



Wealth Advisors,
Investment Managers

Weekly Market Recap - 05/27/22

Market Commentary

Weekly Recap:

Last week featured a very strong rebound in US equities, particularly after the release of the May FOMC meeting minutes on Wednesday and encouraging PCE data on Friday. Prior to Wednesday's 2:00 pm release of the FOMC minutes, the S&P 500 had risen roughly 1.4% on the week. It then rose another 5.1% in the 2+ trading days thru Friday's close. Investors took comfort that rate hikes in excess of 50bp were probably off the table for June & July, and were also encouraged by Friday's release which showed a 2nd straight monthly decline in the core PCE deflator.

All sectors in the S&P 500 finished the week higher, led by consumer discretionary stocks (+9.3% at the sector level) that had more or less been left for dead just a week earlier. Energy stocks (+8.2%) had another strong week as oil and natural gas prices rose, while tech and financials also produced returns in excess of 8% on the week. Defensives lagged the rally after leading the way for much of the year.

Rates continued to stabilize as Treasury yields fell slightly across the curve. Credit spreads compressed, pushing corporate and muni bond prices higher.

Economic news was mixed last week:

- * S&P Global's US manufacturing and services PMIs missed expectations
- * New home sales fell rapidly in April data released last week
- * Durable and capital goods orders also missed expectations
- * Initial jobless claims ticked lower while continuing claims rose
- * Personal spending (+0.9%) rose more than incomes (+0.4%) in April
- * April PCE was in line with consensus: Core = +0.3%; Headline = +0.2%

Albion's "Four Pillars":

*Economy & Earnings - Annualized US GDP growth fell to -1.5% in Q1 on headwinds from trade, private investment, and government spending. Personal consumption remains strong, however, suggesting growth should resume for the balance of the year. Consensus 2022 GDP stands at +2.6%.

*Valuation - The S&P 500's fwd P/E of 17x is above the historical average, and long-term valuation metrics like CAPE (cyclically adjusted P/E ratio) suggest that compound annual returns over the next decade are likely to be in the single digits. That said, many growth stock valuations are at multi-year lows after the recent selloff, suggesting future returns in some sectors could be above-average.

*Interest Rates - Rates 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.

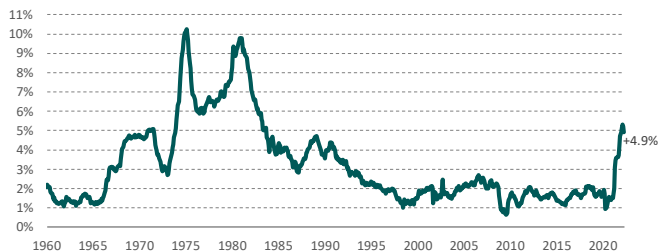
*Inflation - Inflation is currently high as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 05/27/22

- Initial Jobless Claims (207k) - Weaker: claims have ticked higher after bottoming in mid-March
- Conference Board LEI (+4.7%) - Weaker: declined sequentially in April
- Building Permits (1,823k) - Steady: housing activity remains solid despite higher mortgage rates
- Corporate Bond Spreads (1.25%) - Steady: IG spreads stabilized after release of May FOMC minutes
- Treasury Yield Curve (+26bp) - Steady: 2s10s curve positive again after briefly inverting
- Consumer Confidence (107.3) - Steady: appears to have stabilized after falling in late '21 / early '22
- Real Final Sales (+2.2%) - Steady: solid growth in Q1 '22 despite soft overall GDP

