



Wealth Advisors,  
Investment Managers

## Market Commentary

### Weekly Recap:

A rotation trade played out last week, with defensives rallying, tech steady, and cyclical lower as the yield curve pivoted into an inversion. Small caps outperformed, as did most international benchmarks on gains in Europe and China.

Treasuries were in focus as the 2s10s yield curve saw the culmination of a 12-month flattening trend that ended with an inversion on Friday. Coming into the week 2s10s was positively sloped at +20bp, but it flattened by 28bp in 5 days to finish at -8bp (10y = 2.38% and 2y = 2.46%). An inverted yield curve has historically been a very reliable recession predictor, albeit one with a very long lead time (6m to 2y).

Credit spreads continued to tighten, helping US corporates recoup some of the YTD underperformance relative to Treasuries. IG spreads finished 5bp tighter and are now 28bp inside the YTD wides reached just prior to the March FOMC meeting, while high yield spreads have moved -90bp tighter over the same period.

Most commodity prices fell last week as US crude benchmark West Texas Intermediate closed below \$100/barrel for the first time in nearly 3 weeks. Natural gas bucked the trend and finished higher as officials continue to paint a dire picture of what would happen to the European economy without Russian gas imports.

Finally, there was a raft of economic news last week:

- \* 431k new nonfarm payrolls added and an unemployment rate of 3.6%
- \* Case-Shiller's 20-city composite showed home price appreciation of 19.1% y/y
- \* The Conference Board's Consumer Confidence Index was steady in March at 107.2
- \* Personal income grew at +0.5% in February, while personal spending was +0.2%

### 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.

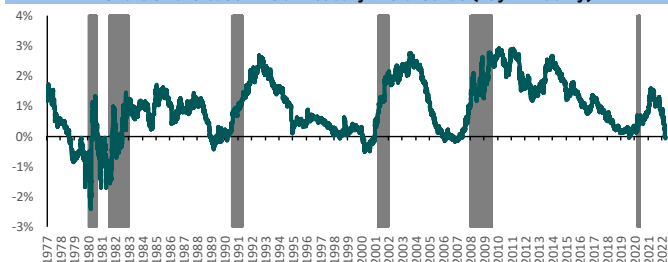
\*Inflation - Inflation is currently high on a y/y basis as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

### Albion's Dashboard of Key Leading Economic Indicators as of 04/01/22

- Initial Jobless Claims (209k) - 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 (1.08%) - Stronger: IG spreads have tightened post-FOMC
- Treasury Yield Curve (-7bp) - Weaker: 2s10s curve has flattened on hawkish Fed pivot
- 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 Treasury Yield Curve (10y minus 2y)



## Weekly Market Recap - 04/01/22

### Market Data

| Equity Indices               | Close  | Index Total Returns (%) |       |       |        |         |
|------------------------------|--------|-------------------------|-------|-------|--------|---------|
|                              |        | 1 Week                  | MTD   | YTD   | 1 Year | 3y Cum. |
| S&P 500                      | 4,530  | 0.1%                    | 0.3%  | -4.3% | 14.7%  | 66.8%   |
| Dow Jones Indus. Avg.        | 34,678 | -0.1%                   | 0.4%  | -3.7% | 7.0%   | 41.4%   |
| NASDAQ                       | 14,221 | 0.7%                    | 0.3%  | -8.7% | 6.5%   | 86.8%   |
| S&P Midcap 400               | 2,710  | 0.0%                    | 0.6%  | -4.3% | 3.7%   | 47.5%   |
| Russell 2000 (Small Cap)     | 2,091  | 0.7%                    | 1.0%  | -6.6% | -6.2%  | 39.5%   |
| MSCI EAFE (Int'l Dev Mkt Eq) | 2,171  | 0.8%                    | -0.5% | -6.2% | 0.6%   | 25.0%   |
| MSCI EM (Emerging Mkt Eq)    | 1,146  | 1.9%                    | 0.4%  | -6.6% | -12.0% | 15.9%   |
| MSCI World                   | 3,053  | 0.3%                    | 0.1%  | -5.0% | 9.2%   | 50.5%   |
| S&P Global 1200              | 3,362  | 0.4%                    | 0.2%  | -4.5% | 8.9%   | 51.5%   |

