



Wealth Advisors,  
Investment Managers

# Weekly Market Recap - 04/12/24

## Market Commentary

### Weekly Recap:

Sticky inflation put market participants on edge last week. For the 3rd month in a row, CPI came in slightly above expectations, and the deceleration of the disinflation trend is in danger of turning into a complete halt. Investors are slowly accepting that the last 1-2% in the journey to get back to the Fed's 2% inflation target will not be speedy or smooth.

Immediately after the CPI print, futures markets took yet another 25bp rate cut out of the forecast for 2024, leaving only two such cuts (50bp total) implied. Markets were pricing six cuts for a total of 150bp at the start of the year; four of those have now been removed from expectations in just a few months.

In response, rates rose across the Treasury yield curve, especially in the front end. Much like last year, it has been a tough start for bonds in 2024. Tighter credit spreads have helped limit some of the price declines in corporates, but bonds of nearly all stripes are lower YTD.

Other news was also less than positive last week. Oil prices rose on escalation of the conflict between Israel and its neighbors in the middle east. And Q1 earnings reports from some large US banks included mildly disappointing guidance for 2024 net interest income. Deposit migration towards higher yielding CDs and money market vehicles continues to put pressure on funding costs, suggesting that the bank sector may have already seen peak net interest margin for this cycle.

This cocktail of challenges resulted in lower stock prices across all sectors, market caps, and geographies.

### 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 20.6x 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.

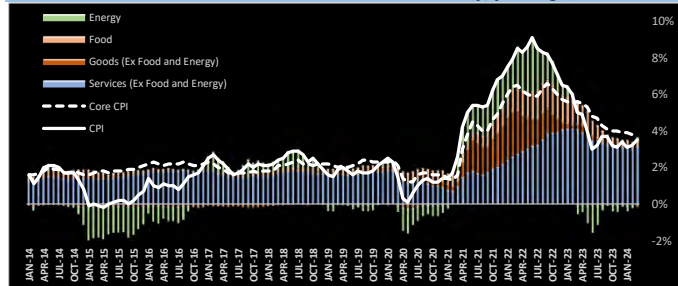
**\*Inflation** - After falling rapidly in late 2022 and all of 2023, inflation has become sticky in the 3-4% range in early 2024. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs. Rising oil prices driven by armed conflicts in Ukraine and the middle east are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

### Albion's Dashboard of Key Leading Economic Indicators as of 04/12/24

- 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 (86.7% 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: Consumer Price Index (y/y change)



## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
S&P 500	5,123	-1.5%	-2.4%	7.9%	27.2%	30.1%
Dow Jones Indus. Avg.	37,983	-2.4%	-4.5%	1.3%	15.3%	19.6%
NASDAQ	16,175	-0.4%	-1.2%	8.0%	36.7%	19.6%
S&P Midcap 400	2,900	-3.0%	-4.8%	4.7%	18.7%	13.5%
Russell 2000 (Small Cap)	2,003	-2.9%	-5.7%	-0.8%	14.7%	-6.5%
MSCI EAFE (Int'l Dev Mkt Eq)	2,290	-1.1%	-2.4%	3.4%	11.2%	11.5%
MSCI EM (Emerging Mkt Eq)	1,042	-0.3%	-0.1%	2.4%	8.1%	-13.8%
MSCI World	3,351	-1.5%	-2.5%	6.2%	21.8%	20.8%
S&P Global 1200	3,686	-1.4%	-2.3%	6.5%	21.6%	22.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	YTD	1 Year	3y Cum.
10y U.S. Treasuries	4.52%	-0.9%	-2.4%	-4.1%	-5.3%	-14.7%
U.S. Bonds (Aggregate)	5.14%	-0.7%	-1.8%	-2.5%	-0.7%	-9.2%
Global Bonds	3.91%	-1.0%	-1.7%	-3.7%	-1.6%	-15.6%
U.S. Munis	3.64%	-0.1%	-0.7%	-1.1%	1.2%	-2.4%
U.S. Investment Grade Corp	5.59%	-0.7%	-1.8%	-2.2%	1.9%	-8.0%
U.S. High Yield Corporates	8.06%	-0.6%	-1.1%	0.4%	9.4%	4.9%

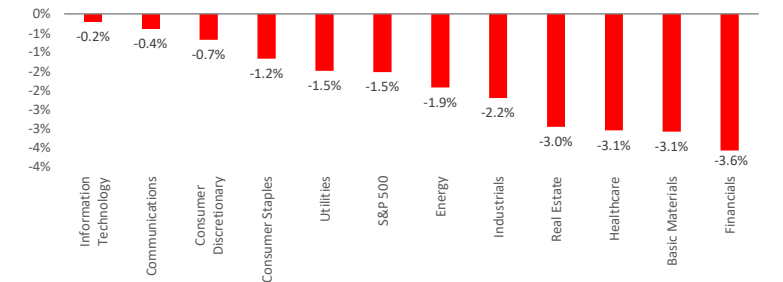
US Interest Rates	Levels (%)					
	4/12/24	4/5/24	3/29/24	12/29/23	4/12/23	4/12/21
2y Treasuries	4.90	4.75	4.62	4.25	3.96	0.17
10y Treasuries	4.52	4.40	4.20	3.88	3.39	1.67
30y Treasuries	4.63	4.55	4.34	4.03	3.62	2.33
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	4.83	0.07
SOFR (USD)	5.31	5.34	5.34	5.38	4.80	0.01
30y Fixed Mortgage	6.88	6.82	6.79	6.61	6.28	3.13

Commodity Prices	Levels					
	4/12/24	4/5/24	3/29/24	12/29/23	4/12/23	4/12/21
Oil (WTI)	85.66	83.17	83.17	71.65	83.26	59.70
Gasoline	3.63	3.59	3.54	3.12	3.65	2.86
Natural Gas	1.77	1.76	1.76	2.51	2.09	2.56
Gold	2,344	2,230	2,230	2,063	2,015	1,733

Currency Crosses	Levels					
	4/12/24	4/5/24	3/29/24	12/29/23	4/12/23	4/12/21
\$ per £	1.25	1.26	1.26	1.27	1.25	1.37
\$ per €	1.06	1.08	1.08	1.10	1.10	1.19
¥ per \$	153.2	151.6	151.4	141.0	133.1	109.4
\$ per Bitcoin	67,128	67,660	69,654	41,935	29,968	59,978

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:	
				Bloomberg	FactSet
Fed Funds Target (Floor)	5.25%	04/12/24	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		

### Sector Total Returns for the Week Ending 04/12/24



### YTD Sector Total Returns as of 04/12/24

