



Health Advisors,
Investment Managers

Weekly Market Recap - 04/19/24

Market Commentary

Weekly Recap:

It was a tough week for stocks and bonds as market participants began to debate whether 2024 might see zero cuts to overnight interest rates, rather than multiple cuts as had been assumed in the early part of the year. As of Friday's close, futures were still pricing in two 25bp rate cuts by year-end, with July being the first "live" meeting where a rate cut was roughly a 50/50 proposition. Sticky inflation and hawkish commentary from FOMC members have undermined what was previously a consensus view that a relatively aggressive rate cutting cycle would begin over the summer.

As a result of the less dovish outlook for monetary policy, Treasury yields have moved higher across the curve. Last week saw a parallel shift higher by 8-10 basis points, putting yet another dent in YTD fixed income performance. Mortgage rates have moved wider in sync with Treasury yields, with the national average for 30y fixed rate back above 7% according to Freddie Mac's weekly mortgage market survey.

Stocks had a difficult time staying afloat amidst the backup in rates. Rate-sensitive sectors were the hardest hit, including real estate and technology. The recent selloff in large cap tech has pushed the Nasdaq back behind the S&P 500 on a YTD basis.

In macro news, last week's most significant release was the Conference Board's Leading Economic Index (LEI), which resumed its downward trajectory in March after a brief uptick in February. The index is now 13.7% off its year-end 2021 cycle peak (see the Chart of the Week). In the past, declines of this magnitude and duration have always been followed by a recession.

Albion's "Four Pillars":

***Economy & Earnings** - The US economy has been resilient despite the higher interest rate environment. 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 twice in 2024, beginning at some point in the 2nd half of the year. Rate cut expectations have been tempered recently due to sticky inflation prints.

***Inflation** - After falling rapidly in late 2022 and all of 2023, inflation has become sticky in the 3-4% range in early 2024. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs. Rising oil prices driven by armed conflicts in Ukraine and the middle east are also a risk to the inflation outlook.

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	4,967	-3.0%	-5.4%	4.6%	21.4%	25.0%
Dow Jones Indus. Avg.	37,986	0.0%	-4.5%	1.4%	14.5%	18.5%
NASDAQ	15,282	-5.5%	-6.7%	2.0%	26.7%	12.4%
S&P Midcap 400	2,837	-2.2%	-6.8%	2.4%	14.9%	10.0%
Russell 2000 (Small Cap)	1,948	-2.8%	-8.3%	-3.5%	9.9%	-9.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,236	-2.3%	-4.7%	1.0%	7.6%	6.4%
MSCI EM (Emerging Mkt Eq)	1,004	-3.6%	-3.6%	-1.3%	4.5%	-18.6%
MSCI World	3,256	-2.8%	-5.2%	3.2%	16.7%	15.8%
S&P Global 1200	3,579	-2.9%	-5.2%	3.4%	16.7%	17.0%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.62%	-0.7%	-3.1%	-4.7%	-4.4%	-15.8%
U.S. Bonds (Aggregate)	5.25%	-0.6%	-2.4%	-3.1%	-0.2%	-10.1%
Global Bonds	4.00%	-0.6%	-2.2%	-4.3%	-1.3%	-16.7%
U.S. Munis	3.70%	-0.3%	-1.0%	-1.4%	2.5%	-3.2%
U.S. Investment Grade Corp	5.71%	-0.7%	-2.6%	-2.9%	2.1%	-8.8%
U.S. High Yield Corporates	8.27%	-0.6%	-1.6%	-0.2%	8.7%	4.1%

US Interest Rates	Levels (%)					
	4/19/24	4/12/24	3/29/24	12/29/23	4/19/23	4/19/21
2y Treasuries	4.99	4.90	4.62	4.25	4.24	0.16
10y Treasuries	4.62	4.52	4.20	3.88	3.59	1.60
30y Treasuries	4.71	4.63	4.34	4.03	3.79	2.30
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.83	0.07
SOFR (USD)	5.31	5.34	5.34	5.38	4.80	0.01
30y Fixed Mortgage	7.10	6.88	6.79	6.61	6.27	3.04

Commodity Prices	Levels					
	4/19/24	4/12/24	3/29/24	12/29/23	4/19/23	4/19/21
Oil (WTI)	83.14	83.17	83.17	71.65	79.16	63.38
Gasoline	3.68	3.63	3.54	3.12	3.69	2.87
Natural Gas	1.75	1.76	1.76	2.51	2.22	2.75
Gold	2,392	2,230	2,230	2,063	1,995	1,771

Currency Crosses	Levels					
	4/19/24	4/12/24	3/29/24	12/29/23	4/19/23	4/19/21
\$ per £	1.24	1.25	1.26	1.27	1.24	1.40
\$ per €	1.07	1.06	1.08	1.10	1.10	1.20
¥ per \$	154.6	153.2	151.4	141.0	134.7	108.2
\$ per Bitcoin	64,071	67,128	69,654	41,935	29,249	56,211

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	04/19/24	05/01/24		
Inflation (Core PCE Deflator)	2.8%	02/29/24	04/26/24		
Inflation (Headline CPI)	3.5%	03/31/24	05/15/24		
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 04/19/24

- Initial Jobless Claims (215k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-5.5% y/y) - Stabilizing: increased sequentially for the first time in 2 years
- Residential Building Permits (1,458k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.92%) - 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

Sector Total Returns for the Week Ending 04/19/24

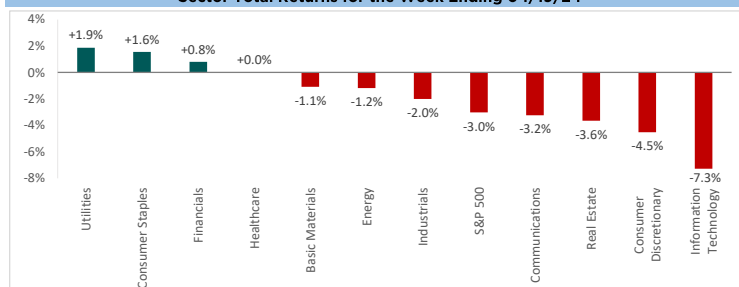
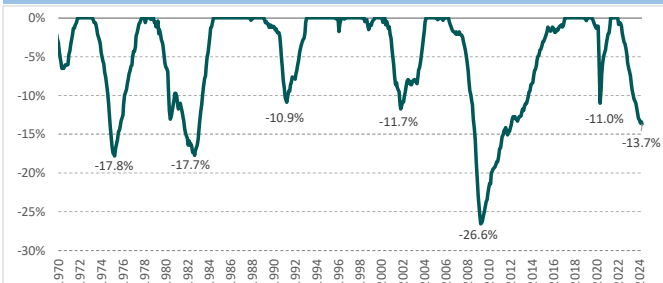


Chart of the Week: Conference Board LEI - Percent Decline from Peak



YTD Sector Total Returns as of 04/19/24

