



Wealth Advisors.  
Investment Managers

# Weekly Market Recap - 06/14/24

## Market Commentary

### Weekly Recap:

In a week where an updated dot plot from the FOMC showed that consensus among committee members had moved to just one 25bp rate cut by year-end, futures markets actually increased the odds of a *second* rate cut from roughly 50/50 to more like 90/10.

The reason was inflation data. All three inflation metrics released last week came in well below consensus expectations, beginning with CPI data for May which hit the tape only a few hours before the conclusion of the 2-day FOMC meeting:

- \* Headline CPI was flat sequentially and fell to +3.3% y/y
- \* Core (ex food & energy) CPI rose 0.2% m/m and fell to +3.4% y/y

Then on Thursday, the Producer Price Index (PPI) showed similar softness, coming in 30bp below consensus estimates across the board:

- \* Headline (final demand) PPI was -0.2% m/m and fell to +2.2% y/y
- \* Core (ex food & energy) PPI was flat sequentially and fell to +2.3% y/y

Finally, import/export prices released on Friday showed a similar trend:

- \* Import prices printed at -0.4% m/m and fell to +1.1% y/y
- \* Export prices printed at -0.6% m/m and fell to +0.6% y/y

In response, bond prices rose as rates fell by -20bp across the entire Treasury yield curve. On the equity side, real estate and large cap growth stocks were the biggest beneficiaries of the fall in rates, while cyclicals and small caps finished lower. The tech sector also got yet another boost from rosy A/I-driven earnings reports and forward guidance from Broadcom, Oracle, and Adobe.

### 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 21x is well above the long run average, so valuations are likely to 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 from current levels over the coming decade are likely to be in the 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. Belly and long end rates are likely already near their post-pandemic equilibrium levels, unless the US economy enters a recession.

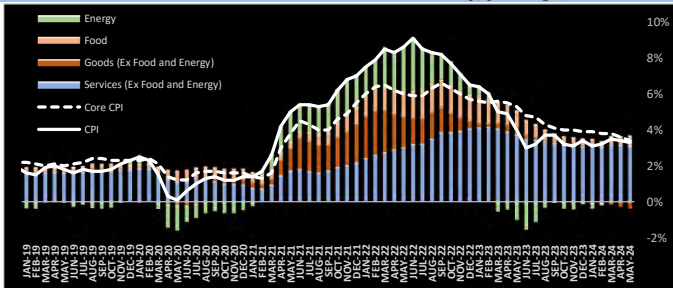
\*Inflation - After falling rapidly in late 2022 and all of 2023, inflation has become sticky in the 3-4% range in early 2024. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs. Moderating energy prices have recently been helpful in terms of the inflation outlook.

### Albion's Dashboard of Key Leading Economic Indicators as of 06/14/24

- Initial Jobless Claims (227k 4wk m/a) - Weaker: claims have ticked higher in recent weeks
- 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 (0.92%) - 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 (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: Consumer Price Index (y/y change)



## Market Data

| Equity Indices               | Close  | Index Total Returns (%) |       |       |       |         |
|------------------------------|--------|-------------------------|-------|-------|-------|---------|
|                              |        | 1 Week                  | MTD   | QTD   | YTD   | 3y Cum. |
| S&P 500                      | 5,432  | 1.6%                    | 3.0%  | 3.7%  | 14.6% | 33.8%   |
| Dow Jones Indus. Avg.        | 38,589 | -0.5%                   | -0.2% | -2.7% | 3.3%  | 19.2%   |
| NASDAQ                       | 17,689 | 3.3%                    | 5.8%  | 8.2%  | 18.3% | 27.8%   |
| S&P Midcap 400               | 2,895  | -0.8%                   | -2.8% | -4.7% | 4.8%  | 11.4%   |
| Russell 2000 (Small Cap)     | 2,006  | -1.0%                   | -3.0% | -5.3% | -0.4% | -10.0%  |
| MSCI EAFE (Int'l Dev Mkt Eq) | 2,306  | -2.6%                   | -2.0% | -0.6% | 5.3%  | 7.2%    |
| MSCI EM (Emerging Mkt Eq)    | 1,077  | 0.5%                    | 2.9%  | 4.0%  | 6.5%  | -14.7%  |
| MSCI World                   | 3,492  | 0.4%                    | 1.4%  | 2.0%  | 11.1% | 21.2%   |
| S&P Global 1200              | 3,852  | 0.5%                    | 1.6%  | 2.5%  | 11.8% | 23.0%   |

| Fixed Income               | Yield | Index Total Returns (%) |      |       |       |         |
|----------------------------|-------|-------------------------|------|-------|-------|---------|
|                            |       | 1 Week                  | MTD  | QTD   | YTD   | 3y Cum. |
| 10y U.S. Treasuries        | 4.22% | 1.9%                    | 2.4% | 0.7%  | -1.0% | -13.6%  |
| U.S. Bonds (Aggregate)     | 4.87% | 1.3%                    | 1.8% | 0.9%  | 0.1%  | -7.8%   |
| Global Bonds               | 3.81% | 0.5%                    | 0.8% | -0.4% | -2.5% | -15.8%  |
| U.S. Munis                 | 3.65% | 0.7%                    | 1.8% | 0.2%  | -0.2% | -2.8%   |
| U.S. Investment Grade Corp | 5.34% | 1.2%                    | 1.6% | 0.9%  | 0.5%  | -7.2%   |
| U.S. High Yield Corporates | 7.91% | 0.3%                    | 0.7% | 0.8%  | 2.3%  | 5.3%    |