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

Chart of the Week - Core PCE Deflator (y/y change)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,158	6.6%	0.8%	-12.2%	0.4%	54.7%
Dow Jones Indus. Avg.	33,213	6.3%	1.0%	-7.8%	-1.8%	38.4%
NASDAQ	12,131	6.9%	-1.5%	-22.2%	-11.1%	62.8%
S&P Midcap 400	2,540	6.5%	1.7%	-10.1%	-5.5%	42.7%
Russell 2000 (Small Cap)	1,888	6.5%	1.4%	-15.5%	-16.0%	29.4%
MSCI EAFE (Int'l Dev Mkt Eq)	2,036	3.5%	0.8%	-11.1%	-9.7%	19.8%
MSCI EM (Emerging Mkt Eq)	1,043	0.9%	-2.8%	-14.6%	-20.9%	14.6%
MSCI World	2,815	5.6%	0.5%	-12.6%	-4.3%	40.2%
S&P Global 1200	3,104	5.4%	0.8%	-11.6%	-3.7%	42.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.74%	0.5%	1.5%	-10.0%	-8.1%	0.4%
U.S. Bonds (Aggregate)	3.30%	0.8%	1.1%	-8.5%	-7.7%	1.4%
Global Bonds	2.51%	0.9%	0.9%	-10.5%	-12.5%	-3.1%
U.S. Munis	2.94%	2.9%	1.3%	-7.6%	-6.9%	1.8%
U.S. Investment Grade Corp	4.15%	1.7%	1.4%	-11.5%	-9.7%	3.7%
U.S. High Yield Corporates	7.07%	3.3%	0.2%	-8.1%	-5.3%	9.7%

US Interest Rates	Levels (%)					
	5/27/22	5/20/22	4/29/22	12/31/21	5/27/21	5/24/19
2y Treasuries	2.48	2.58	2.71	0.73	0.14	2.16
10y Treasuries	2.74	2.78	2.93	1.51	1.61	2.32
30y Treasuries	2.96	2.99	3.00	1.90	2.28	2.75
Fed Funds (Effective Rate)	0.83	0.83	0.33	0.07	0.06	2.38
SOFR (USD)	0.78	0.78	0.28	0.05	0.01	2.37
30y Fixed Mortgage	5.10	5.25	5.10	3.11	2.95	4.06

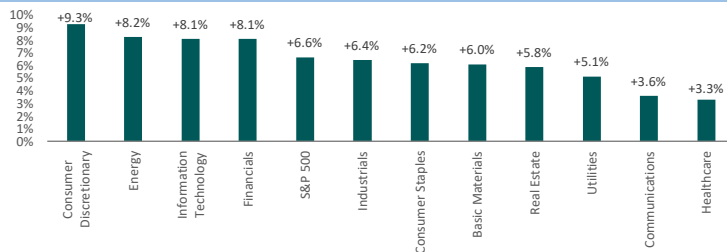
Commodity Prices	Levels					
	5/27/22	5/20/22	4/29/22	12/31/21	5/27/21	5/24/19
Oil (WTI)	115.07	113.23	104.69	75.21	66.85	58.63
Gasoline	4.60	4.59	4.18	3.29	3.04	2.84
Natural Gas	8.73	8.08	7.24	3.73	2.96	2.60
Gold	1,854	1,847	1,897	1,829	1,897	1,285

Currency Crosses	Levels					
	5/27/22	5/20/22	4/29/22	12/31/21	5/27/21	5/24/19
\$ per €	1.26	1.25	1.26	1.35	1.42	1.27
\$ per £	1.07	1.06	1.05	1.14	1.22	1.12
¥ per \$	127.1	127.9	129.7	115.1	109.8	109.3
\$ per Bitcoin	28,729	29,117	38,560	46,334	38,495	8,112

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.75%	05/27/22
Inflation (Core PCE Deflator)	4.9%	04/30/22
Unemployment (U-3)	3.6%	04/30/22
GDP Growth (Q/Q SAAR)	-1.5%	03/31/22
ISM Manufacturing PMI	55.4	04/30/22
Consumer Confidence	107.3	04/30/22

Data Source: Bloomberg, FactSet

Sector Total Returns for the Week Ending 05/27/22



YTD Sector Total Returns as of 05/27/22

