



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

It was another tough week for stocks and bonds, prompted by hawkish commentary on Monday from FOMC member Lael Brainard regarding the potential pace of Fed balance sheet reduction. That was followed up on Wednesday by the release of the FOMC meeting minutes from March, which exacerbated investor concerns.

The result was an abrupt reversal in the flattening trend that had gripped the Treasury market this year as the curve pivoted to bear steepening: 2y yields finished higher by 5bp, while 10y yields jumped 32bp, pushing the 2s10s curve back to +19bp by Friday's close. See the Chart of the Week for a 2s10s time series.

Equities fell as a result, with long-dated growth stocks once again bearing the brunt of the selling pressure. In a return of 2022's familiar pattern, defensive sectors (utilities, staples, healthcare, and real estate) plus energy outperformed, while other cyclical and especially tech shares were weaker. Small caps generally fared worse than large caps, with the Russell 2000 now trailing the S&P 500 by more than 5% YTD. International stocks also finished lower on the week.

Commodities were mixed, with oil (WTI) finishing below \$100/barrel for the second straight week while natural gas rose to an all-time high on Thursday before finishing a hair lower on Friday. Non-energy commodities also finished higher on the week.

Apart from the FOMC, most economic news last week was positive: services PMIs from S&P Global and ISM remain firmly in expansion territory, initial jobless claims fell, and consumer credit surged in fresh February data.

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 +3.3% 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 ten 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 2.50% by year end.

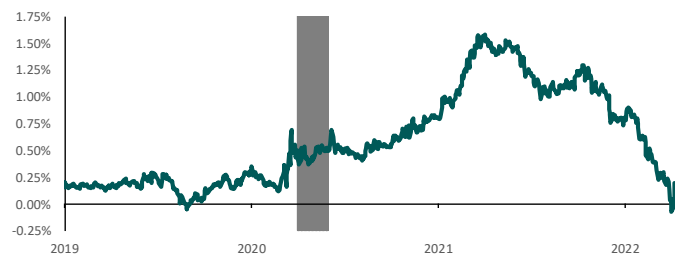
*Inflation - Inflation is currently high on a y/y basis as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 04/08/22

- Initial Jobless Claims (170k) - 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 (1.06%) - Steady: IG spreads have tightened post-FOMC
- Treasury Yield Curve (+19bp) - 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 - 04/08/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,500	-1.2%	-0.9%	-5.5%	11.1%	63.1%
Dow Jones Indus. Avg.	34,584	-0.2%	0.2%	-3.9%	5.6%	40.6%
NASDAQ	13,897	-3.8%	-3.6%	-12.2%	-0.2%	76.8%
S&P Midcap 400	2,617	-3.4%	-2.8%	-7.6%	-0.2%	40.5%
Russell 2000 (Small Cap)	1,995	-4.6%	-3.6%	-10.9%	-10.1%	31.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,140	-1.4%	-1.8%	-7.5%	-2.7%	22.0%
MSCI EM (Emerging Mkt Eq)	1,128	-1.5%	-1.2%	-8.0%	-13.9%	12.2%
MSCI World	3,014	-1.4%	-1.3%	-6.4%	5.5%	46.8%
S&P Global 1200	3,321	-1.3%	-1.1%	-5.8%	5.5%	47.7%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.70%	-2.7%	-3.3%	-9.9%	-7.6%	2.3%
U.S. Bonds (Aggregate)	3.22%	-1.8%	-2.1%	-7.9%	-6.7%	3.3%
Global Bonds	2.31%	-1.8%	-2.3%	-8.3%	-9.4%	0.0%
U.S. Munis	2.78%	-0.8%	-0.8%	-7.0%	-5.7%	4.1%
U.S. Investment Grade Corp	3.91%	-2.4%	-2.5%	-10.0%	-7.4%	6.9%
U.S. High Yield Corporates	6.41%	-1.3%	-1.5%	-6.3%	-2.9%	12.0%

US Interest Rates	Levels (%)					
	4/8/22	4/1/22	3/31/22	12/31/21	4/8/21	4/8/19
2y Treasuries	2.51	2.46	2.33	0.73	0.15	2.36
10y Treasuries	2.70	2.38	2.34	1.51	1.62	2.52
30y Treasuries	2.72	2.43	2.45	1.90	2.31	2.93
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	2.46
30y Fixed Mortgage	4.72	4.67	4.67	3.11	3.13	4.08

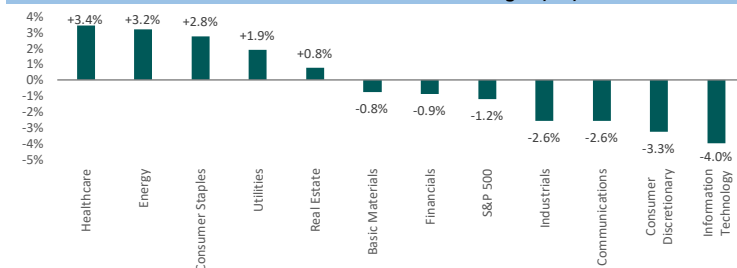
Commodity Prices	Levels					
	4/8/22	4/1/22	3/31/22	12/31/21	4/8/21	4/8/19
Oil (WTI)	98.26	99.27	100.28	75.21	59.60	64.40
Gasoline	4.12	4.20	4.22	3.29	2.87	2.75
Natural Gas	6.28	5.72	5.64	3.73	2.52	2.71
Gold	1,948	1,926	1,937	1,829	1,756	1,297

Currency Crosses	Levels					
	4/8/22	4/1/22	3/31/22	12/31/21	4/8/21	4/8/19
\$ per €	1.30	1.31	1.31	1.35	1.37	1.31
\$ per £	1.09	1.10	1.11	1.14	1.19	1.13
¥ per \$	124.3	122.5	121.7	115.1	109.3	111.5
\$ per Bitcoin	42,816	46,169	45,768	46,334	57,679	5,253

Macroeconomic Data	Value	Date
	0.25%	04/08/22
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 04/08/22



YTD Sector Total Returns as of 04/08/22

