



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 04/07/23

## Market Commentary

### Weekly Recap:

US equities were mixed last week, with energy and most defensives higher while other sectors were lower. Small caps extended their recent run of under-performance relative to the S&P 500. Energy stocks were buoyed by a surprise production cut from OPEC+ that sent oil prices higher by roughly \$5 per barrel.

In contrast to the recent softness in equities, bonds continued to rally last week on safe haven buying, at least until Friday's nonfarm payroll report halted the move lower in yields. Meanwhile credit spreads have been largely stable over the past two weeks after initially widening in the aftermath of the March bank failures.

Economic data released last week was mixed. ISM's Manufacturing Index (46.3) sank further into contraction territory in the March print, while its Services Index (51.2) weakened sequentially but remains in expansion territory for now. The monthly JOLTS report showed early signs of a move towards better balance in the labor market, with job openings falling to 9.9 million, the lowest such print in nearly 2 years (albeit still elevated by historical standards).

That said, the March jobs report from the Bureau of Labor Statistics continues to show robust job creation in the US economy:

- \* 236k nonfarm payrolls added
- \* U-3 Unemployment fell 10bp to 3.5%
- \* U-6 Underemployment fell 10bp to 6.7%
- \* Average hourly wages rose +0.3% m/m and +4.2% y/y (below consensus)
- \* Labor force participation rose to 62.6%, the highest since March of 2020

### Albion's "Four Pillars":

\*Economy & Earnings - The US economy enjoyed a strong second half of 2022, but corporate operating margins have been gradually falling as labor and input cost pressures bite. Albion's base case expectation is that the US economy will enter recession in 2023, putting downside pressure on earnings.

\*Valuation - The S&P 500's forward P/E of 17x is above the long run average. More predictive 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. The equity risk premium has expanded slightly over the past few weeks on concerns regarding the financial system.

\*Interest Rates - Rates rose in 2022 in response to a sharp pivot in monetary policy, but have fallen significantly (except for the very front end) so far in 2023. Futures markets are currently pricing in two 25bp cuts to overnight rates by year-end.

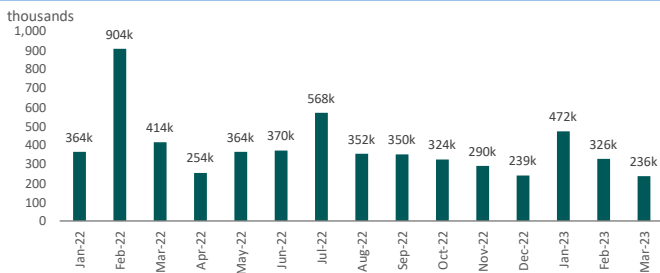
\*Inflation - After reaching 40yr highs in spring of 2022, inflation moderated in the second half of the year. Goods inflation has fallen due to softening demand and excess inventory, while services inflation remains elevated, in part due to shelter costs which are somewhat lagged. Real-time inflation data ticked higher sequentially in early 2023.

### Albion's Dashboard of Key Leading Economic Indicators as of 04/07/23

- Initial Jobless Claims (238k 4wk m/a) - Steady: revised higher due to pandemic seasonal adjustments
- Conference Board LEI (-6.5% y/y) - Weaker: has declined significantly since peaking in Feb 2022
- Building Permits (1,550k) - Stronger: housing activity rebounded sharply in February 2023
- Corporate Bond Spreads (1.30%) - Steady: stable at slightly wider levels following March bank failures
- Treasury Yield Curves (84.4% inv) - Steady: most Treasury curve points are inverted
- Consumer Confidence (104.2) - Steady: rangebound (100-110) for the past 7 months
- Real Final Sales (+1.3% y/y) - Steady: below-trend growth in Q3 and Q4 of 2022

