



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 02/16/24

## Market Commentary

### Weekly Recap:

Stocks were mixed and bond yields rose after higher-than-expected CPI and PPI prints dampened investors' enthusiasm regarding near term interest rate cuts:

- \* Headline CPI was +0.3% m/m & +3.1% y/y (consensus +0.2% m/m & +2.9% y/y)
- \* Core CPI was +0.4% m/m & +3.9% y/y (consensus +0.3% m/m & +3.7% y/y)
- \* Headline PPI was +0.3% m/m & +0.9% y/y (consensus +0.1% m/m & +0.6% y/y)
- \* Core PPI was +0.5% m/m & +2.0% y/y (consensus +0.1% m/m & +1.6% y/y)

Bigger picture, the disinflationary trend largely remains in place, but as expected the final leg of the journey back to the Fed's 2% target is proving to be a somewhat slow and bumpy ride.

In response, futures markets pushed the first "odds on" FOMC rate cut from May to June. Yields rose across the Treasury curve, particularly in the front end as market participants once again recalibrated their expectations regarding the path toward monetary policy normalization.

Meanwhile, credit spreads tightened yet again, cushioning the downside in US corporate bonds.

Finally, equity performance was strictly ordered by duration last week, with technology and other growth stocks lagging while dividend-paying cyclicals and defensives were better. Energy stocks also got a boost from rising oil prices as tensions rose in the middle east amid signs of escalation in the conflict between Israel and Hamas. Small and midcap benchmarks outperformed large caps on the week, mostly due to differences in industry composition.

### Albion's "Four Pillars":

\*Economy & Earnings - The US economy was resilient last year, and Wall Street analysts expect full-year 2023 corporate earnings to be roughly flat y/y versus 2022. Analysts are forecasting low double digit EPS growth in 2024; growth of that magnitude will depend on the economy avoiding recession.

\*Valuation - The S&P 500's forward P/E of 20x 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 - Futures markets imply that the Fed will cut overnight interest rates several times in 2024, most likely beginning mid-year. The belly and long end of the curve have already priced in a rate cutting cycle, with yields falling more than 100bp in November/December of 2023.

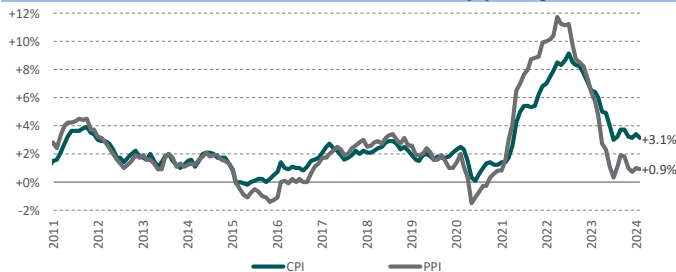
\*Inflation - After reaching 40yr highs in mid-2022, inflation has moderated significantly over the past 18 months. Goods inflation has fallen due to softening demand and supply chain normalization, while services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

### Albion's Dashboard of Key Leading Economic Indicators as of 02/16/24

- Initial Jobless Claims (219k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-7.1% y/y) - Weaker: has declined significantly since peaking in Dec 2021
- Residential Building Permits (1,470k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.92%) - Steady: stable at tight levels after late 2023 / early 2024 rally
- Treasury Yield Curves (77.8% inv) - Steady: likely to remain inverted until rate cutting cycle occurs
- Consumer Confidence (114.8) - Stronger: rebounded in late 2023 / early 2024
- Real Final Sales (+3.4% y/y) - Stronger: consumer spending was robust in the 2nd half of 2023

