



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 04/26/24

## Market Commentary

### Weekly Recap:

Risk appetite returned to financial markets last week as equities experienced a broad-based rally. All sectors in the S&P 500 finished higher, led by a strong post-earnings rebound in several large cap technology stocks that pushed the Nasdaq to a 4.2% gain on the week. Small caps and international stocks also fared well.

Rate volatility eased back a bit, particularly in the front end which has come to grips with the reality of a very patient Fed. Belly and long end yields inched higher by a few basis points, but the 2y finished the week right where it began: just shy of 5%. Futures markets are now pricing in only one 25bp rate cut by year-end, down from six at the start of the year.

Meanwhile, credit spreads compressed a bit last week on the uptick in risk appetite, keeping high quality corporate bond prices flat despite the mild backup in parts of the Treasury yield curve.

Macro data was mostly fine last week - not too hot, and not too cold. The first estimate of Q1 GDP came in lower than consensus expectations, but real-time GDP estimates (like the Atlanta Fed's GDPNow) suggest that the final figure could eventually be revised higher. Consensus estimates call for continued slow growth for the balance of 2024 (see Chart of the Week).

Finally, PCE inflation data for March came in largely in line with expectations. Headline and Core PCE both expanded by +0.3% m/m in March, as they both had the previous month. Core PCE (the Fed's preferred inflation gauge) remained at +2.8% on a y/y basis, above the Fed's 2% target.

### 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 once or possibly twice in 2024, most likely 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	5,100	2.7%	-2.9%	7.4%	27.7%	27.6%
Dow Jones Indus. Avg.	38,240	0.7%	-3.9%	2.0%	17.3%	19.6%
NASDAQ	15,928	4.2%	-2.7%	6.3%	35.4%	15.3%
S&P Midcap 400	2,895	2.1%	-4.9%	4.6%	21.2%	10.0%
Russell 2000 (Small Cap)	2,002	2.8%	-5.7%	-0.8%	17.5%	-9.2%
MSCI EAFE (Int'l Dev Mkt Eq)	2,275	2.0%	-2.8%	3.0%	10.0%	8.8%
MSCI EM (Emerging Mkt Eq)	1,042	3.8%	0.0%	2.4%	11.0%	-16.3%
MSCI World	3,335	2.5%	-2.9%	5.8%	21.9%	18.2%
S&P Global 1200	3,670	2.6%	-2.7%	6.1%	22.0%	19.6%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.66%	-0.3%	-3.4%	-5.0%	-6.1%	-16.4%
U.S. Bonds (Aggregate)	5.28%	-0.1%	-2.4%	-3.2%	-1.3%	-10.3%
Global Bonds	4.04%	-0.3%	-2.5%	-4.6%	-2.5%	-17.2%
U.S. Munis	3.77%	-0.3%	-1.3%	-1.7%	1.9%	-3.5%
U.S. Investment Grade Corp	5.71%	0.0%	-2.5%	-2.9%	1.2%	-9.2%
U.S. High Yield Corporates	8.13%	0.6%	-1.1%	0.4%	9.4%	4.6%

US Interest Rates	Levels (%)					
	4/26/24	4/19/24	3/29/24	12/29/23	4/26/23	4/26/21
2y Treasuries	4.99	4.99	4.62	4.25	3.95	0.17
10y Treasuries	4.66	4.62	4.20	3.88	3.45	1.57
30y Treasuries	4.78	4.71	4.34	4.03	3.70	2.24
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	4.80	0.01
30y Fixed Mortgage	7.17	7.10	6.79	6.61	6.39	2.97

Commodity Prices	Levels					
	4/26/24	4/19/24	3/29/24	12/29/23	4/26/23	4/26/21
Oil (WTI)	83.85	83.17	83.17	71.65	74.30	61.91
Gasoline	3.66	3.68	3.54	3.12	3.64	2.89
Natural Gas	1.61	1.76	1.76	2.51	2.12	2.79
Gold	2,338	2,230	2,230	2,063	1,989	1,781

Currency Crosses	Levels					
	4/26/24	4/19/24	3/29/24	12/29/23	4/26/23	4/26/21
\$ per £	1.25	1.24	1.26	1.27	1.25	1.39
\$ per €	1.07	1.07	1.08	1.10	1.10	1.21
¥ per \$	158.3	154.6	151.4	141.0	133.7	108.1
\$ per Bitcoin	63,939	64,071	69,654	41,935	28,418	53,263

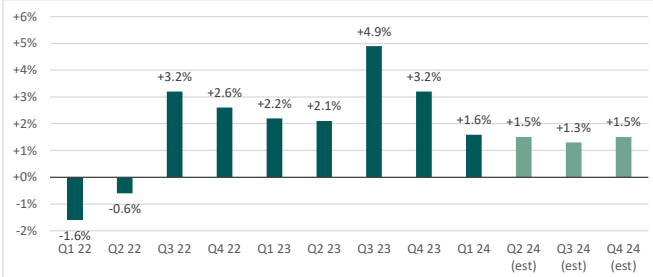
Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	04/26/24	05/01/24		
Inflation (Core PCE Deflator)	2.8%	03/31/24	05/31/24		
Inflation (Headline CPI)	3.5%	03/31/24	05/15/24		
Unemployment (U-3)	3.8%	03/31/24	05/03/24		
GDP Growth (Q/Q SAAR)	1.6%	03/31/24	05/30/24		
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 04/26/24

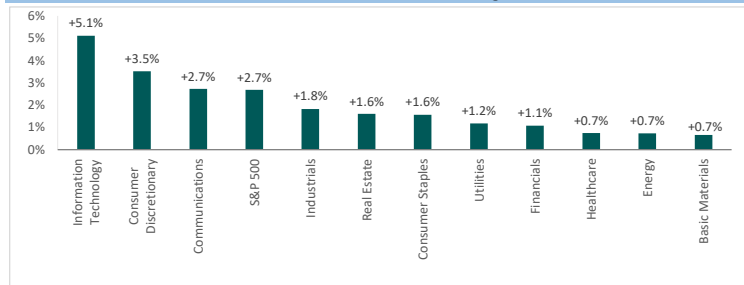
- Initial Jobless Claims (213k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-5.5% y/y) - Stabilizing: increased sequentially for the first time in 2 years
- Residential Building Permits (1,458k) - Stronger: gradual improvement after early 2023 trough
- Corporate Bond Spreads (0.87%) - 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 (104.7) - Mixed: dipped in February after rebounding in late 2023
- Real Final Sales (+2.9% y/y) - Stronger: consumer spending was robust in the 2nd half of 2023

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

### Chart of the Week: US GDP Growth (q/q, annualized)



### Sector Total Returns for the Week Ending 04/26/24



### YTD Sector Total Returns as of 04/26/24

