



Health Advisors,
Investment Managers

Weekly Market Recap - 03/29/24

Market Commentary

Weekly Recap:

Mild weakness in large cap tech pulled the Nasdaq lower, but otherwise the holiday-shortened week was a positive one for most US stocks. The S&P 500 set a fresh record high on Wednesday and again on Thursday, the 23rd and 24th such highs reached already in 2024 (see the Chart of the Week). Meanwhile, small caps outperformed last week, closing some (but certainly not all) of the YTD relative performance gap with large caps. International stocks also posted modest gains on the week.

Fixed income was mostly stable, with yields rising slightly towards the front end of the curve and falling a few basis points in the long end. Credit spreads were stable and remain on the tight side of long run averages. Muni bonds underperformed slightly on the week, perhaps from being used as a source of funds for the upcoming tax deadline.

In macro news, there were mixed signals regarding consumer confidence in March. The Conference Board's Consumer Confidence Index printed at 104.7 versus consensus expectations of 107.0, and the February print was revised lower across the board. However, the University of Michigan's Consumer Sentiment gauge rose nearly 3 points to 79.4 in the final March reading versus the preliminary figure of 76.5 from two weeks ago.

Finally, PCE Deflator data for February was released on Good Friday while markets were closed, and mostly came in right in line with consensus:

* PCE Deflator rose +0.3% m/m and +2.5% y/y (consensus = +0.4%; +2.5%)

* PCE Core Deflator rose +0.3% m/m and +2.8% y/y (consensus = +0.3%; +2.8%)

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.

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,254	0.4%	3.2%	10.6%	32.5%	38.7%
Dow Jones Indus. Avg.	39,807	0.8%	2.2%	6.1%	24.3%	27.5%
NASDAQ	16,379	-0.3%	1.8%	9.3%	38.4%	28.4%
S&P Midcap 400	3,046	1.9%	5.6%	10.0%	25.9%	23.9%
Russell 2000 (Small Cap)	2,125	2.6%	3.6%	5.2%	21.9%	2.6%
MSCI EAFE (Int'l Dev Mkt Eq)	2,349	0.2%	3.4%	5.9%	18.0%	16.5%
MSCI EM (Emerging Mkt Eq)	1,043	0.5%	2.5%	-2.4%	9.8%	-12.9%
MSCI World	3,438	0.4%	3.2%	8.9%	27.6%	28.2%
S&P Global 1200	3,778	0.4%	3.5%	9.1%	27.4%	29.2%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.20%	0.3%	0.8%	-1.7%	-1.4%	-12.1%
U.S. Bonds (Aggregate)	4.85%	0.2%	0.9%	-0.8%	2.4%	-7.1%
Global Bonds	3.74%	0.2%	0.6%	-2.1%	0.8%	-13.7%
U.S. Munis	3.49%	-0.2%	0.0%	-0.4%	3.4%	-1.3%
U.S. Investment Grade Corp	5.30%	0.2%	1.3%	-0.4%	5.5%	-5.2%
U.S. High Yield Corporates	7.66%	0.1%	1.2%	1.5%	12.6%	6.9%

US Interest Rates	Levels (%)					
	3/29/24	3/22/24	2/29/24	12/29/23	3/29/23	3/29/21
2y Treasuries	4.62	4.59	4.62	4.25	4.10	0.14
10y Treasuries	4.20	4.20	4.25	3.88	3.56	1.71
30y Treasuries	4.34	4.38	4.38	4.03	3.76	2.41
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.83	0.07
SOFR (USD)	5.34	5.31	5.32	5.38	4.83	0.01
30y Fixed Mortgage	6.79	6.87	6.94	6.61	6.42	3.17

Commodity Prices	Levels					
	3/29/24	3/22/24	2/29/24	12/29/23	3/29/23	3/29/21
Oil (WTI)	83.17	80.63	78.26	71.65	72.97	61.56
Gasoline	3.54	3.53	3.33	3.12	3.49	2.87
Natural Gas	1.76	1.66	1.86	2.51	1.99	2.59
Gold	2,230	2,165	2,044	2,063	1,965	1,712

Currency Crosses	Levels					
	3/29/24	3/22/24	2/29/24	12/29/23	3/29/23	3/29/21
\$ per £	1.26	1.26	1.26	1.27	1.23	1.38
\$ per €	1.08	1.08	1.08	1.10	1.08	1.18
¥ per \$	151.4	151.4	150.0	141.0	132.9	109.8
\$ per Bitcoin	69,654	63,509	61,431	41,935	28,393	57,234

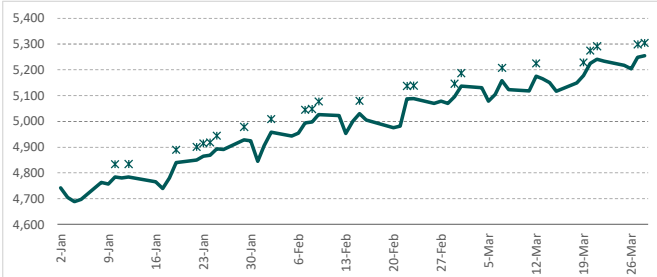
Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	03/29/24	05/01/24		
Inflation (Core PCE Deflator)	2.8%	02/29/24	04/26/24		
Inflation (Headline CPI)	3.2%	02/29/24	04/10/24		
Unemployment (U-3)	3.9%	02/29/24	04/05/24		
GDP Growth (Q/Q SAAR)	3.4%	12/31/23	04/25/24		
ISM Manufacturing PMI	50.3	03/29/24	05/01/24		
Consumer Confidence	104.7	03/29/24	04/30/24		

Albion's Dashboard of Key Leading Economic Indicators as of 03/29/24

- 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 (0.90%) - Steady: stable at tight levels after late 2023 / early 2024 rally
- Treasury Yield Curves (84.4% inv) - Steady: likely to remain inverted until rate cutting cycle occurs
- Consumer Confidence (104.7) - Mixed: dipped in February after rebounding in late 2023
- Real Final Sales (+3.5% y/y) - Stronger: consumer spending was robust in the 2nd half of 2023

Legend: ● = All Clear; ● = Caution; ● = Strong Warning

Chart of the Week: S&P 500 (* Denotes Record High)



Sector Total Returns for the Week Ending 03/29/24



YTD Sector Total Returns as of 03/29/24