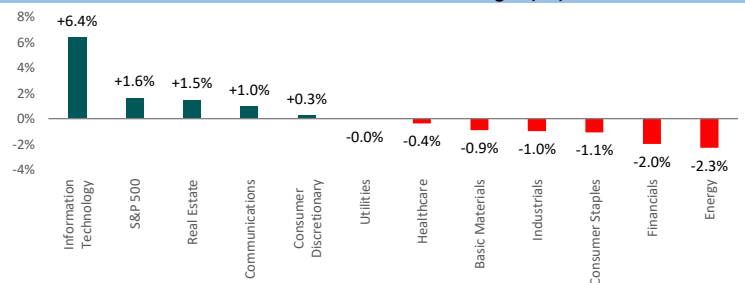
| US Interest Rates          | Levels (%) |        |         |         |          |         |
|----------------------------|------------|--------|---------|---------|----------|---------|
|                            | 6/14/24    | 6/7/24 | 5/31/24 | 3/29/24 | 12/29/23 | 6/14/21 |
| 2y Treasuries              | 4.70       | 4.89   | 4.87    | 4.62    | 4.25     | 0.16    |
| 10y Treasuries             | 4.22       | 4.43   | 4.50    | 4.20    | 3.88     | 1.49    |
| 30y Treasuries             | 4.35       | 4.55   | 4.65    | 4.34    | 4.03     | 2.18    |
| Fed Funds (Effective Rate) | 5.33       | 5.33   | 5.33    | 5.33    | 5.33     | 0.06    |
| SOFR (USD)                 | 5.31       | 5.33   | 5.34    | 5.34    | 5.38     | 0.01    |
| 30y Fixed Mortgage         | 6.95       | 6.99   | 7.03    | 6.79    | 6.61     | 2.96    |

| Commodity Prices | Levels  |        |         |         |          |         |
|------------------|---------|--------|---------|---------|----------|---------|
|                  | 6/14/24 | 6/7/24 | 5/31/24 | 3/29/24 | 12/29/23 | 6/14/21 |
| Oil (WTI)        | 78.45   | 75.53  | 76.99   | 83.17   | 71.65    | 70.88   |
| Gasoline         | 3.45    | 3.46   | 3.54    | 3.54    | 3.12     | 3.08    |
| Natural Gas      | 2.88    | 2.92   | 2.59    | 1.76    | 2.51     | 3.35    |
| Gold             | 2,333   | 2,294  | 2,327   | 2,230   | 2,063    | 1,866   |

| Currency Crosses | Levels  |        |         |         |          |         |
|------------------|---------|--------|---------|---------|----------|---------|
|                  | 6/14/24 | 6/7/24 | 5/31/24 | 3/29/24 | 12/29/23 | 6/14/21 |
| \$ per £         | 1.27    | 1.27   | 1.27    | 1.26    | 1.27     | 1.41    |
| \$ per €         | 1.07    | 1.08   | 1.08    | 1.08    | 1.10     | 1.21    |
| ¥ per \$         | 157.4   | 156.8  | 157.3   | 151.4   | 141.0    | 110.1   |
| \$ per Bitcoin   | 65,735  | 69,271 | 67,630  | 69,654  | 41,935   | 39,832  |

| Macroeconomic Data            | Value | Date     | Next Rel. | Cons Est | Data Sources: |
|-------------------------------|-------|----------|-----------|----------|---------------|
|                               |       |          |           |          |               |
| Fed Funds Target (Floor)      | 5.25% | 06/14/24 | 07/31/24  | 5.25%    |               |
| Inflation (Core PCE Deflator) | 2.8%  | 04/30/24 | 06/28/24  | 2.6%     |               |
| Inflation (Headline CPI)      | 3.3%  | 05/31/24 | 07/11/24  | -        |               |
| Unemployment (U-3)            | 4.0%  | 05/31/24 | 07/05/24  | -        |               |
| GDP Growth (Q/Q SAAR)         | 1.3%  | 03/31/24 | 06/27/24  | 1.5%     |               |
| ISM Manufacturing PMI         | 48.7  | 05/31/24 | 07/01/24  | -        |               |
| Consumer Confidence           | 102.0 | 05/31/24 | 06/25/24  | 100.0    |               |

### Sector Total Returns for the Week Ending 06/14/24



### YTD Sector Total Returns as of 06/14/24

