



Market Commentary

Weekly Recap:

Stocks and bonds rallied last week, thanks in part to a PCE inflation print that came in right on the screws. Investors watched with a wary eye after the most recent CPI report had come in hotter than expected a couple weeks prior, but PCE did not cause the same level of consternation:

* Headline PCE Deflator was +0.3% m/m and +2.4% y/y

* Core PCE Deflator was +0.4% m/m and +2.8% y/y

Rates eased lower in response, after mostly moving higher in the early part of 2024. This brought some welcome relief to bondholders, who have watched bond prices sag over the past couple months, much as they did in the early part of last year. However, credit spreads also reversed course and moved wider last week, after reaching 2+ year tightness the week before. This widening in spreads resulted in muted price gains for US corporates, relative to Treasuries.

Stocks were mostly better as well, particularly tech which pushed the S&P 500 and Nasdaq to fresh all time highs on Friday. Pockets of weakness in staples, utilities, and healthcare head back the Dow Jones Industrial Average, which remains just a hair below the record high set a week earlier.

The other notable macro news from last week was the somewhat surprising drop in consumer confidence across both widely followed measures. The Conference Board's Consumer Confidence Index fell four points from a downwardly revised January figure to print at 106.7, reversing a 3-month uptrend. Meanwhile, the final reading of the University of Michigan's Consumer Sentiment Index for February fell nearly three points from its preliminary estimate, printing at 76.9.

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.

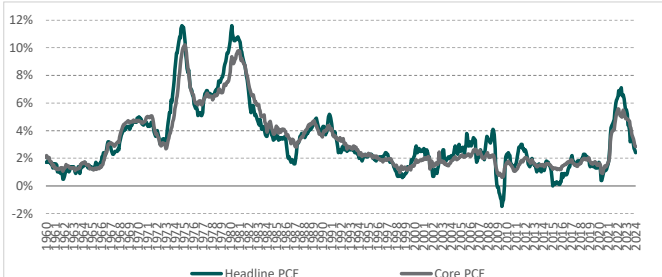
*Inflation - After reaching 40yr highs in mid-2022, inflation has moderated significantly over the past 18 months. Goods inflation has fallen due to softening demand and supply chain normalization, while services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 03/01/24

- Initial Jobless Claims (213k 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 (0.97%) - 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 (106.7) - Mixed: dipped in February after rebounding in late 2023
- 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: PCE Deflator (y/y change)



Weekly Market Recap - 03/01/24

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,137	1.0%	0.8%	8.0%	32.1%	38.0%
Dow Jones Indus. Avg.	39,087	0.0%	0.2%	4.1%	22.2%	31.7%
NASDAQ	16,275	1.8%	1.1%	8.6%	44.2%	22.6%
S&P Midcap 400	2,911	1.9%	0.7%	4.9%	13.5%	18.9%
Russell 2000 (Small Cap)	2,076	3.0%	1.1%	2.6%	11.1%	-5.0%
MSCI EAFE (Int'l Dev Mkt Eq)	2,304	0.7%	0.8%	3.2%	15.8%	15.0%
MSCI EM (Emerging Mkt Eq)	1,025	-0.3%	0.4%	0.3%	7.3%	-17.9%
MSCI World	3,364	0.9%	0.8%	6.3%	26.3%	26.6%
S&P Global 1200	3,690	0.8%	0.8%	6.3%	26.0%	27.5%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.18%	0.7%	0.5%	-2.0%	2.1%	-14.6%
U.S. Bonds (Aggregate)	4.84%	0.5%	0.4%	-1.3%	4.3%	-8.7%
Global Bonds	3.77%	0.3%	0.2%	-2.4%	3.5%	-15.5%
U.S. Munis	3.41%	0.2%	0.0%	-0.4%	5.4%	-0.6%
U.S. Investment Grade Corp	5.34%	0.2%	0.4%	-1.3%	7.0%	-7.7%
U.S. High Yield Corporates	7.82%	0.2%	0.2%	0.5%	11.4%	5.6%

US Interest Rates	Levels (%)				
	3/1/24	2/23/24	2/29/24	12/29/23	3/1/23
2y Treasuries	4.53	4.69	4.62	4.25	4.88
10y Treasuries	4.18	4.25	4.25	3.88	3.99
30y Treasuries	4.33	4.37	4.38	4.03	3.95
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.58
SOFR (USD)	5.31	5.31	5.32	5.38	4.55
30y Fixed Mortgage	6.94	6.90	6.94	6.61	6.50

Commodity Prices	Levels				
	3/1/24	2/23/24	2/29/24	12/29/23	3/1/23
Oil (WTI)	79.97	76.49	78.26	71.65	77.69
Gasoline	3.34	3.26	3.33	3.12	3.37
Natural Gas	1.84	1.60	1.86	2.51	2.81
Gold	2,083	2,035	2,044	2,063	1,837

Currency Crosses	Levels				
	3/1/24	2/23/24	2/29/24	12/29/23	3/1/23
\$ per £	1.27	1.27	1.26	1.27	1.20
\$ per €	1.08	1.08	1.08	1.10	1.07
¥ per \$	150.1	150.5	150.0	141.0	136.2
\$ per Bitcoin	62,589	50,981	61,431	41,935	23,558

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
Fed Funds Target (Floor)	5.25%	03/01/24	03/20/24	Bloomberg, FactSet	
Inflation (Core PCE Deflator)	2.8%	01/31/24	03/29/24		
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)	3.2%	12/31/23	03/28/24		
ISM Manufacturing PMI	47.8	02/29/24	04/01/24		
Consumer Confidence	106.7	02/29/24	03/26/24		

Sector Total Returns for the Week Ending 03/01/24



YTD Sector Total Returns as of 03/01/24

