



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

US equities finished lower for a 3rd straight week as a rebound in consumer confidence and signs of renewed strength in labor markets appeared to give the Fed more latitude for aggressive tightening of monetary policy. All sectors in the S&P 500 were down, with traditional defensives (utilities, health care, and staples) posting smaller declines while cyclical and growth stocks faced sharper selling pressure. Small caps underperformed. And finally, international benchmarks echoed the declines in the US.

Bond prices fell as rates moved higher for most of the week, although Friday saw a partial reversal after the monthly jobs report showed a few pockets of softness. Fed fund futures had gravitated towards a 75bp September rate hike in the days following Powell's speech, but shifted back to virtually even odds of either 75 or 50bp on Friday. Credit spreads moved wider over the course of the week as equities declined, causing corporate bonds to underperform.

It was a big week for economic news:

- * US Manufacturing PMIs from ISM (52.8) and S&P (51.5) were steady
- * Factory (-1.0%) and Durable Goods (-0.1%) orders shrank in July
- * Consumer Confidence (Conf. Board) rebounded to a 3-month high of 103.2
- * Heavily lagged home price data showed sharp deceleration in June
- * US job openings (11.2mn) rebounded while initial jobless claims (232k) fell
- * Nonfarm payroll growth of +315k exceeded consensus estimates of +298k
- * Average weekly hours worked fell slightly to 34.5 hrs
- * Unemployment (3.7%) rose on a +30bp labor force participation rate (62.4%)

Albion's "Four Pillars":

*Economy & Earnings - US GDP growth fell in Q1 (-1.6%) and in Q2 (-0.6%), but job creation remained strong in 1H22 with 2.75mn NFP added. Consensus calls for slow growth in 2H22 despite weak consumer confidence and softer housing and labor markets. Corporate operating margins remained robust in 1H22, but many companies have warned that inflation could pressure margins going forward.

*Valuation - The S&P 500's forward P/E of 16x is slightly above the long run 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.

*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 14 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 3.50% by year end.

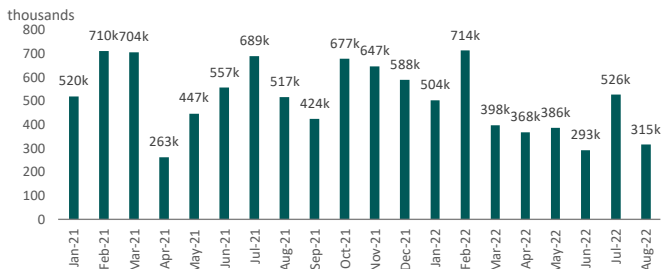
*Inflation - Inflation is at 40yr highs as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. That said, core inflation has been trending lower for several months now, and headline inflation also eased lower in July data thanks to falling energy prices.

Albion's Dashboard of Key Leading Economic Indicators as of 09/02/22

- Initial Jobless Claims (242k) - Steady: claims have stabilized in August
- Conference Board LEI (+0.0% y/y) - Weaker: has declined sequentially since peaking in Feb 2022
- Building Permits (1,685k) - Weaker: has declined during Q2 & Q3 on higher mortgage rates
- Corporate Bond Spreads (1.35%) - Weaker: IG spreads moving wider as equities decline
- Treasury Yield Curves (46.7% inv) - Weaker: nearly half of the 45 Treasury curve points are inverted
- Consumer Confidence (103.2) - Stronger: rebounded in August as inflation pressures eased
- Real Final Sales (+0.4% y/y) - Weaker: lower in H1 '22 relative to Q4 '21 peak

Legend: ● = All Clear; ● = Caution; ● = Strong Warning

Chart of the Week - Monthly Change in Nonfarm Payrolls (BLS)



