



Wealth Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Stocks and bonds of nearly all stripes enjoyed a strong week after a "goldilocks" FOMC meeting. While there was no uncertainty going into the meeting regarding the rate decision, investors were keenly focused on the committee's outlook for the economy and future rate decisions, as reflected by the updated Summary of Economic Projections (SEP). And on that front, the committee delivered a welcome update, upgrading its consensus outlook for 2024 GDP growth while also maintaining a median projection of three 25 basis point rate cuts by year-end.

The front end of the Treasury curve breathed a sigh of relief, with 2y yields falling 14bp while 10y yields dropped 11bp. Meanwhile, credit spreads inched tighter yet again. The average OAS on Bloomberg's US Corporate Credit Index finished the week at 88bp, a level not seen since Q4 of 2021.

Equity investors responded with enthusiasm. All three major US large cap benchmarks (the Dow, S&P, and Nasdaq) rose to fresh all time highs on Thursday. Small caps also posted solid gains, but remain well behind tech-dominated large cap benchmarks on a YTD basis. The same is true for international stocks, which continue to lag the US due to the more cyclical, less tech-heavy nature of international equity markets.

On the macro front, the most interesting development last week was the February release of the Conference Board's Leading Economic Index (LEI). The index rose sequentially (+0.1% m/m) for the first time in nearly two years, extending what appears to be a recent stabilization after a long, protracted decline that began at the start of 2022 (see the Chart of the Week for a time series). The improvement in the LEI seemed to offer some corroboration of the Fed's upgraded economic outlook, and was cheered by market participants.

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 21x 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.

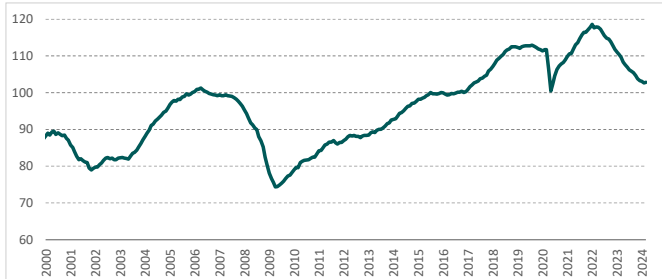
*Inflation - After reaching 40yr highs in mid-2022, inflation has moderated significantly over the past 18 months. Goods inflation has fallen due to softening demand and supply chain normalization, while services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 03/22/24

- Initial Jobless Claims (211k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-6.3% y/y) - Stabilizing: increased sequentially for the first time in 2 years
- Residential Building Permits (1,518k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.88%) - 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: Conference Board Leading Economic Index (Total)



Weekly Market Recap - 03/22/24

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,234	2.3%	2.8%	10.1%	35.1%	39.2%
Dow Jones Indus. Avg.	39,476	2.0%	1.4%	5.3%	25.9%	28.2%
NASDAQ	16,429	2.9%	2.1%	9.6%	41.9%	25.7%
S&P Midcap 400	2,991	2.3%	3.6%	7.9%	26.9%	20.6%
Russell 2000 (Small Cap)	2,072	1.6%	1.0%	2.5%	21.8%	-4.8%
MSCI EAFE (Int'l Dev Mkt Eq)	2,352	1.2%	3.2%	5.7%	19.3%	15.7%
MSCI EM (Emerging Mkt Eq)	1,039	0.5%	2.0%	2.0%	11.5%	-15.0%
MSCI World	3,428	2.0%	2.9%	8.5%	29.7%	27.9%
S&P Global 1200	3,765	2.0%	3.1%	8.6%	29.3%	28.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.20%	0.9%	0.5%	-1.9%	-2.6%	-12.6%
U.S. Bonds (Aggregate)	4.84%	0.7%	0.7%	-1.0%	1.3%	-7.4%
Global Bonds	3.75%	0.1%	0.4%	-2.2%	0.6%	-14.3%
U.S. Munis	3.44%	-0.2%	0.2%	-0.2%	4.0%	-0.7%
U.S. Investment Grade Corp	5.29%	0.8%	1.0%	-0.6%	4.6%	-5.4%
U.S. High Yield Corporates	7.64%	0.6%	1.1%	1.4%	12.6%	7.3%

US Interest Rates	Levels (%)					
	3/22/24	3/15/24	2/29/24	12/29/23	3/22/23	3/22/21
2y Treasuries	4.59	4.73	4.62	4.25	3.94	0.15
10y Treasuries	4.20	4.31	4.25	3.88	3.43	1.69
30y Treasuries	4.38	4.43	4.38	4.03	3.65	2.40
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	4.55	0.01
30y Fixed Mortgage	6.87	6.74	6.94	6.61	6.60	3.09

Commodity Prices	Levels					
	3/22/24	3/15/24	2/29/24	12/29/23	3/22/23	3/22/21
Oil (WTI)	80.63	81.04	78.26	71.65	70.90	61.55
Gasoline	3.53	3.46	3.33	3.12	3.44	2.88
Natural Gas	1.66	1.66	1.86	2.51	2.17	2.58
Gold	2,165	2,156	2,044	2,063	1,970	1,739

Currency Crosses	Levels					
	3/22/24	3/15/24	2/29/24	12/29/23	3/22/23	3/22/21
\$ per £	1.26	1.27	1.26	1.27	1.23	1.39
\$ per €	1.08	1.09	1.08	1.10	1.09	1.09
¥ per \$	151.4	149.0	150.0	141.0	131.4	108.9
\$ per Bitcoin	63,509	67,859	61,431	41,935	27,392	54,555

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
Fed Funds Target (Floor)	5.25%	03/22/24	05/01/24	Bloomberg, FactSet	
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 03/22/24



YTD Sector Total Returns as of 03/22/24

