



Wealth Advisors,
Investment Managers

Weekly Market Recap - 04/05/24

Market Commentary

Weekly Recap:

Equities finished the week lower, driven in part by escalating geopolitical risk in the middle east. Oil prices rose to 6-month highs, with Brent crude breaching \$90 per barrel for the first time since October of last year. Energy stocks finished the week higher, and the sector is now among the best-performing in the S&P 500 so far this year.

Bonds were lower on the week, thanks to a backup in rates. Several FOMC members made public comments during the course of the week, with a fairly consistent message: the Fed is still not in a hurry to lower overnight interest rates. Futures markets responded by shifting the first "odds on" rate cut from June to July, and Treasury yields moved higher across the curve.

Macro data released last week suggested that the US economy remains on first footing as we head into Q1 earnings season, with the manufacturing sector continuing to show signs of a recovery in activity. ISM's US Manufacturing PMI printed at 50.3 for the month of March, the first print in expansion territory (>50) in roughly a year and a half. This echoes the move higher in S&P's US Manufacturing PMI, which breached 50 in January and has moved a bit higher in the two months since (the final March print was 51.9).

Meanwhile, the labor market remains strong, as it has throughout the post-pandemic period:

- * There are 8.75 million open jobs in the US per the JOLTS report
- * 303k net new nonfarm payrolls were reported for the month of March
- * U-3 unemployment fell 10bp sequentially to 3.8%

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 20.5x 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 sometime this summer. 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	5,204	-0.9%	-0.9%	9.5%	29.2%	33.7%
Dow Jones Indus. Avg.	38,904	-2.2%	-2.2%	3.8%	18.7%	23.3%
NASDAQ	16,249	-0.8%	-0.8%	8.5%	36.5%	21.4%
S&P Midcap 400	2,989	-1.9%	-1.9%	7.9%	24.0%	17.6%
Russell 2000 (Small Cap)	2,063	-2.9%	-2.9%	2.2%	19.6%	-5.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,317	-1.3%	-1.3%	4.5%	13.8%	13.8%
MSCI EM (Emerging Mkt Eq)	1,046	0.3%	0.3%	2.7%	9.1%	-14.6%
MSCI World	3,402	-1.0%	-1.0%	7.8%	24.1%	24.1%
S&P Global 1200	3,741	-0.9%	-0.9%	8.0%	24.0%	25.0%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.40%	-1.6%	-1.6%	-3.2%	-5.2%	-13.5%
U.S. Bonds (Aggregate)	5.00%	-1.1%	-1.1%	-1.8%	-0.5%	-8.4%
Global Bonds	3.83%	-0.7%	-0.7%	-2.8%	-1.2%	-14.3%
U.S. Munis	3.61%	-0.6%	-0.6%	-1.0%	1.7%	-2.0%
U.S. Investment Grade Corp	5.45%	-1.2%	-1.2%	-1.6%	2.1%	-7.0%
U.S. High Yield Corporates	7.84%	-0.5%	-0.5%	1.0%	10.6%	5.8%

US Interest Rates	Levels (%)					
	4/5/24	3/29/24	3/29/24	12/29/23	4/5/23	4/5/21
2y Treasuries	4.75	4.62	4.62	4.25	3.78	0.17
10y Treasuries	4.40	4.20	4.20	3.88	3.31	1.70
30y Treasuries	4.55	4.34	4.34	4.03	3.57	2.35
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.83	0.07
SOFR (USD)	5.32	5.34	5.34	5.38	4.81	0.01
30y Fixed Mortgage	6.82	6.79	6.79	6.61	6.32	3.18

Commodity Prices	Levels					
	4/5/24	3/29/24	3/29/24	12/29/23	4/5/23	4/5/21
Oil (WTI)	86.91	83.17	83.17	71.65	80.61	58.65
Gasoline	3.59	3.54	3.54	3.12	3.55	2.87
Natural Gas	1.79	1.76	1.76	2.51	2.16	2.51
Gold	2,330	2,230	2,230	2,063	2,021	1,728

Currency Crosses	Levels					
	4/5/24	3/29/24	3/29/24	12/29/23	4/5/23	4/5/21
\$ per £	1.26	1.26	1.26	1.27	1.25	1.39
\$ per €	1.08	1.08	1.08	1.10	1.09	1.18
¥ per \$	151.6	151.4	151.4	141.0	131.3	110.2
\$ per Bitcoin	67,660	69,654	69,654	41,935	28,157	58,799

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	04/05/24	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)	3.8%	03/31/24	05/03/24		
GDP Growth (Q/Q SAAR)	3.4%	12/31/23	04/25/24		
ISM Manufacturing PMI	50.3	03/31/24	05/01/24		
Consumer Confidence	104.7	03/31/24	04/30/24		

Albion's Dashboard of Key Leading Economic Indicators as of 04/05/24

- Initial Jobless Claims (214k 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 (1,524k) - 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 (80.0% 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

Sector Total Returns for the Week Ending 04/05/24

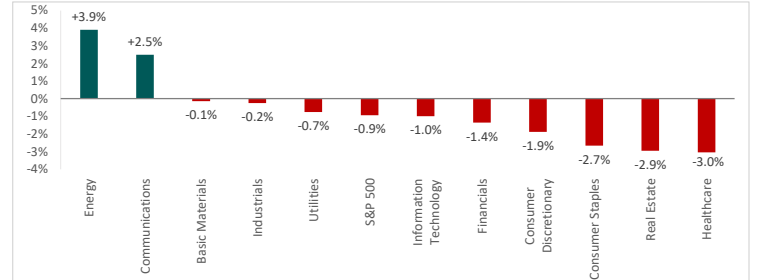
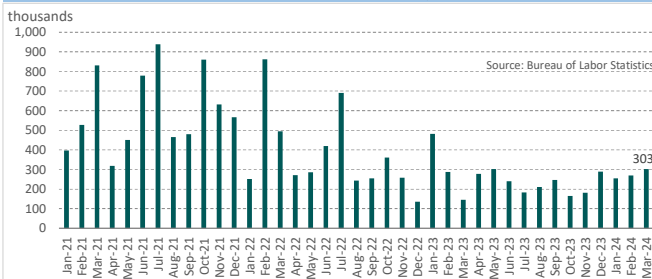


Chart of the Week: Net Nonfarm Payrolls Added



YTD Sector Total Returns as of 04/05/24