| Fixed Income               | Yield | Index Total Returns (%) |       |       |        |         |
|----------------------------|-------|-------------------------|-------|-------|--------|---------|
|                            |       | 1 Week                  | MTD   | YTD   | 1 Year | 3y Cum. |
| 10y U.S. Treasuries        | 2.38% | 0.9%                    | -0.6% | -7.4% | -4.6%  | 5.1%    |
| U.S. Bonds (Aggregate)     | 3.00% | 0.8%                    | -0.3% | -6.2% | -4.7%  | 5.3%    |
| Global Bonds               | 2.15% | 0.4%                    | -0.6% | -6.7% | -7.1%  | 1.8%    |
| U.S. Munis                 | 2.60% | 0.0%                    | 0.0%  | -6.2% | -4.5%  | 4.9%    |
| U.S. Investment Grade Corp | 3.66% | 1.4%                    | -0.1% | -7.8% | -4.9%  | 9.7%    |
| U.S. High Yield Corporates | 6.07% | 0.7%                    | -0.2% | -5.0% | -1.0%  | 14.0%   |

| US Interest Rates          | Levels (%) |         |         |          |        |        |
|----------------------------|------------|---------|---------|----------|--------|--------|
|                            | 4/1/22     | 3/25/22 | 3/31/22 | 12/31/21 | 4/1/21 | 4/1/19 |
| 2y Treasuries              | 2.46       | 2.27    | 2.33    | 0.73     | 0.16   | 2.33   |
| 10y Treasuries             | 2.38       | 2.47    | 2.34    | 1.51     | 1.67   | 2.50   |
| 30y Treasuries             | 2.43       | 2.58    | 2.45    | 1.90     | 2.33   | 2.89   |
| Fed Funds (Effective Rate) | 0.33       | 0.33    | 0.33    | 0.07     | 0.07   | 2.41   |
| SOFR (USD)                 | 0.27       | 0.28    | 0.29    | 0.05     | 0.01   | 2.46   |
| 30y Fixed Mortgage         | 4.67       | 4.42    | 4.67    | 3.11     | 3.18   | 4.06   |

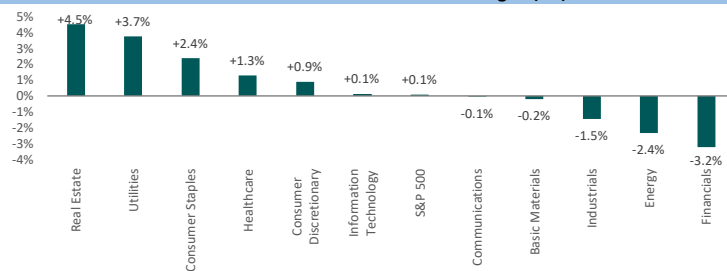
| Commodity Prices | Levels |         |         |          |        |        |
|------------------|--------|---------|---------|----------|--------|--------|
|                  | 4/1/22 | 3/25/22 | 3/31/22 | 12/31/21 | 4/1/21 | 4/1/19 |
| Oil (WTI)        | 99.27  | 113.90  | 100.28  | 75.21    | 61.45  | 61.59  |
| Gasoline         | 4.20   | 4.24    | 4.22    | 3.29     | 2.87   | 2.70   |
| Natural Gas      | 5.72   | 5.57    | 5.64    | 3.73     | 2.64   | 2.71   |
| Gold             | 1,926  | 1,958   | 1,937   | 1,829    | 1,729  | 1,288  |

| Currency Crosses | Levels |         |         |          |        |        |
|------------------|--------|---------|---------|----------|--------|--------|
|                  | 4/1/22 | 3/25/22 | 3/31/22 | 12/31/21 | 4/1/21 | 4/1/19 |
| \$ per €         | 1.31   | 1.32    | 1.31    | 1.35     | 1.38   | 1.31   |
| \$ per £         | 1.10   | 1.10    | 1.11    | 1.14     | 1.18   | 1.12   |
| ¥ per \$         | 122.5  | 122.1   | 121.7   | 115.1    | 110.6  | 111.4  |
| \$ per Bitcoin   | 46,169 | 44,578  | 45,768  | 46,334   | 58,860 | 4,127  |

| Macroeconomic Data       | Value | Date     |
|--------------------------|-------|----------|
|                          | 0.25% | 04/01/22 |
| 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 04/01/22



### YTD Sector Total Returns as of 04/01/22

