



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 03/15/24

## Market Commentary

### Weekly Recap:

Financial assets struggled last week after hotter-than-expected CPI and PPI prints tempered investors' expectations regarding the upcoming Fed pivot.

- \* Headline CPI rose +0.4% m/m and +3.2% y/y (consensus = +3.1% y/y)
- \* Core CPI rose +0.4% m/m and +3.8% y/y (consensus = +3.7% y/y)
- \* Headline PPI rose +0.6% m/m and +1.6% y/y (consensus = +1.2% y/y)
- \* Core PPI rose +0.3% m/m and +2.0% y/y (consensus = +1.9% y/y)

In response, futures markets pulled another 25bp rate cut out of 2024, reducing the total number of implied cuts from four (100bp total) to three (75bp), while repricing the odds that the first cut will come in June from -90% down to -60%.

Predictably, rates moved higher across the Treasury yield curve, especially in the front end. 2y yields finished the week higher by 26bp. Credit spreads tightened on the week, softening the blow to US corporates.

Meanwhile, equities struggled across most sectors, market caps, and geographies, with rate-sensitive real estate names more heavily impacted. Small and midcap benchmarks underperformed, due in part to their higher REIT concentrations as compared to large cap indices.

In contrast, energy stocks were an upside outlier. A report from the International Energy Agency predicted a global supply deficit could persist for the balance of 2024, and US stockpiles recently saw their first drawdown in nearly two months, driving WTI and Brent crude to 4+ month highs.

### 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 20.6x 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.

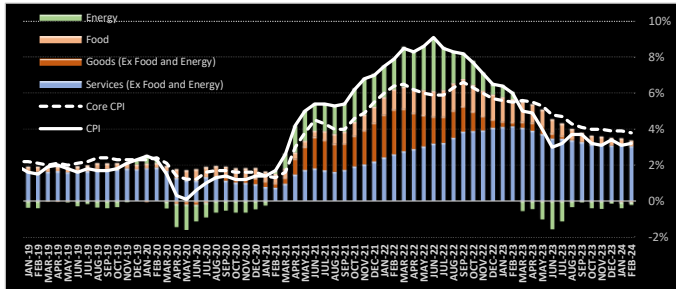
\*Inflation - After reaching 40yr highs in mid-2022, inflation has moderated significantly over the past 18 months. Goods inflation has fallen due to softening demand and supply chain normalization, while services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

### Albion's Dashboard of Key Leading Economic Indicators as of 03/15/24

- Initial Jobless Claims (208k 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 (1,470k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.89%) - 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 (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: Consumer Price Index Components (y/y change)



## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,117	-0.1%	0.5%	7.6%	33.6%	35.1%
Dow Jones Indus. Avg.	38,715	0.0%	-0.6%	3.2%	24.1%	24.9%
NASDAQ	15,973	-0.7%	-0.7%	6.6%	40.8%	21.5%
S&P Midcap 400	2,924	-0.9%	1.3%	5.5%	24.1%	14.2%
Russell 2000 (Small Cap)	2,039	-2.0%	-0.6%	0.9%	18.7%	-10.0%
MSCI EAFE (Int'l Dev Mkt Eq)	2,325	-1.3%	2.0%	4.4%	22.0%	14.9%
MSCI EM (Emerging Mkt Eq)	1,035	-0.1%	1.5%	1.4%	12.7%	-15.7%
MSCI World	3,363	-0.5%	0.9%	6.4%	29.5%	24.9%
S&P Global 1200	3,694	-0.4%	1.1%	6.5%	29.4%	25.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.31%	-1.8%	-0.4%	-2.8%	-3.2%	-14.0%
U.S. Bonds (Aggregate)	4.96%	-1.2%	0.0%	-1.7%	1.2%	-8.2%
Global Bonds	3.83%	-1.3%	0.2%	-2.4%	1.2%	-14.4%
U.S. Munis	3.39%	-0.1%	0.3%	0.0%	4.2%	-1.0%
U.S. Investment Grade Corp	5.42%	-1.0%	0.3%	-1.4%	5.0%	-6.2%
U.S. High Yield Corporates	7.82%	-0.2%	0.5%	0.8%	13.0%	6.4%

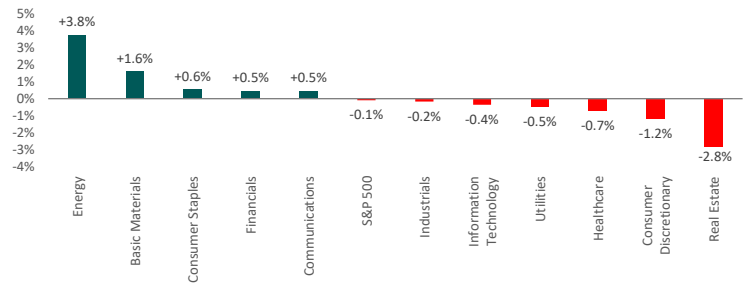
US Interest Rates	Levels (%)					
	3/15/24	3/8/24	2/29/24	12/29/23	3/15/23	3/15/21
2y Treasuries	4.73	4.47	4.62	4.25	3.89	0.15
10y Treasuries	4.31	4.07	4.25	3.88	3.45	1.61
30y Treasuries	4.43	4.25	4.38	4.03	3.64	2.36
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.58	0.07
SOFR (USD)	5.31	5.31	5.32	5.38	4.58	0.01
30y Fixed Mortgage	6.74	6.88	6.94	6.61	6.73	3.05

Commodity Prices	Levels					
	3/15/24	3/8/24	2/29/24	12/29/23	3/15/23	3/15/21
Oil (WTI)	81.04	78.01	78.26	71.65	67.61	65.39
Gasoline	3.46	3.40	3.33	3.12	3.46	2.87
Natural Gas	1.66	1.81	1.86	2.51	2.44	2.48
Gold	2,156	2,179	2,044	2,063	1,919	1,732

Currency Crosses	Levels					
	3/15/24	3/8/24	2/29/24	12/29/23	3/15/23	3/15/21
\$ per €	1.27	1.29	1.26	1.27	1.21	1.39
\$ per ¥	1.09	1.09	1.08	1.10	1.06	1.19
¥ per \$	149.0	147.1	150.0	141.0	133.4	109.1
\$ per Bitcoin	67,859	68,399	61,431	41,935	24,391	56,415

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	03/15/24	03/20/24		
Inflation (Core PCE Deflator)	2.8%	01/31/24	03/29/24		
Inflation (Headline CPI)	3.2%	02/29/24	04/10/24		
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		

### Sector Total Returns for the Week Ending 03/15/24



### YTD Sector Total Returns as of 03/15/24

