



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Most markets were soft last week as an uptick in inflation concerns pushed bond yields higher and equity prices lower. Rates moved higher following Tuesday's JOLTS report that showed 11.4 million open jobs in the US. Friday's monthly jobs report from the BLS was also a factor, showing +390k new nonfarm payrolls versus consensus expectations of +318k. See the Chart of the Week for a time series.

By Friday's close, rates had moved higher across the curve, with 2y yields rising 17bp, 10y up 19bp, and 30y finishing +13bp. Meanwhile, credit spreads tightened despite the move lower in equities, cushioning the price declines in corporate bonds.

Equity markets finished lower, but in a somewhat unusual way relative to much of the year. Defensive sectors underperformed, while tech and most cyclicals (ex financials) outperformed the broader market. The energy sector was once again the outlier, finishing higher on the back of rising oil prices.

Regarding oil, OPEC+ agreed to increase production by 648k barrels per day for July and August, but the market judged this measure to be insufficient to fully bridge the growing global supply deficit, sending prices higher. Gasoline prices at the pump also rose to a fresh all-time high in the US at \$4.82/gallon.

In other economic news, home price appreciation remained very strong in March according to the FHFA and Case-Shiller indices, while the Conference Board's Consumer Confidence Index declined slightly to a still-healthy print of 106.4, exceeding the consensus estimate of 103.6.

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 17.5x is above the historical average, and long-term valuation metrics like CAPE (cyclically adjusted P/E ratio) suggest that compound annual returns over the 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 eleven 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 2.75% by year end.

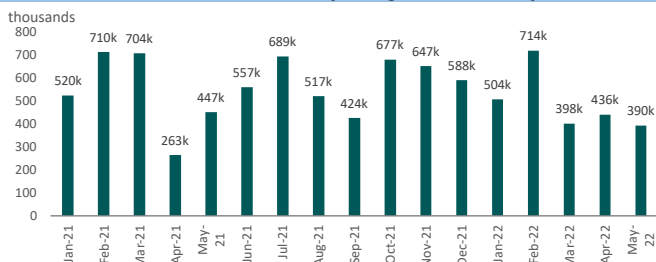
*Inflation - Inflation is currently high as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

Albion's Dashboard of Key Leading Economic Indicators as of 06/03/22

- Initial Jobless Claims (207k) - Steady: claims have stabilized after ticking higher in April/May
- 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 (122bp) - Steady: IG spreads stabilized after release of May FOMC minutes
- Treasury Yield Curve (+28bp) - Steady: 2s10s curve positive again after briefly inverting
- Consumer Confidence (106.4) - 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 - Monthly Change in Nonfarm Payrolls



Weekly Market Recap - 06/03/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,109	-1.2%	-0.5%	-13.2%	-0.6%	57.4%
Dow Jones Indus. Avg.	32,900	-0.8%	-0.2%	-8.6%	-3.0%	41.3%
NASDAQ	12,013	-1.0%	-0.6%	-23.0%	-11.2%	67.9%
S&P Midcap 400	2,521	-0.7%	0.3%	-10.7%	-5.8%	44.7%
Russell 2000 (Small Cap)	1,883	-0.2%	1.0%	-15.7%	-16.4%	33.0%
MSCI EAFE (Int'l Dev Mkt Eq)	2,029	-0.3%	-0.4%	-11.4%	-10.7%	21.3%
MSCI EM (Emerging Mkt Eq)	1,061	1.8%	-1.5%	-13.0%	-21.2%	14.0%
MSCI World	2,779	-0.8%	-0.4%	-13.3%	-5.1%	42.5%
S&P Global 1200	3,079	-0.8%	-0.6%	-12.3%	-4.8%	44.0%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	2.93%	-1.6%	-0.7%	-11.4%	-9.4%	-3.4%
U.S. Bonds (Aggregate)	3.47%	-0.9%	-0.4%	-9.3%	-8.4%	-0.7%
Global Bonds	2.67%	-1.2%	-0.6%	-11.6%	-13.3%	-5.2%
U.S. Munis	2.89%	0.3%	0.2%	-7.3%	-6.7%	1.6%
U.S. Investment Grade Corp	4.31%	-0.8%	-0.4%	-12.3%	-10.4%	1.5%
U.S. High Yield Corporates	7.21%	-0.3%	-0.4%	-8.4%	-5.8%	10.0%

US Interest Rates	Levels (%)					
	6/3/22	5/27/22	5/31/22	12/31/21	6/3/21	6/3/19
2y Treasuries	2.65	2.48	2.56	0.73	0.15	1.83
10y Treasuries	2.93	2.74	2.84	1.51	1.63	2.07
30y Treasuries	3.09	2.96	3.05	1.90	2.30	2.53
Fed Funds (Effective Rate)	0.83	0.83	0.83	0.07	0.06	2.38
SOFR (USD)	0.78	0.78	0.79	0.05	0.01	2.40
30y Fixed Mortgage	5.09	5.10	5.10	3.11	2.99	3.99

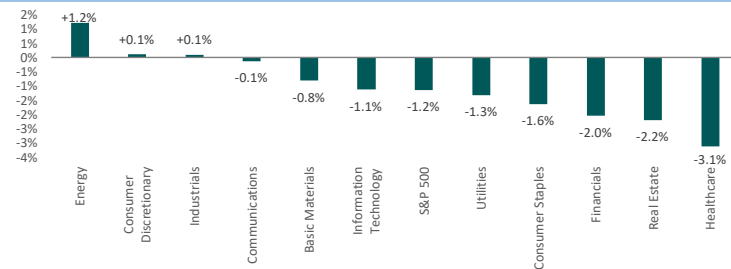
Commodity Prices	Levels					
	6/3/22	5/27/22	5/31/22	12/31/21	6/3/21	6/3/19
Oil (WTI)	118.87	115.07	114.67	75.21	68.81	53.25
Gasoline	4.82	4.60	4.67	3.29	3.05	2.80
Natural Gas	8.52	8.73	8.15	3.73	3.04	2.40
Gold	1,851	1,854	1,837	1,829	1,871	1,325

Currency Crosses	Levels					
	6/3/22	5/27/22	5/31/22	12/31/21	6/3/21	6/3/19
\$ per £	1.25	1.26	1.26	1.35	1.41	1.27
\$ per €	1.07	1.07	1.07	1.14	1.21	1.12
¥ per \$	130.9	127.1	128.7	115.1	110.3	108.1
\$ per Bitcoin	29,641	28,729	31,788	46,334	38,705	8,556

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.75%	06/03/22
Inflation (Core PCE Deflator)	4.9%	04/30/22
Unemployment (U-3)	3.6%	05/31/22
GDP Growth (Q/Q SAAR)	-1.5%	03/31/22
ISM Manufacturing PMI	56.1	05/31/22
Consumer Confidence	106.4	05/31/22

Data Source:
Bloomberg, FactSet

Sector Total Returns for the Week Ending 06/03/22



YTD Sector Total Returns as of 06/03/22