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

### Chart of the Week: Headline CPI and PPI (y/y change)



## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,006	-0.3%	3.4%	5.1%	24.4%	33.4%
Dow Jones Indus. Avg.	38,628	0.0%	1.4%	2.8%	17.1%	30.3%
NASDAQ	15,776	-1.3%	4.1%	5.2%	34.1%	15.0%
S&P Midcap 400	2,828	0.7%	3.6%	1.8%	7.7%	16.7%
Russell 2000 (Small Cap)	2,033	1.2%	4.5%	0.4%	6.3%	-6.9%
MSCI EAFE (Int'l Dev Mkt Eq)	2,257	1.5%	0.5%	1.1%	11.3%	9.8%
MSCI EM (Emerging Mkt Eq)	1,016	2.1%	4.2%	-0.6%	3.5%	-23.1%
MSCI World	3,287	0.2%	2.6%	3.8%	19.7%	21.7%
S&P Global 1200	3,607	0.3%	2.8%	3.8%	19.4%	22.7%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.28%	-0.8%	-2.7%	-3.0%	0.0%	-16.5%
U.S. Bonds (Aggregate)	4.92%	-0.6%	-1.7%	-2.0%	2.5%	-10.0%
Global Bonds	3.82%	-0.3%	-1.7%	-3.1%	1.6%	-16.8%
U.S. Munis	3.44%	-0.1%	-0.2%	-0.7%	4.4%	-2.8%
U.S. Investment Grade Corp	5.40%	-0.5%	-1.7%	-1.9%	5.1%	-9.2%
U.S. High Yield Corporates	7.87%	-0.3%	-0.1%	-0.2%	10.6%	4.5%

US Interest Rates	Levels (%)					
	2/16/24	2/9/24	1/31/24	12/29/23	2/16/23	2/16/21
2y Treasuries	4.64	4.48	4.21	4.25	4.64	0.12
10y Treasuries	4.28	4.18	3.91	3.88	3.86	1.31
30y Treasuries	4.44	4.37	4.17	4.03	3.91	2.09
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.58	0.08
SOFR (USD)	5.30	5.31	5.32	5.38	4.55	0.06
30y Fixed Mortgage	6.77	6.64	6.69	6.61	6.32	2.73

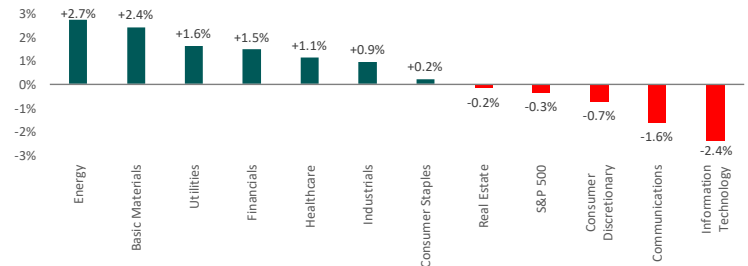
Commodity Prices	Levels					
	2/16/24	2/9/24	1/31/24	12/29/23	2/16/23	2/16/21
Oil (WTI)	79.19	76.84	75.85	71.65	78.49	60.05
Gasoline	3.28	3.18	3.15	3.12	3.42	2.54
Natural Gas	1.61	1.85	2.10	2.51	2.39	3.13
Gold	2,014	2,024	2,040	2,063	1,836	1,794

Currency Crosses	Levels					
	2/16/24	2/9/24	1/31/24	12/29/23	2/16/23	2/16/21
\$ per €	1.26	1.26	1.27	1.27	1.20	1.39
\$ per ¥	1.08	1.08	1.08	1.10	1.07	1.21
¥ per \$	150.2	149.3	146.9	141.0	133.9	106.0
\$ per Bitcoin	52,016	47,547	42,458	41,935	24,535	48,586

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
Fed Funds Target (Floor)	5.25%	02/16/24	03/20/24		
Inflation (Core PCE Deflator)	2.9%	12/31/23	02/29/24		
Inflation (Headline CPI)	3.1%	01/31/24	03/12/24		
Unemployment (U-3)	3.7%	01/31/24	03/08/24		
GDP Growth (Q/Q SAAR)	3.3%	12/31/23	02/28/24		
ISM Manufacturing PMI	49.1	01/31/24	03/01/24		
Consumer Confidence	114.8	01/31/24	02/27/24		

Bloomberg, FactSet

### Sector Total Returns for the Week Ending 02/16/24



### YTD Sector Total Returns as of 02/16/24

