



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Last week's headline event was Nvidia's quarterly earnings release, which investors treated as a measuring stick for the strength and durability of the boom in generative A/I. The company didn't disappoint. Revenue and EPS growth far exceeded consensus estimates as Wall Street analysts struggle to keep up with Nvidia's hockey-stick growth trajectory. Q1 revenue guidance of \$24.0 billion also exceeded consensus estimates by nearly 10%, resulting in further revision of expectations and yet another re-rating of the stock. NVDA finished 8.5% higher on the week, despite slumping in the days prior to Wednesday's release.

Reassurance that A/I growth continues unabated plus a benign week for rates allowed US stocks across all industries to push higher. The S&P 500 and the Dow Jones Industrial Average closed the week at fresh all-time highs, while the Nasdaq eased back just slightly on Friday after reaching a new high on Thursday.

The picture remains mixed on the macro front. On the plus side, jobless claims fell sequentially and continue to indicate a strong labor market, S&P's US Manufacturing (51.5) and Services PMIs (51.3) printed in expansion territory in the preliminary February reading, and existing home sales ticked higher in January thanks to some moderation in mortgage rates around year-end.

However, the Conference Board's Leading Economic Index (LEI) painted a different picture, falling for the 22nd month in a row. The index is down 7.0% on a y/y basis, and has fallen 13.4% from its peak in December of 2021. In the past, declines of that magnitude have *always* been followed by a US recession (see Chart of the Week).

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.

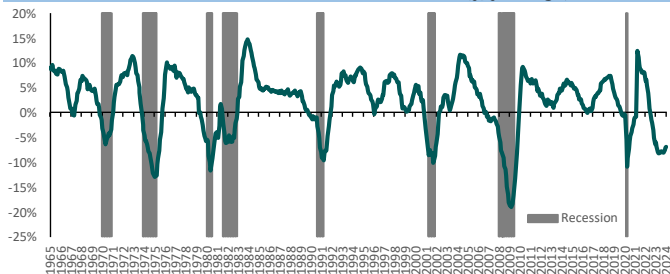
***Inflation** - After reaching 40yr highs in mid-2022, inflation has moderated significantly over the past 18 months. Goods inflation has fallen due to softening demand and supply chain normalization, while services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 02/23/24

- Initial Jobless Claims (215k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-7.0% y/y) - Weaker: has declined significantly since peaking in Dec 2021
- Residential Building Permits (1,489k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.91%) - Steady: stable at tight levels after late 2023 / early 2024 rally
- Treasury Yield Curves (82.2% 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: Conference Board LEI (y/y change)



Weekly Market Recap - 02/23/24

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,089	1.7%	5.1%	6.9%	28.9%	37.4%
Dow Jones Indus. Avg.	39,132	1.3%	2.7%	4.1%	20.5%	31.8%
NASDAQ	15,997	1.4%	5.6%	6.7%	39.1%	21.6%
S&P Midcap 400	2,858	1.1%	4.7%	2.9%	11.1%	18.3%
Russell 2000 (Small Cap)	2,017	-0.8%	3.7%	-0.4%	7.4%	-5.9%
MSCI EAFE (Int'l Dev Mkt Eq)	2,288	1.4%	1.9%	2.5%	14.7%	12.4%
MSCI EM (Emerging Mkt Eq)	1,028	1.2%	5.5%	0.6%	7.3%	-19.7%
MSCI World	3,334	1.5%	4.1%	5.4%	23.8%	25.3%
S&P Global 1200	3,661	1.6%	4.4%	5.4%	23.6%	26.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.25%	0.4%	-2.3%	-2.6%	0.5%	-15.7%
U.S. Bonds (Aggregate)	4.92%	0.3%	-1.5%	-1.8%	2.9%	-9.3%
Global Bonds	3.80%	0.4%	-1.3%	-2.7%	2.5%	-16.3%
U.S. Munis	3.42%	0.1%	-0.1%	-0.6%	5.2%	-1.4%
U.S. Investment Grade Corp	5.37%	0.4%	-1.3%	-1.5%	5.7%	-8.0%
U.S. High Yield Corporates	7.80%	0.4%	0.3%	0.3%	11.3%	5.1%

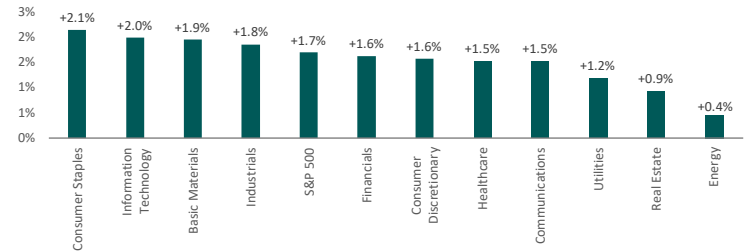
US Interest Rates	Levels (%)					
	2/23/24	2/16/24	1/31/24	12/29/23	2/23/23	2/23/21
2y Treasuries	4.69	4.64	4.21	4.25	4.70	0.11
10y Treasuries	4.25	4.28	3.91	3.88	3.88	1.34
30y Treasuries	4.37	4.44	4.17	4.03	3.88	2.18
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.58	0.07
SOFR (USD)	5.31	5.30	5.32	5.38	4.55	0.01
30y Fixed Mortgage	6.90	6.77	6.69	6.61	6.50	2.81

Commodity Prices	Levels					
	2/23/24	2/16/24	1/31/24	12/29/23	2/23/23	2/23/21
Oil (WTI)	76.49	79.19	75.85	71.65	75.39	61.67
Gasoline	3.26	3.28	3.15	3.12	3.39	2.66
Natural Gas	1.60	1.61	2.10	2.51	2.31	2.88
Gold	2,035	2,014	2,040	2,063	1,822	1,806

Currency Crosses	Levels					
	2/23/24	2/16/24	1/31/24	12/29/23	2/23/23	2/23/21
\$ per €	1.27	1.26	1.27	1.27	1.20	1.41
\$ per ¥	1.08	1.08	1.08	1.10	1.06	1.22
¥ per \$	150.5	150.2	146.9	141.0	134.7	105.3
\$ per Bitcoin	50,981	52,016	42,458	41,935	23,878	47,963

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				2/23/24	02/27/24
Fed Funds Target (Floor)	5.25%	02/23/24	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		

Sector Total Returns for the Week Ending 02/23/24



YTD Sector Total Returns as of 02/23/24

