



Wealth Advisors,
Investment Managers

Weekly Market Recap - 06/07/24

Market Commentary

Weekly Recap:

Stocks were higher in the aggregate (fueled by another 10% rise in NVDA) during a busy week for macro news that provided mixed signals with respect to the state of the US economy. Early in the week, some softer-than-expected updates on labor and manufacturing suggested that the economy was slowing to the point where multiple rate cuts by year-end were a probable outcome, but Friday's stronger-than-expected monthly jobs report turned that notion around in a hurry.

On Monday, ISM's Manufacturing PMI for May fell to 48.7 (contraction territory), with fresh weakness in new orders. Later in the week, however, ISM's Services PMI gained more than expected, with strength in both new orders and employment. This is consistent with the pattern in the US economy for the past 2+ years, during which a strong services sector (the bulk of the US economy) has offset what has essentially been a recession in manufacturing.

Labor market data also painted a mixed picture. On Tuesday, the Job Openings and Labor Turnover Survey (aka, the JOLTS report) showed a second consecutive large m/m drop in open jobs in the US, falling to 8.06 million (the pandemic era peak was over 12 million). Weekly initial jobless claims also ticked up slightly to 229k, which is towards the higher end of the range that has persisted for the past 2+ years. But then on Friday, the month jobs report from the BLS far surpassed consensus with 272k nonfarm payrolls added (consensus = 180k), and 4.1% y/y growth in average hourly earnings (consensus = +3.9%). The strong report left traders rushing to cover their rate cut bets, leaving the odds of a second cut in 2024 at roughly 50/50 as the week drew to a close.

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 20.7x 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.

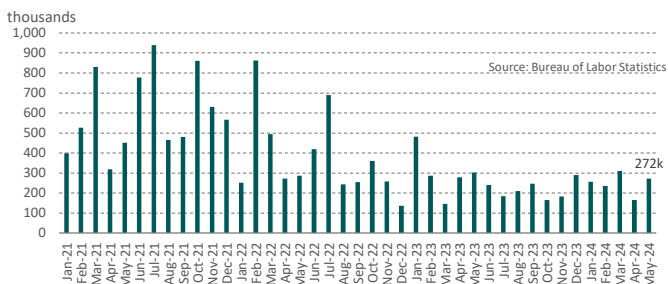
***Inflation** - After falling rapidly in late 2022 and all of 2023, inflation has become sticky in the 3-4% range in early 2024. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs. Moderating energy prices have recently been helpful in terms of the inflation outlook.

Albion's Dashboard of Key Leading Economic Indicators as of 06/07/24

- Initial Jobless Claims (222k 4wk m/a) - Steady: run rate slightly above 200k per week
- Conference Board LEI (-5.4% y/y) - Weaker: resumed 2+ year decline in March after a bounce in Feb
- Residential Building Permits (1,440k) - Weaker: activity slowing on persistently high mortgage rates
- Corporate Bond Spreads (0.88%) - 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 (102.0) - Mixed: rebounded in May after softening in Q1
- Real Final Sales (+2.8% y/y) - Steady: consumer spending remained solid in Q1 2024

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

Chart of the Week: Nonfarm Payrolls Added



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	5,347	1.4%	1.4%	2.0%	12.8%	32.6%
Dow Jones Indus. Avg.	38,799	0.3%	0.3%	-2.1%	3.9%	19.1%
NASDAQ	17,133	2.4%	2.4%	4.8%	14.5%	26.4%
S&P Midcap 400	2,921	-2.0%	-2.0%	-3.9%	5.7%	12.4%
Russell 2000 (Small Cap)	2,027	-2.1%	-2.1%	-4.4%	0.6%	-8.9%
MSCI EAFE (Int'l Dev Mkt Eq)	2,369	0.6%	0.6%	2.1%	8.1%	10.3%
MSCI EM (Emerging Mkt Eq)	1,073	2.4%	2.4%	3.5%	6.0%	-14.9%
MSCI World	3,479	1.0%	1.0%	1.6%	10.6%	21.5%
S&P Global 1200	3,834	1.1%	1.1%	2.0%	11.3%	22.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.43%	0.5%	0.5%	-1.1%	-2.8%	-14.6%
U.S. Bonds (Aggregate)	5.06%	0.4%	0.4%	-0.4%	-1.2%	-8.7%
Global Bonds	3.94%	0.3%	0.3%	-0.9%	-3.0%	-16.1%
U.S. Munis	3.76%	1.1%	1.1%	-0.5%	-0.9%	-3.1%
U.S. Investment Grade Corp	5.50%	0.4%	0.4%	-0.4%	-0.8%	-7.7%
U.S. High Yield Corporates	7.93%	0.4%	0.4%	0.6%	2.1%	5.5%

US Interest Rates	Levels (%)					
	6/7/24	5/31/24	5/31/24	3/29/24	12/29/23	6/7/21
2y Treasuries	4.89	4.87	4.87	4.62	4.25	0.15
10y Treasuries	4.43	4.50	4.50	4.20	3.88	1.57
30y Treasuries	4.55	4.65	4.65	4.34	4.03	2.25
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	5.33	0.06
SOFR (USD)	5.33	5.34	5.34	5.34	5.38	0.01
30y Fixed Mortgage	6.99	7.03	7.03	6.79	6.61	2.99

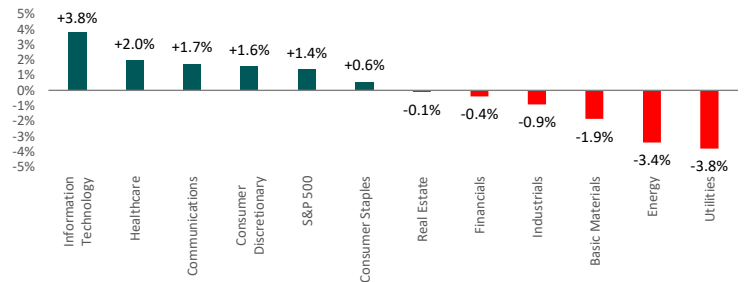
Commodity Prices	Levels					
	6/7/24	5/31/24	5/31/24	3/29/24	12/29/23	6/7/21
Oil (WTI)	75.53	76.99	76.99	83.17	71.65	69.23
Gasoline	3.46	3.54	3.54	3.54	3.12	3.06
Natural Gas	2.92	2.59	2.59	1.76	2.51	3.07
Gold	2,294	2,327	2,327	2,230	2,063	1,899

Currency Crosses	Levels					
	6/7/24	5/31/24	5/31/24	3/29/24	12/29/23	6/7/21
\$ per £	1.27	1.27	1.27	1.26	1.27	1.42
\$ per €	1.08	1.08	1.08	1.08	1.10	1.22
¥ per \$	156.8	157.3	157.3	151.4	141.0	109.3
\$ per Bitcoin	69,271	67,630	67,630	69,654	41,935	34,458

Macroeconomic Data	Value	Date	Next Rel.	Cons Est
Inflation (Core PCE Deflator)	2.8%	04/30/24	06/28/24	-
Inflation (Headline CPI)	3.4%	04/30/24	06/12/24	3.4%
Unemployment (U-3)	4.0%	05/31/24	07/05/24	-
GDP Growth (Q/Q SAAR)	1.3%	03/31/24	06/27/24	-
ISM Manufacturing PMI	48.7	05/31/24	07/01/24	-
Consumer Confidence	102.0	05/31/24	06/25/24	-

Data Sources: Bloomberg, FactSet

Sector Total Returns for the Week Ending 06/07/24



YTD Sector Total Returns as of 06/07/24

