



Wealth Advisors,
Investment Managers

Weekly Market Recap - 03/08/24

Market Commentary

Weekly Recap:

For the first time all year, technology, communications, and consumer discretionary (collectively the "growth sectors") all underperformed the broader market last week. Meanwhile, every cyclical and defensive sector outperformed. This same sector pattern resulted in small and midcap stocks beating large caps, and international benchmarks outperforming the US.

The bond market also reflected a mild risk-off sentiment last week, with rates falling 5-10 basis points across the curve. Jerome Powell's congressional testimony made it clear that rate cuts are coming later this year unless inflation data inflects higher, but the committee is not ready to begin monetary easing just yet.

Much of the selloff in growth occurred on Friday in the wake of the February jobs report from the Bureau of Labor Statistics. To our eyes, there was little in the report that was of particular concern.

- * Nonfarm payrolls rose 275k (consensus estimate was 200k)
- * Unemployment (U-3) ticked higher by 20 basis points to 3.9%
- * Average hourly earnings rose 0.1% m/m, and are up 4.3% y/y
- * Labor force participation held steady at 62.5%

Other labor market data was solid last week as well. Jobless claims remain low, the ADP reported a net gain of 150k payrolls, and the Job Openings and Labor Turnover Survey (aka, the JOLTS Report) tallied 8.86 million open jobs in the US, down just slightly from 8.89 million the prior month.

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.

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,124	-0.2%	0.6%	7.7%	30.4%	40.5%
Dow Jones Indus. Avg.	38,723	-0.8%	-0.6%	3.2%	20.6%	29.5%
NASDAQ	16,085	-1.1%	0.0%	7.3%	40.1%	30.6%
S&P Midcap 400	2,952	1.5%	2.2%	6.4%	16.1%	22.2%
Russell 2000 (Small Cap)	2,083	0.3%	1.4%	3.0%	12.6%	-1.5%
MSCI EAFE (Int'l Dev Mkt Eq)	2,358	2.5%	3.3%	5.8%	18.5%	19.1%
MSCI EM (Emerging Mkt Eq)	1,037	1.2%	1.6%	1.5%	9.3%	-13.5%
MSCI World	3,380	0.5%	1.3%	6.9%	26.1%	30.1%
S&P Global 1200	3,710	0.6%	1.5%	6.9%	26.0%	30.6%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.07%	0.9%	1.4%	-1.1%	2.8%	-12.4%
U.S. Bonds (Aggregate)	4.73%	0.8%	1.2%	-0.5%	5.1%	-7.1%
Global Bonds	3.67%	1.4%	1.6%	-1.1%	5.3%	-13.1%
U.S. Munis	3.35%	0.4%	0.4%	0.0%	5.7%	-0.5%
U.S. Investment Grade Corp	5.23%	0.9%	1.3%	-0.4%	7.6%	-5.2%
U.S. High Yield Corporates	7.72%	0.5%	0.7%	1.0%	12.0%	6.8%

US Interest Rates	Levels (%)					
	3/8/24	3/1/24	2/29/24	12/29/23	3/8/23	3/8/21
2y Treasuries	4.47	4.53	4.62	4.25	5.07	0.16
10y Treasuries	4.07	4.18	4.25	3.88	3.99	1.59
30y Treasuries	4.25	4.33	4.38	4.03	3.89	2.32
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.57	0.07
SOFR (USD)	5.31	5.31	5.32	5.38	4.55	0.02
30y Fixed Mortgage	6.88	6.94	6.94	6.61	6.65	3.02

Commodity Prices	Levels					
	3/8/24	3/1/24	2/29/24	12/29/23	3/8/23	3/8/21
Oil (WTI)	78.01	79.97	78.26	71.65	76.66	65.05
Gasoline	3.40	3.34	3.33	3.12	3.47	2.80
Natural Gas	1.81	1.84	1.86	2.51	2.55	2.66
Gold	2,179	2,083	2,044	2,063	1,814	1,684

Currency Crosses	Levels					
	3/8/24	3/1/24	2/29/24	12/29/23	3/8/23	3/8/21
\$ per £	1.29	1.27	1.26	1.27	1.18	1.38
\$ per €	1.09	1.08	1.08	1.10	1.05	1.18
¥ per \$	147.1	150.1	150.0	141.0	137.4	108.9
\$ per Bitcoin	68,399	62,589	61,431	41,935	22,007	51,879

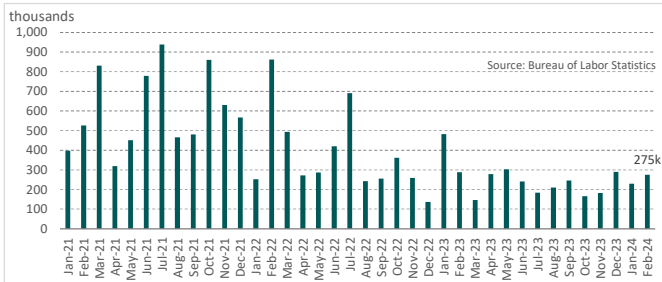
Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
Fed Funds Target (Floor)	5.25%	03/08/24	03/20/24	Bloomberg, FactSet	
Inflation (Core PCE Deflator)	2.8%	01/31/24	03/29/24		
Inflation (Headline CPI)	3.1%	01/31/24	03/12/24		
Unemployment (U-3)	3.9%	02/29/24	04/05/24		
GDP Growth (Q/Q SAAR)	3.2%	12/31/23	03/28/24		
ISM Manufacturing PMI	47.8	02/29/24	04/01/24		
Consumer Confidence	106.7	02/29/24	03/26/24		

Albion's Dashboard of Key Leading Economic Indicators as of 03/08/24

- Initial Jobless Claims (212k 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 (0.95%) - Steady: stable at tight levels after late 2023 / early 2024 rally
- Treasury Yield Curves (75.6% 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: Net Change in Nonfarm Payrolls



Sector Total Returns for the Week Ending 03/08/24



YTD Sector Total Returns as of 03/08/24

