



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Stocks finished higher for the second straight week despite surging bond yields. The energy sector led the way with a 7.4% return on the back of a sharp rebound in oil prices, while all other sectors besides healthcare posted positive returns on the week. Small caps lagged the rally and finished slightly lower. International stocks posted smaller gains than the US, with Chinese equities temporarily range-bound after a dramatic reversal the week before.

Treasury yields rose significantly last week, particularly in the front end as increasingly bearish rates forecasts were published by sell side economists. A note from Citi on Friday predicted that the Fed would enact four consecutive 50bp hikes this year, and that the terminal Fed Funds rate would reach 3.5-3.75%, well above the -2.8% rate currently implied by the Fed's "dot plot". Meanwhile, credit spreads narrowed for the second straight week, in line with the improvement in equities.

Oil prices rose by more than \$9/barrel as an Iran nuclear deal looked increasingly unlikely in the near term, and Yemeni rebels stepped up attacks on Saudi Arabian Aramco facilities. Non-energy commodities also finished higher on the week.

In economic news, mortgage applications and new home sales fell as mortgage rates rose, weekly jobless claims hit fresh pandemic lows, durable goods orders fell more than expected in February, and S&P's US Manufacturing and Services PMIs exceeded expectations in preliminary March data. Overall, incoming data point to a still-strong economy with a resilient consumer, despite signs that rates are beginning to have an impact on the pace of transaction activity in housing.

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 19.5x 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 nine 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 2.25% by year end.

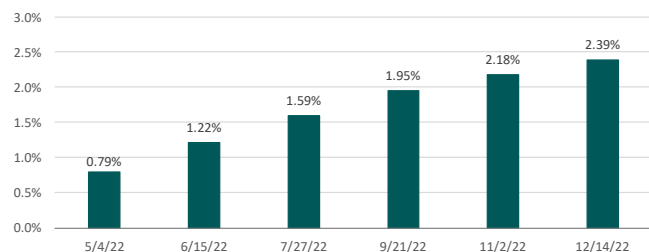
*Inflation - Inflation is currently high on a y/y basis as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 03/25/22

- Initial Jobless Claims (212k) - 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 (1,865k) - Stronger: housing activity is now above pre-pandemic levels
- Corporate Bond Spreads (113%) - Stronger: IG spreads have tightened post-FOMC
- Treasury Yield Curve (+20bp) - 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: Market-Implied Fed Funds Rate by Meeting



Weekly Market Recap - 03/25/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,543	1.8%	4.0%	-4.3%	17.9%	70.8%
Dow Jones Indus. Avg.	34,861	0.3%	3.0%	-3.6%	8.9%	45.7%
NASDAQ	14,169	2.0%	3.1%	-9.3%	9.9%	90.3%
S&P Midcap 400	2,712	0.2%	2.0%	-4.3%	7.0%	52.8%
Russell 2000 (Small Cap)	2,078	-0.4%	1.6%	-7.2%	-3.8%	42.6%
MSCI EAFE (Int'l Dev Mkt Eq)	2,160	0.2%	-0.5%	-7.0%	1.2%	26.4%
MSCI EM (Emerging Mkt Eq)	1,125	0.2%	-3.7%	-8.3%	-10.5%	16.2%
MSCI World	3,049	1.3%	2.5%	-5.3%	11.4%	53.4%
S&P Global 1200	3,359	1.3%	2.5%	-4.9%	11.3%	54.3%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.47%	-2.9%	-5.6%	-8.2%	-5.8%	3.5%
U.S. Bonds (Aggregate)	3.04%	-1.8%	-3.8%	-6.9%	-5.4%	4.2%
Global Bonds	2.21%	-1.6%	-4.0%	-7.1%	-7.8%	0.8%
U.S. Munis	2.57%	-1.4%	-3.2%	-6.2%	-4.4%	5.0%
U.S. Investment Grade Corp	3.76%	-1.7%	-3.9%	-9.0%	-5.5%	8.0%
U.S. High Yield Corporates	6.23%	-0.6%	-2.0%	-5.7%	-1.2%	13.9%

US Interest Rates	Levels (%)					
	3/25/22	3/18/22	2/28/22	12/31/21	3/25/21	3/25/19
2y Treasuries	2.27	1.94	1.43	0.73	0.14	2.24
10y Treasuries	2.47	2.15	1.83	1.51	1.63	2.40
30y Treasuries	2.58	2.42	2.16	1.90	2.36	2.86
Fed Funds (Effective Rate)	0.33	0.33	0.08	0.07	0.07	2.40
SOFR (USD)	0.27	0.30	0.05	0.05	0.01	2.40
30y Fixed Mortgage	4.42	4.16	3.89	3.11	3.17	4.28

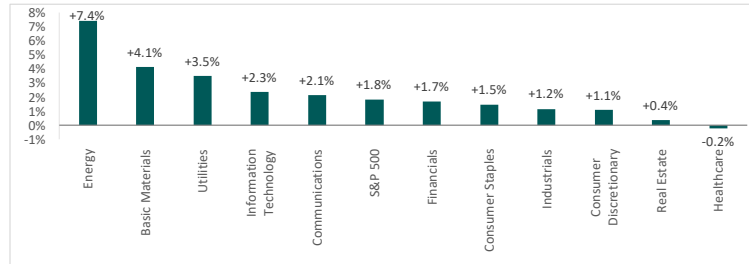
Commodity Prices	Levels					
	3/25/22	3/18/22	2/28/22	12/31/21	3/25/21	3/25/19
Oil (WTI)	113.90	104.70	95.72	75.21	58.56	58.82
Gasoline	4.24	4.26	3.62	3.29	2.87	2.65
Natural Gas	5.57	4.86	4.40	3.73	2.57	2.76
Gold	1,958	1,922	1,909	1,829	1,727	1,322

Currency Crosses	Levels					
	3/25/22	3/18/22	2/28/22	12/31/21	3/25/21	3/25/19
\$ per €	1.32	1.32	1.34	1.35	1.37	1.32
\$ per £	1.10	1.11	1.12	1.14	1.18	1.13
¥ per \$	122.1	119.2	115.0	115.1	109.2	110.0
\$ per Bitcoin	44,578	41,756	41,655	46,334	52,001	3,888

Macroeconomic Data	Value	Date
	0.25%	03/25/22
Fed Funds Target (Floor)	5.2%	01/31/22
Inflation (Core PCE Def)	3.8%	02/28/22
Unemployment (U-3)	7.0%	12/31/21
GDP Growth (Q/Q SAAR)	58.6	02/28/22
ISM Manufacturing PMI	110.5	02/28/22
Consumer Confidence		

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 03/25/22



YTD Sector Total Returns as of 03/25/22

