



Wealth Advisors,
Investment Managers

Weekly Market Recap - 06/24/22

Market Commentary

Weekly Recap:

Stocks rebounded sharply last week after arguably becoming oversold following back to back weeks of 5+ price declines. The rally was broad-based with nearly all sectors in the S&P 500 finishing higher on the week, the lone exception being energy stocks. The best performers were a mixture of tech/growth and defensives, with cyclical generally lagging the rally a bit. International stocks were mostly higher as well, although to a lesser degree than the US.

Bonds also rallied last week as Treasury yields fell by 10-12 bp across the curve. Investors slightly pared their expectations regarding the pace of monetary tightening, with Fed Fund Futures markets dropping one 25bp rate hike from the remaining 2022 forecast. Credits spreads moved slightly wider, resulting in somewhat muted price gains in corporates relative to underlying Treasuries.

Most commodity prices moved lower last week, a welcome development given the inflation backdrop. Oil slid by roughly \$2/barrel, with knock-on effects on gasoline prices at the pump, while natural gas fell to its lowest level since early April. Many non-energy commodities have also fallen lately, including agricultural products like corn, wheat, and soy, as well as bellwether metals like aluminum and copper. See the Chart of the Week for a time series of non-energy commodity prices.

Incoming economic data continue to suggest growth is slowing. Last week saw declines in regional activity surveys from the Chicago and Kansas City Feds, a slight decline in U of M consumer sentiment relative to the preliminary June reading, an uptick in continuing jobless claims, a decline in existing home sales, and also a sequential decline in S&P Global's US Manufacturing and Services PMIs.

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, suggesting growth should resume for the balance of the year. Meanwhile, corporate operating margins remain robust.

***Valuation** - The S&P 500's forward P/E of 16x is slightly above the long-term historical average, and more predictive valuation metrics like CAPE, Tobin's Q, and the Buffett Indicator (Mkt Cap / GDP) suggest that compound annual returns over the next decade are likely to be in the single digits. That said, many growth stock P/E's 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 2022 in response to a shift in monetary policy. Fed Fund Futures markets are pricing in a total of 13 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 3.25% by year end.

***Inflation** - Inflation is at 40yr highs 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 06/24/22

- Initial Jobless Claims (224k) - Weaker: claims have ticked higher during the Spring of 2022
- Conference Board LEI (+3.0%) - Weaker: has declined YTD through May 2022
- Building Permits (1,695k) - Weaker: declined sharply in May on higher mortgage rates
- Corporate Bond Spreads (1.37%) - Weaker: IG spreads have begun widening again on inflation fears
- Treasury Yield Curve (+7bp) - 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 - S&P GSCI Non-Energy Index



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	3,912	6.5%	-5.2%	-17.3%	-7.0%	39.6%
Dow Jones Indus. Avg.	31,501	5.4%	-4.4%	-12.4%	-6.1%	25.6%
NASDAQ	11,608	7.5%	-3.9%	-25.5%	-18.7%	48.6%
S&P Midcap 400	2,334	5.1%	-7.1%	-17.3%	-12.4%	27.7%
Russell 2000 (Small Cap)	1,766	6.0%	-5.2%	-20.9%	-23.4%	19.8%
MSCI EAFE (Int'l Dev Mkt Eq)	1,874	2.8%	-7.9%	-18.1%	-17.0%	6.5%
MSCI EM (Emerging Mkt Eq)	1,011	0.8%	-5.8%	-16.8%	-23.9%	3.9%
MSCI World	2,619	5.4%	-6.1%	-18.2%	-11.8%	26.0%
S&P Global 1200	2,903	4.9%	-6.2%	-17.2%	-11.0%	27.5%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	3.13%	0.9%	-2.2%	-12.7%	-11.9%	-5.4%
U.S. Bonds (Aggregate)	3.81%	0.6%	-2.2%	-10.9%	-10.7%	-3.3%
Global Bonds	2.95%	1.0%	-3.2%	-13.9%	-15.3%	-9.3%
U.S. Munis	3.25%	0.8%	-2.0%	-9.3%	-8.8%	-0.8%
U.S. Investment Grade Corp	4.73%	0.3%	-3.0%	-14.6%	-14.0%	-2.9%
U.S. High Yield Corporates	8.42%	0.6%	-5.0%	-12.6%	-10.9%	2.4%

US Interest Rates	Levels (%)					
	6/24/22	6/17/22	5/31/22	12/31/21	6/24/21	6/24/19
2y Treasuries	3.06	3.18	2.56	0.73	0.27	1.73
10y Treasuries	3.13	3.23	2.84	1.51	1.49	2.01
30y Treasuries	3.26	3.28	3.05	1.90	2.10	2.54
Fed Funds (Effective Rate)	1.58	1.58	0.83	0.07	0.10	2.38
SOFR (USD)	1.44	1.45	0.79	0.05	0.05	2.39
30y Fixed Mortgage	5.81	5.78	5.10	3.11	3.02	3.84

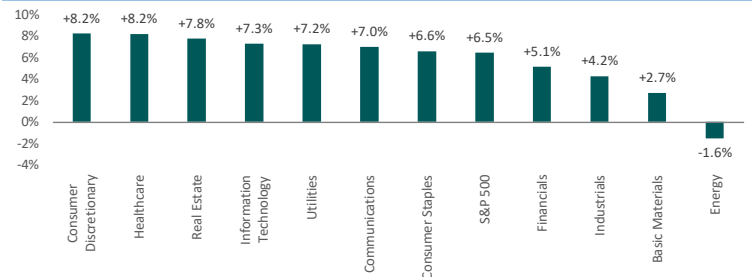
Commodity Prices	Levels					
	6/24/22	6/17/22	5/31/22	12/31/21	6/24/21	6/24/19
Oil (WTI)	107.62	109.56	114.67	75.21	73.30	57.90
Gasoline	4.91	4.99	4.67	3.29	3.09	2.67
Natural Gas	6.22	6.94	8.15	3.73	3.42	2.30
Gold	1,827	1,839	1,837	1,829	1,775	1,420

Currency Crosses	Levels					
	6/24/22	6/17/22	5/31/22	12/31/21	6/24/21	6/24/19
\$ per £	1.23	1.22	1.26	1.35	1.39	1.27
\$ per €	1.06	1.05	1.07	1.14	1.19	1.14
¥ per \$	135.2	135.0	128.7	115.1	110.9	107.3
\$ per Bitcoin	21,184	20,631	31,788	46,334	34,860	10,857

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	1.50%	06/24/22
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 06/24/22



YTD Sector Total Returns as of 06/24/22

