



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Stocks staged a strong rebound last week that was only briefly interrupted (for about an hour) by the start of the Fed's rate hiking cycle. Most US benchmarks were up at least 5%, while an even sharper rally in growth stocks pushed the Nasdaq higher by more than 8%. Only the energy sector failed to deliver positive returns. International stocks also finished higher, with Chinese equities staging a dramatic reversal after authorities pledged to support a rapidly falling market.

Treasury yields moved higher leading up to the FOMC's well-telegraphed Fed Funds rate decision. By week's end, futures markets were pricing in a total of seven additional 25bp hikes by the end of the year, implying a Fed Funds target rate floor of 2.0%. Meanwhile, credit spreads moved tighter as equities rallied, driving small price gains in corporate bonds despite the move higher in rates.

Commodity prices finished lower for the second straight week on volatile day-by-day moves. Oil fell nearly \$15/barrel through Wednesday's close before rebounding sharply later in the week on renewed fears of tight supplies. Non-energy commodities followed a similar pattern.

Economic data continued to point to a strong economy and high inflation last week. Residential housing starts and new building permits were very strong, unemployment claims remained low, and the Conference Board's Leading Economic Index (LEI) gained 0.3% in February despite the invasion. Meanwhile, various indicators of inflation remained in the double digits on a y/y basis, including PPI (+10.0%), import prices (+10.9%), and export prices (+16.6%).

Albion's "Four Pillars":

*Economy & Earnings - US GDP growth was +5.7% in 2021 while EPS for the S&P 500 rose to an all-time record on robust corporate operating margins. Consensus estimates for 2022 US GDP stand at +3.5% as the pace of growth normalizes.

*Equity Valuation - The S&P 500's forward P/E of 19x 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 lower-than-historical yields on bonds and cash.

*Interest Rates - Rates remain low by historical standards but have risen across the curve in early 2022 as the market prices in a number of Fed Funds rate hikes. Fed Fund Futures markets are currently pricing in a total of eight 25bp rate hikes in 2022, with an implied Fed Funds target rate (floor) of 2.0% by year end.

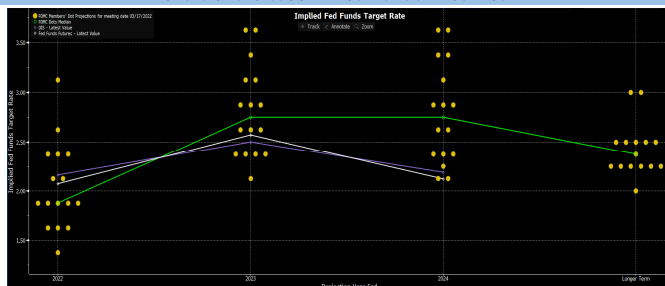
*Inflation - Inflation is currently high on a y/y basis as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed is prepared to raise overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 03/18/22

- Initial Jobless Claims 4wma (223k) - Steady: claims have normalized close to pre-pandemic levels
- Conference Board LEI (+7.6%) - Steady: modest rebound in February after declining in January
- Building Permits (1,859k) - Stronger: housing activity is now above pre-pandemic levels
- Corporate Bond Spreads (1.19%) - Weaker: IG spreads wider as equities have moved lower
- Treasury Yield Curve (+21bp) - Weaker: 2s10s curve has flattened on hawkish Fed pivot
- Consumer Confidence (110.5) - Weaker: declining in early 2022 on inflation, omicron, and war
- Real Final Sales (+4.7%) - Steady: rebounded in Q4 after a sharp pullback in Q3

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

Chart of the Week - Fed Funds "Dot Plot"



Weekly Market Recap - 03/18/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,463	6.2%	2.1%	-6.1%	15.6%	65.8%
Dow Jones Indus. Avg.	34,755	5.5%	2.7%	-3.9%	7.7%	43.1%
NASDAQ	13,894	8.2%	1.1%	-11.1%	6.6%	84.7%
S&P Midcap 400	2,706	5.3%	1.8%	-4.5%	4.9%	48.4%
Russell 2000 (Small Cap)	2,086	5.4%	2.0%	-6.9%	-7.0%	38.5%
MSCI EAFE (Int'l Dev Mkt Eq)	2,157	5.6%	-0.8%	-7.2%	-1.3%	24.0%
MSCI EM (Emerging Mkt Eq)	1,123	3.5%	-3.9%	-8.6%	-14.6%	13.7%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.15%	-1.4%	-2.8%	-5.5%	-2.1%	8.3%
U.S. Bonds (Aggregate)	2.72%	-0.4%	-2.0%	-5.2%	-3.1%	7.3%
Global Bonds	1.99%	-0.3%	-2.4%	-5.5%	-6.3%	3.5%
U.S. Munis	2.27%	-0.5%	-1.9%	-4.9%	-2.7%	7.3%
U.S. Investment Grade Corp	3.50%	0.6%	-2.3%	-7.4%	-3.1%	11.4%
U.S. High Yield Corporates	6.13%	0.5%	-1.4%	-5.1%	0.0%	14.7%

US Interest Rates	Levels (%)					
	3/18/22	3/11/22	2/28/22	12/31/21	3/18/21	3/18/19
2y Treasuries	1.94	1.75	1.43	0.73	0.15	2.45
10y Treasuries	2.15	1.99	1.83	1.51	1.71	2.60
30y Treasuries	2.42	2.35	2.16	1.90	2.45	3.02
SOFR (USD)	0.05	0.05	0.05	0.05	0.01	2.41
30y Fixed Mortgage	4.16	3.85	3.89	3.11	3.09	4.31
Prime Rate	3.50	3.25	3.25	3.25	3.25	5.50

Commodity Prices	Levels					
	3/18/22	3/11/22	2/28/22	12/31/21	3/18/21	3/18/19
Oil (WTI)	104.70	109.33	95.72	75.21	60.00	59.09
Gasoline	4.26	4.33	3.62	3.29	2.89	2.56
Natural Gas	4.86	4.73	4.40	3.73	2.48	2.85
Gold	1,922	1,988	1,909	1,829	1,736	1,304

Currency Crosses	Levels					
	3/18/22	3/11/22	2/28/22	12/31/21	3/18/21	3/18/19
\$ per €	1.32	1.30	1.34	1.35	1.39	1.33
\$ per ¥	1.11	1.09	1.12	1.14	1.19	1.13
¥ per \$	119.2	117.3	115.0	115.1	108.9	111.4
¥ per Bitcoin	41,756	38,861	41,655	46,334	57,502	3,971

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.3%	03/18/22
Inflation (Core PCE Def)	5.2%	01/31/22
Unemployment (U-3)	3.8%	02/28/22
GDP Growth (Q/Q SAAR)	7.0%	12/31/21
ISM Manufacturing PMI	58.6	02/28/22
Consumer Confidence	110.5	02/28/22

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 03/18/22



YTD Sector Total Returns as of 03/18/22

