



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 06/10/22

## Market Commentary

### Weekly Recap:

Markets fell sharply last week, particularly after consumer price inflation (CPI) data came in above consensus across the board:

- \* Headline CPI was +1.0% sequentially in May (consensus was +0.6%)
- \* Headline CPI reached +8.6% y/y (consensus +8.3%)
- \* Core (ex food and energy) CPI was +0.6% sequentially in May (consensus +0.5%)
- \* Core (ex food and energy) CPI reached +6.0% y/y (consensus +5.9%)

Stocks finished lower across the board, with technology, financials, and real estate feeling the worst of the selling pressure. Energy stocks were the most resilient once again, thanks to rising oil prices as US crude benchmark West Texas Intermediate closed above \$120/barrel for the first time since early March.

The real action last week was in bond markets, particularly in the front end of the yield curve as investors significantly ratcheted up their expectations for additional rate hikes from the Fed. By Friday's close 2y yields had risen 41bp and Fed Funds Futures markets were pricing nearly 10 additional 25bp rate hikes (13 total) by the end of 2022, implying a target rate floor of 3.25% in December.

Other economic news was not especially encouraging last week. Initial jobless claims ticked higher, mortgage applications fell, and the University of Michigan's Consumer Sentiment gauge fell to its lowest level in history.

Finally, gasoline prices at the pump rose sharply again last week, with the US national average for unleaded gas finishing at exactly \$5.00/gallon.

### 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 thirteen 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 3.25% by year end.

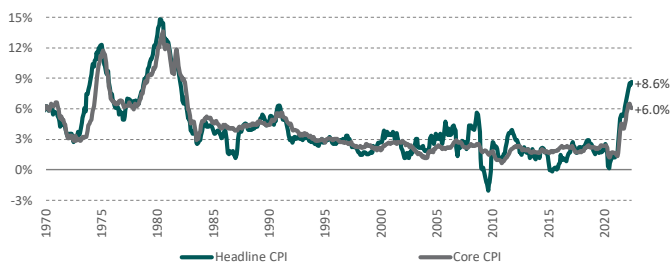
\*Inflation - Inflation is currently high as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. The Fed has begun raising overnight interest rates in order to tame inflationary pressures.

### Albion's Dashboard of Key Leading Economic Indicators as of 06/10/22

- Initial Jobless Claims (215k) - Weaker: claims have ticked higher during the Spring of 2022
- Conference Board LEI (+4.7%) - Weaker: has declined YTD through April 2022
- Building Permits (1,823k) - Steady: housing activity remains solid despite higher mortgage rates
- Corporate Bond Spreads (126%) - Weaker: IG spreads have begun widening again on inflation fears
- Treasury Yield Curve (+9bp) - Weaker: 2s10s curve flattened dramatically following May CPI print
- Consumer Confidence (106.4) - Weaker: declining in H1 2022 on inflation concerns and Ukraine war
- 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 - Headline and Core CPI (y/y change)



## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	3,901	-5.0%	-5.5%	-17.6%	-6.6%	-42.1%
Dow Jones Indus. Avg.	31,393	-4.6%	-4.8%	-12.8%	-7.2%	28.4%
NASDAQ	11,340	-5.6%	-6.1%	-27.3%	-18.6%	48.6%
S&P Midcap 400	2,403	-4.6%	-4.4%	-14.9%	-10.8%	32.2%
Russell 2000 (Small Cap)	1,800	-4.4%	-3.4%	-19.4%	-21.2%	22.7%
MSCI EAFE (Int'l Dev Mkt Eq)	1,934	-4.6%	-5.0%	-15.5%	-15.6%	12.2%
MSCI EM (Emerging Mkt Eq)	1,055	-0.5%	-2.0%	-13.5%	-21.4%	11.8%
MSCI World	2,642	-4.9%	-5.3%	-17.6%	-10.8%	29.7%
S&P Global 1200	2,935	-4.6%	-5.2%	-16.3%	-10.1%	31.8%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	3.16%	-1.8%	-2.5%	-13.0%	-12.5%	-4.7%
U.S. Bonds (Aggregate)	3.77%	-1.5%	-1.9%	-10.7%	-10.6%	-2.0%
Global Bonds	2.93%	-2.3%	-2.9%	-13.6%	-15.9%	-7.8%
U.S. Munis	3.01%	-1.0%	-0.8%	-8.2%	-8.1%	0.5%
U.S. Investment Grade Corp	4.61%	-1.8%	-2.2%	-13.9%	-13.2%	-0.3%
U.S. High Yield Corporates	7.79%	-2.3%	-2.7%	-10.5%	-8.5%	6.1%

US Interest Rates	Levels (%)					
	6/10/22	6/3/22	5/31/22	12/31/21	6/10/21	6/10/19
2y Treasuries	3.06	2.65	2.56	0.73	0.14	1.90
10y Treasuries	3.16	2.93	2.84	1.51	1.43	2.15
30y Treasuries	3.19	3.09	3.05	1.90	2.13	2.63
Fed Funds (Effective Rate)	0.83	0.83	0.83	0.07	0.06	2.37
SOFR (USD)	0.75	0.78	0.79	0.05	0.01	2.39
30y Fixed Mortgage	5.23	5.09	5.10	3.11	2.96	3.82

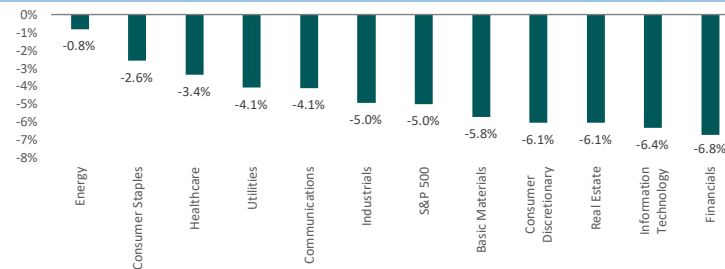
Commodity Prices	Levels					
	6/10/22	6/3/22	5/31/22	12/31/21	6/10/21	6/10/19
Oil (WTI)	120.67	118.87	114.67	75.21	70.29	53.26
Gasoline	5.00	4.82	4.67	3.29	3.08	2.73
Natural Gas	8.85	8.52	8.15	3.73	3.15	2.36
Gold	1,872	1,851	1,837	1,829	1,899	1,328

Currency Crosses	Levels					
	6/10/22	6/3/22	5/31/22	12/31/21	6/10/21	6/10/19
\$ per £	1.23	1.25	1.26	1.35	1.42	1.27
\$ per €	1.05	1.07	1.07	1.14	1.22	1.13
¥ per \$	134.4	130.9	128.7	115.1	109.3	108.5
\$/per Bitcoin	29,177	29,641	31,788	46,334	36,495	7,943

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	0.75%	06/10/22
Inflation (Core PCE Deflator)	4.9%	04/30/22
Inflation (Headline CPI)	8.6%	05/31/22
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 Sources:  
Bloomberg, FactSet

### Sector Total Returns for the Week Ending 06/10/22



### YTD Sector Total Returns as of 06/10/22

