



Wealth Advisors,  
Investment Managers

## Market Commentary

### Weekly Recap:

Equity markets found their footing last week despite the ongoing rise in interest rates. All sectors in the S&P 500 finished higher, with gains spread across cyclicals, defensives, and growth stocks alike. The energy sector lagged the rally as oil prices briefly dipped below pre-Ukraine invasion levels. International stocks also lagged, particularly Chinese equities which pulled emerging market benchmarks lower on the week.

Futures markets have coalesced around a 75bp September rate hike from the FOMC, with markets now pricing in an additional 50bp in November and another 25bp in December as well. As front-end expectations were recalibrated, rates also moved higher across the Treasury curve: 2y +16bp, 10y +12bp, 30y +11bp.

Credit spreads reversed course and moved tighter after widening in sympathy with equities over the past several weeks.

Economic news was limited last week. S&P Global's US Services (43.7) and Composite (44.6) PMIs came in slightly below expectations for August, while the ISM Services Index (56.9) improved sequentially and beat consensus. Weekly initial jobless claims moved lower once again, extending the downward trend that began in August after claims had consistently moved higher in the spring and early summer.

### 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 17x 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 15 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 3.75% by year end.

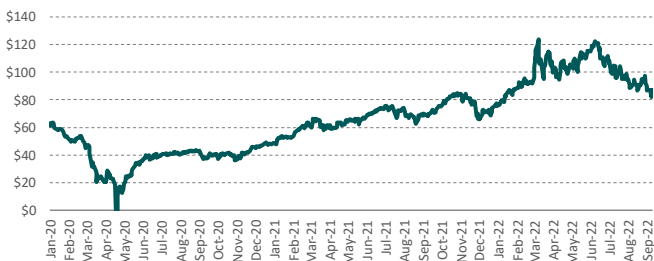
\*Inflation - Inflation is at 40yr highs as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. That said, core inflation has been trending lower for several months now, and headline inflation also eased lower in July data thanks to falling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

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

- Initial Jobless Claims (233k) - 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 (1.31%) - 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 - Oil Price per Barrel (WTI)



## Weekly Market Recap - 09/09/22

### Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	4,067	3.7%	2.9%	7.8%	-13.7%	43.5%
Dow Jones Indus. Avg.	32,152	2.7%	2.1%	5.0%	-10.2%	27.6%
NASDAQ	12,112	4.1%	2.5%	10.0%	-22.2%	53.4%
S&P Midcap 400	2,498	4.4%	2.8%	10.4%	-11.2%	35.7%
Russell 2000 (Small Cap)	1,883	4.1%	2.1%	10.5%	-15.4%	28.2%
MSCI EAFE (Int'l Dev Mkt Eq)	1,839	0.9%	0.1%	0.1%	-19.2%	6.5%
MSCI EM (Emerging Mkt Eq)	970	-0.1%	-2.3%	-2.1%	-19.2%	4.2%
MSCI World	2,683	3.0%	2.2%	5.7%	-16.0%	29.0%
S&P Global 1200	2,953	2.9%	1.9%	4.9%	-15.4%	29.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	3.31%	-0.9%	-1.3%	-2.2%	-13.6%	-9.9%
U.S. Bonds (Aggregate)	4.11%	-0.7%	-0.9%	-1.4%	-11.6%	-6.3%
Global Bonds	3.22%	-0.8%	-1.2%	-3.0%	-16.5%	-13.2%
U.S. Munis	3.44%	-0.4%	-0.9%	-0.5%	-9.4%	-3.1%
U.S. Investment Grade Corp	4.95%	-0.4%	-0.9%	-0.7%	-15.0%	-6.4%
U.S. High Yield Corporates	8.21%	1.3%	1.1%	4.6%	-10.2%	3.9%

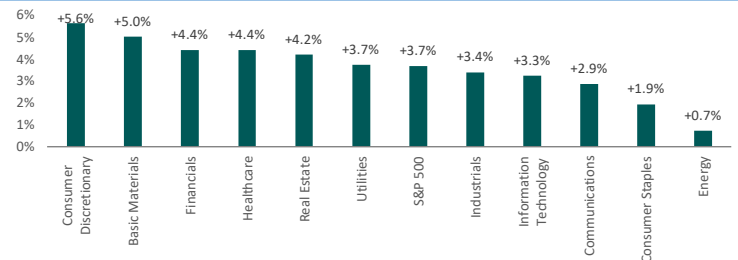
US Interest Rates	Levels (%)					
	9/9/22	9/2/22	8/31/22	3/23/20	12/31/21	9/9/19
2y Treasuries	3.56	3.39	3.49	0.31	0.73	1.59
10y Treasuries	3.31	3.19	3.19	0.79	1.51	1.64
30y Treasuries	3.45	3.34	3.29	1.35	1.90	2.13
Fed Funds (Effective Rate)	2.33	2.33	2.33	0.15	0.07	2.13
SOFR (USD)	2.28	2.29	2.29	0.02	0.05	2.12
30y Fixed Mortgage	5.89	5.66	5.55	3.65	3.11	3.49

Commodity Prices	Levels					
	9/9/22	9/2/22	8/31/22	3/23/20	12/31/21	9/9/19
Oil (WTI)	86.79	86.87	89.55	23.36	75.21	57.85
Gasoline	3.72	3.80	3.83	2.11	3.29	2.56
Natural Gas	8.00	8.79	9.13	1.60	3.73	2.59
Gold	1,717	1,712	1,711	1,553	1,829	1,499

Currency Crosses	Levels					
	9/9/22	9/2/22	8/31/22	3/23/20	12/31/21	9/9/19
\$ per £	1.16	1.15	1.16	1.15	1.35	1.23
\$ per €	1.00	1.00	1.01	1.07	1.14	1.10
¥ per \$	142.5	140.2	139.0	111.2	115.1	107.2
\$ per Bitcoin	21,300	19,969	20,197	6,415	46,334	10,238

Macroeconomic Data	Value	Date
Fed Funds Target (Floor)	2.25%	09/09/22
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 09/09/22



### YTD Sector Total Returns as of 09/09/22

