



**ALBION  
FINANCIAL  
GROUP**

Wealth Advisors,  
Investment Managers

## Market Commentary

### Weekly Recap:

Last week felt fairly quiet and uneventful, particularly on the macro front where fresh data was limited. The most notable release occurred on Friday, when the University of Michigan posted the preliminary November reading of its consumer sentiment index, which deteriorated sequentially and was worse than consensus across the board:

\* Overall Consumer Sentiment = 60.4 (prior month = 63.8)

\* Current Conditions = 65.7 (prior month = 70.6)

\* Future Expectations = 56.9 (prior month = 59.3)

\* 1y Inflation Expectations = 4.4% (prior month = 4.2%)

\* 5-10y Inflation Expectations = 3.2% (prior month = 3.0%)

The Fed is closely watching consumers' inflation expectations, which have begun to drift higher over the past two months. Longer term (5-10y) expectations have now reached a new cycle high. See the Chart of the Week for a time series.

Otherwise, the most notable update from last week were some public comments from Jerome Powell cautioning investors not to assume that another 25bp rate hike was completely off the table. Markets responded by pushing yields higher in the front end, and adding roughly 18% to the implied odds of another hike occurring by January.

Action in the long end of the curve was muted, allowing tech stocks to continue on their recent path higher. Otherwise, equities were mixed, with poor performance from then energy sector (driven by steadily falling oil prices) pulling down small and midcap benchmarks.

### Albion's "Four Pillars":

\*Economy & Earnings - The US economy has shown resilience so far in 2023, and Wall Street analysts expect full-year corporate earnings to be roughly flat y/y. Albion's base case expectation is that the US economy will enter recession in late 2023 / early 2024, putting downside pressure on earnings.

\*Valuation - The S&P 500's forward P/E of 18x is above the long run average, so valuation could be a headwind to future returns. More predictive metrics like CAPE, Tobin's Q, and the Buffett Indicator (Eq Mkt Cap / GDP) suggest that compound annual returns over the next decade are likely to be in the mid single digits.

\*Interest Rates - Rates rose dramatically in 2022 due to a sharp pivot in monetary policy, and have remained elevated in 2023 as the Fed remains committed to fighting inflation. Futures markets now imply roughly a 1-in-4 chance of another 25bp rate hike in late 2023 / early 2024, followed by a pause.

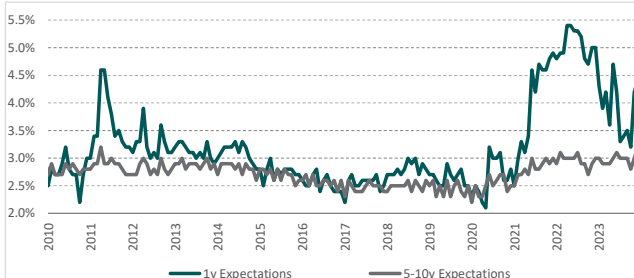
\*Inflation - After reaching 40yr highs in spring of 2022, inflation has moderated somewhat over the past 18 months. Goods inflation has fallen due to softening demand and excess inventory, while services inflation remains elevated, in part due to shelter costs which are somewhat lagged.

### Albion's Dashboard of Key Leading Economic Indicators as of 11/10/23

- Initial Jobless Claims (212k 4wk m/a) - Steady: have been around 200k/week for several months
- Conference Board LEI (-7.8% y/y) - Weaker: has declined significantly since peaking in Dec 2021
- Residential Building Permits (1,471k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (113%) - Steady: stabilized near long run averages after summer rally
- Treasury Yield Curves (75.6% inv) - Stronger: the inversion has begun to ease as longer yields rise
- Consumer Confidence (102.6) - Weaker: dropped in the fall after an early summer rebound
- Real Final Sales (+2.8% y/y) - Stronger: has rebounded after a weak first half of 2022

