.54	2.98	3.79
Gold	1,865	1,818	1,783	1,898	1,877	1,200

Currency Crosses	Levels					
	11/12/21	11/5/21	10/29/21	12/31/20	11/12/20	11/12/18
\$ per £	1.34	1.35	1.37	1.37	1.31	1.28
\$ per €	1.14	1.16	1.16	1.22	1.18	1.12
¥ per \$	113.9	113.4	114.0	103.3	105.1	113.8
\$ per Bitcoin	64,101	60,976	62,396	28,996	16,160	6,310

Macroeconomic Data	Value	Date
Inflation (Core PCE Def)	3.6%	09/30/21
Unemployment (U-3)	4.6%	10/31/21
GDP Growth (Q/Q SAAR)	2.0%	09/30/21
ISM Manufacturing PMI	60.8	10/31/21
Consumer Confidence	113.8	10/31/21

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 11/12/21



YTD Sector Total Returns as of 11/12/21