Weekly Market Recap - 09/02/22

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	3,967	-3.2%	-0.8%	4.0%	-16.8%	40.9%
Dow Jones Indus. Avg.	31,656	-2.9%	-0.6%	2.2%	-12.5%	26.4%
NASDAQ	11,785	-4.2%	-1.6%	5.6%	-25.3%	49.6%
S&P Midcap 400	2,393	-4.2%	-1.5%	5.7%	-14.9%	33.1%
Russell 2000 (Small Cap)	1,810	-4.7%	-1.9%	6.2%	-18.7%	25.7%
MSCI EAFE (Int'l Dev Mkt Eq)	1,823	-3.0%	-0.8%	-0.8%	-19.9%	7.9%
MSCI EM (Emerging Mkt Eq)	972	-3.4%	-2.2%	-1.9%	-19.1%	7.2%
MSCI World	2,610	-3.3%	-0.8%	2.6%	-18.4%	27.7%
S&P Global 1200	2,882	-3.2%	-0.9%	2.0%	-17.7%	28.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	3.19%	-1.4%	-0.3%	-1.3%	-12.8%	-9.9%
U.S. Bonds (Aggregate)	3.97%	-1.0%	-0.2%	-0.7%	-10.9%	-6.1%
Global Bonds	3.16%	-1.3%	-0.4%	-2.3%	-15.9%	-12.9%
U.S. Munis	3.38%	-0.9%	-0.5%	-0.1%	-9.1%	-3.0%
U.S. Investment Grade Corp	4.87%	-1.6%	-0.5%	-0.2%	-14.6%	-6.6%
U.S. High Yield Corporates	8.48%	-1.8%	-0.2%	3.3%	-11.4%	2.9%

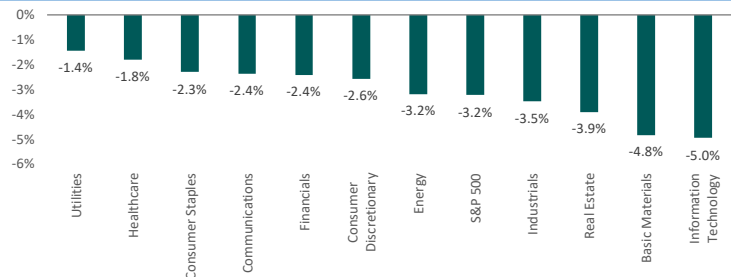
US Interest Rates	Levels (%)					
	9/2/22	8/26/22	8/31/22	3/23/20	12/31/21	8/30/19
2y Treasuries	3.39	3.40	3.49	0.31	0.73	1.50
10y Treasuries	3.19	3.04	3.19	0.79	1.51	1.50
30y Treasuries	3.34	3.19	3.29	1.35	1.90	1.96
Fed Funds (Effective Rate)	2.33	2.33	2.33	0.15	0.07	2.13
SOFR (USD)	2.29	2.28	2.29	0.02	0.05	2.16
30y Fixed Mortgage	5.66	5.55	5.55	3.65	3.11	3.58

Commodity Prices	Levels					
	9/2/22	8/26/22	8/31/22	3/23/20	12/31/21	8/30/19
Oil (WTI)	86.87	93.06	89.55	23.36	75.21	55.10
Gasoline	3.80	3.86	3.83	2.11	3.29	2.58
Natural Gas	8.79	9.30	9.13	1.60	3.73	2.29
Gold	1,712	1,738	1,711	1,553	1,829	1,520

Currency Crosses	Levels					
	9/2/22	8/26/22	8/31/22	3/23/20	12/31/21	8/30/19
\$ per £	1.15	1.17	1.16	1.15	1.35	1.22
\$ per €	1.00	1.00	1.01	1.07	1.14	1.10
¥ per \$	140.2	137.6	139.0	111.2	115.1	106.3
\$ per Bitcoin	19,969	20,650	20,197	6,415	46,334	9,626

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	2.25%	09/02/22
Inflation (Core PCE Deflator)	4.6%	07/31/22
Inflation (Headline CPI)	8.5%	07/31/22
Unemployment (U-3)	3.7%	08/31/22
GDP Growth (Q/Q SAAR)	-0.6%	06/30/22
ISM Manufacturing PMI	52.8	08/31/22
Consumer Confidence	103.2	08/31/22

Sector Total Returns for the Week Ending 09/02/22



YTD Sector Total Returns as of 09/02/22