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

### Chart of the Week: U of Michigan Consumer Inflation Expectations



## Weekly Market Recap - 11/10/23

### Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,415	1.4%	5.3%	16.6%	13.5%	30.5%
Dow Jones Indus. Avg.	34,283	0.7%	3.8%	5.3%	3.9%	23.8%
NASDAQ	13,798	2.4%	7.4%	32.8%	25.2%	22.2%
S&P Midcap 400	2,440	-1.5%	3.1%	1.8%	-1.4%	21.1%
Russell 2000 (Small Cap)	1,705	-3.1%	2.7%	-1.9%	-7.3%	2.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,012	-0.9%	3.3%	6.7%	11.1%	10.8%
MSCI EM (Emerging Mkt Eq)	948	0.0%	3.7%	1.8%	9.9%	-12.4%
MSCI World	2,901	0.6%	4.8%	13.1%	11.8%	21.2%
S&P Global 1200	3,200	0.7%	4.8%	13.1%	12.8%	22.6%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.65%	-0.4%	2.3%	-3.4%	-2.8%	-21.5%
U.S. Bonds (Aggregate)	5.41%	-0.3%	2.0%	-0.8%	0.4%	-14.0%
Global Bonds	4.20%	-0.4%	1.8%	-1.7%	0.6%	-19.4%
U.S. Munis	4.12%	0.8%	2.7%	0.4%	3.6%	-5.2%
U.S. Investment Grade Corp	6.07%	0.0%	2.5%	0.6%	2.9%	-14.1%
U.S. High Yield Corporates	8.93%	-0.3%	2.1%	6.9%	8.1%	2.7%

US Interest Rates	Levels (%)					
	11/10/23	11/3/23	10/31/23	12/30/22	11/10/22	11/10/20
2y Treasuries	5.06	4.84	5.09	4.43	4.33	0.18
10y Treasuries	4.65	4.57	4.93	3.87	3.81	0.96
30y Treasuries	4.76	4.77	5.09	3.96	4.05	1.74
Fed Funds (Effective Rate)	5.33	5.33	5.33	4.33	3.83	0.09
SOFR (USD)	5.32	5.32	5.35	4.30	3.78	0.10
30y Fixed Mortgage	7.35	7.72	7.79	6.41	7.08	2.78

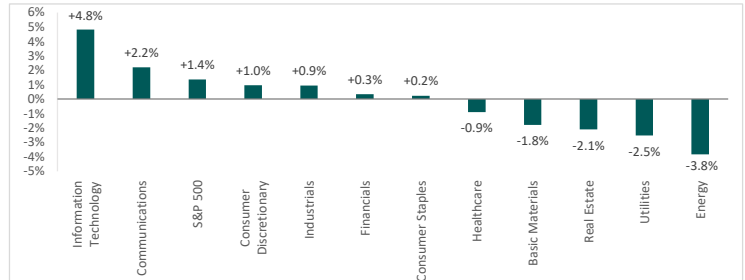
Commodity Prices	Levels					
	11/10/23	11/3/23	10/31/23	12/30/22	11/10/22	11/10/20
Oil (WTI)	77.17	80.51	81.02	80.26	86.47	41.36
Gasoline	3.38	3.43	3.46	3.20	3.79	2.12
Natural Gas	3.03	3.52	3.58	4.48	6.24	2.95
Gold	1,940	1,993	1,984	1,824	1,755	1,877

Currency Crosses	Levels					
	11/10/23	11/3/23	10/31/23	12/30/22	11/10/22	11/10/20
\$ per £	1.22	1.24	1.22	1.21	1.17	1.33
\$ per €	1.07	1.07	1.06	1.07	1.02	1.18
¥ per \$	151.5	149.4	151.7	131.1	141.0	105.3
\$ per Bitcoin	37,293	34,621	34,651	16,579	17,808	15,389

Macroeconomic Data	Value	Date	Next Rel.
Fed Funds Target (Floor)	5.25%	11/10/23	12/13/23
Inflation (Core PCE Deflator)	3.7%	09/30/23	11/30/23
Inflation (Headline CPI)	3.7%	09/30/23	11/14/23
Unemployment (U-3)	3.9%	10/31/23	12/08/23
GDP Growth (Q/Q SAAR)	4.9%	09/30/23	11/29/23
ISM Manufacturing PMI	46.7	10/31/23	12/01/23
Consumer Confidence	102.6	10/31/23	11/28/23

Data Sources:  
Bloomberg, FactSet

### Sector Total Returns for the Week Ending 11/10/23



### YTD Sector Total Returns as of 11/10/23

