



**ALBION
FINANCIAL
GROUP**

Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

It was another tough week for stocks as bond yields continued to rise. Growth stocks bore the brunt of the selling pressure, sending the Nasdaq down 2.6% in a holiday-shortened week. Cyclical sectors fared better thanks to solid economic data, with materials (+0.7%), industrials (+0.4%), and energy (+0.3%) all finishing in positive territory. Small caps also finished slightly higher.

Meanwhile, the Treasury yield curve steepened considerably, with 2s10s gaining 19bp to finish at +38bp after having been inverted just two weeks prior. Credit spreads widened slightly, magnifying the price declines in high quality corporates and sending the Bloomberg US Corporate Index to its lowest level of the year.

The short week also saw a surge in energy prices. Oil gained more than \$8/barrel, while natural gas rocketed higher to finish at \$7.30/MMBtu, an all-time record high.

There were several positive data points regarding the economy last week. March retail sales were solid despite very high gasoline prices, industrial production rose more than expected, the Empire Manufacturing Survey came in well ahead of expectations, jobless claims remained low, and the University of Michigan Consumer Sentiment index experienced a strong rebound.

Finally, core CPI cooled slightly in March data, but other inflation metrics remain hot:

- * Headline CPI was +1.2% m/m and reached +8.5% y/y
- * Core CPI (ex food & energy) was +0.3% m/m and reached +6.5% y/y
- * Headline PPI was +1.4% m/m and reached +11.2% y/y
- * Core PPI (ex food & energy) was +1.0% m/m and reached +9.2% y/y

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 +3.2% 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 9 or 10 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 2.50% by year end.

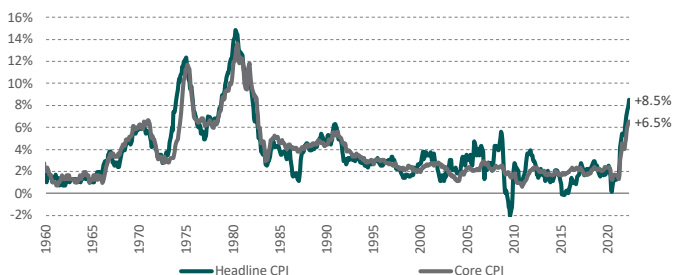
*Inflation - Inflation is currently high on a y/y basis as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 04/14/22

- Initial Jobless Claims (172k) - 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 (1.13%) - Steady: IG spreads have tightened post-FOMC
- Treasury Yield Curve (+37bp) - Stronger: 2s10s curve has re-steepened after briefly inverting
- Consumer Confidence (107.2) - Weaker: declining in early 2022 on inflation, omicron, and war
- Real Final Sales (+4.6%) - Steady: rebounded in Q4 after a sharp pullback in Q3

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

Chart of the Week - US Headline and Core CPI



Weekly Market Recap - 04/14/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,393	-2.1%	-3.0%	-7.5%	8.0%	58.9%
Dow Jones Indus. Avg.	34,451	-0.8%	-0.6%	-4.7%	4.1%	39.1%
NASDAQ	13,351	-2.6%	-6.1%	-14.5%	-3.0%	71.5%
S&P Midcap 400	2,629	0.5%	-2.4%	-7.1%	-0.6%	40.0%
Russell 2000 (Small Cap)	2,005	0.5%	-3.1%	-10.4%	-9.8%	31.3%
MSCI EAFE (Int'l Dev Mkt Eq)	2,119	-0.9%	-2.7%	-8.4%	-4.0%	20.7%
MSCI EM (Emerging Mkt Eq)	1,117	-0.8%	-2.0%	-8.8%	-14.2%	11.1%
MSCI World	2,960	-1.7%	-3.0%	-8.0%	3.1%	43.8%
S&P Global 1200	3,262	-1.6%	-2.8%	-7.3%	3.2%	44.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.83%	-0.8%	-4.1%	-10.7%	-8.3%	1.8%
U.S. Bonds (Aggregate)	3.28%	-0.7%	-2.8%	-8.5%	-7.4%	2.7%
Global Bonds	2.40%	-0.9%	-3.2%	-9.2%	-10.4%	-0.9%
U.S. Munis	2.89%	-0.5%	-1.4%	-7.5%	-6.5%	3.5%
U.S. Investment Grade Corp	4.02%	-1.3%	-3.7%	-11.1%	-8.7%	5.3%
U.S. High Yield Corporates	6.50%	-0.3%	-1.8%	-6.6%	-3.1%	11.1%

US Interest Rates	Levels (%)					
	4/14/22	4/8/22	3/31/22	12/31/21	4/14/21	4/12/19
2y Treasuries	2.45	2.51	2.33	0.73	0.16	2.39
10y Treasuries	2.83	2.70	2.34	1.51	1.63	2.57
30y Treasuries	2.91	2.72	2.45	1.90	2.31	2.98
Fed Funds (Effective Rate)	0.33	0.33	0.33	0.07	0.07	2.41
SOFR (USD)	0.27	0.30	0.29	0.05	0.01	2.44
30y Fixed Mortgage	5.00	4.72	4.67	3.11	3.13	4.12

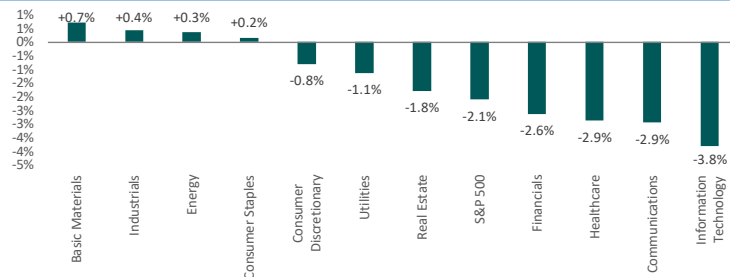
Commodity Prices	Levels					
	4/14/22	4/8/22	3/31/22	12/31/21	4/14/21	4/12/19
Oil (WTI)	106.95	98.26	100.28	75.21	63.15	63.89
Gasoline	4.07	4.12	4.22	3.29	2.86	2.82
Natural Gas	7.30	6.28	5.64	3.73	2.62	2.66
Gold	1,974	1,948	1,937	1,829	1,736	1,290

Currency Crosses	Levels					
	4/14/22	4/8/22	3/31/22	12/31/21	4/14/21	4/12/19
\$ per £	1.31	1.30	1.31	1.35	1.38	1.31
\$ per €	1.08	1.09	1.11	1.14	1.20	1.13
¥ per \$	125.9	124.3	121.7	115.1	108.9	112.0
\$ per Bitcoin	39,916	42,816	45,768	46,334	62,384	5,043

Macroeconomic Data	Value	Date
	0.25%	04/14/22
Fed Funds Target (Floor)	5.4%	02/28/22
Inflation (Core PCE Def)	3.6%	03/31/22
Unemployment (U-3)	6.9%	12/31/21
GDP Growth (Q/Q SAAR)	57.1	03/31/22
ISM Manufacturing PMI	107.2	03/31/22
Consumer Confidence		

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 04/14/22



YTD Sector Total Returns as of 04/14/22