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

### Chart of the Week: US Nonfarm Payrolls Added



## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,105	-0.1%	-0.1%	7.4%	-7.2%	62.0%
Dow Jones Indus. Avg.	33,485	0.7%	0.7%	1.6%	-1.1%	57.2%
NASDAQ	12,088	-1.1%	-1.1%	15.8%	-12.2%	56.9%
S&P Midcap 400	2,447	-2.6%	-2.6%	1.1%	-4.9%	74.8%
Russell 2000 (Small Cap)	1,754	-2.6%	-2.6%	0.0%	-11.4%	59.9%
MSCI EAFE (Int'l Dev Mkt Eq)	2,101	0.5%	0.5%	9.1%	2.1%	45.3%
MSCI EM (Emerging Mkt Eq)	987	-0.3%	-0.3%	3.7%	-9.3%	22.1%
MSCI World	2,790	0.0%	0.0%	7.7%	-5.8%	54.2%
S&P Global 1200	3,088	0.0%	0.0%	7.7%	-4.8%	55.3%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	3.39%	0.7%	0.7%	4.5%	-3.4%	-16.4%
U.S. Bonds (Aggregate)	4.33%	0.5%	0.5%	3.5%	-2.8%	-7.8%
Global Bonds	3.47%	0.7%	0.7%	3.7%	-5.6%	-9.0%
U.S. Munis	3.11%	0.9%	0.9%	3.7%	1.9%	2.8%
U.S. Investment Grade Corp	5.11%	0.5%	0.5%	4.0%	-3.4%	-1.5%
U.S. High Yield Corporates	8.55%	0.1%	0.1%	3.7%	-2.2%	19.4%

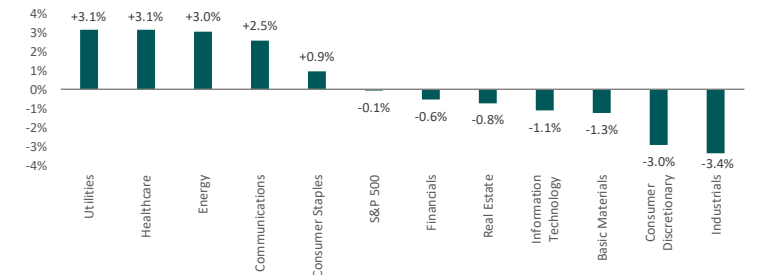
US Interest Rates	Levels (%)					
	4/7/23	3/31/23	3/31/23	12/30/22	4/7/22	4/7/20
2y Treasuries	3.98	4.03	4.03	4.43	2.46	0.26
10y Treasuries	3.39	3.47	3.47	3.87	2.66	0.71
30y Treasuries	3.61	3.65	3.65	3.96	2.68	1.29
Fed Funds (Effective Rate)	4.83	4.83	4.83	4.33	0.33	0.05
SOFR (USD)	4.81	4.87	4.87	4.30	0.30	0.01
30y Fixed Mortgage	6.27	6.24	6.24	6.41	4.72	3.33

Commodity Prices	Levels					
	4/7/23	3/31/23	3/31/23	12/30/22	4/7/22	4/7/20
Oil (WTI)	80.70	75.67	75.67	80.26	96.03	23.63
Gasoline	3.60	3.50	3.50	3.20	4.14	1.91
Natural Gas	2.01	2.22	2.22	4.48	6.36	1.85
Gold	2,008	1,969	1,969	1,824	1,932	1,648

Currency Crosses	Levels					
	4/7/23	3/31/23	3/31/23	12/30/22	4/7/22	4/7/20
\$ per E	1.24	1.23	1.23	1.21	1.31	1.23
\$ per €	1.09	1.08	1.08	1.07	1.09	1.09
¥ per \$	132.2	132.9	132.9	131.1	124.0	108.8
\$ per Bitcoin	27,890	28,395	28,395	16,579	43,577	7,118

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	4.75%	04/07/23	05/03/23		
Inflation (Core PCE Deflator)	4.6%	02/28/23	04/28/23		
Inflation (Headline CPI)	6.0%	02/28/23	04/12/23		
Unemployment (U-3)	3.5%	03/31/23	05/05/23		
GDP Growth (Q/Q SAAR)	2.6%	12/31/22	04/27/23		
ISM Manufacturing PMI	46.3	03/31/23	05/01/23		
Consumer Confidence	104.2	03/31/23	04/25/23		

### Sector Total Returns for the Week Ending 04/07/23



### YTD Sector Total Returns as of 04/07/23

