



Health Advisors,
Investment Managers

Market Commentary

Weekly Recap:

Macro data released last week, while somewhat mixed, was generally supportive of the soft landing narrative.

Inflation data came in below expectations, bolstering rate cut confidence:

- * PPI dropped to +2.2% y/y (consensus = +2.3%; prior month = +2.7%)
- * CPI dropped to +2.9% y/y (consensus = +3.0%; prior month = +2.9%)

Labor market and consumer-related data remained solid:

- * Initial jobless claims eased lower for a 2nd straight week, to 227k
- * Retail sales rose +1.0% m/m in July (consensus = +0.4%)
- * U of Michigan consumer sentiment rose slightly to 67.8 in prelim August data

Manufacturing and housing remain challenged, but so far that has not tipped the broader economy into recession and may not derail the soft landing outcome:

- * Empire manufacturing remained in contraction territory at -4.7 for August
- * Industrial production fell 0.6% m/m and capacity utilization fell to 77.8% in July
- * Housing starts fell 6.8% sequentially in July to a SAAR of 1,353k
- * Residential building permits fell 4.0% sequentially in July to a SAAR of 1,396k

Amidst this slew of macro data, the S&P 500 registered gains each day last week, with all sectors finishing the week in positive territory. The Nasdaq outperformed on renewed strength in mega cap tech stocks. In fixed income, rates fell modestly in the belly and long end of the curve as the market finds a new equilibrium after the flight-to-safety trade in early August. Credit spreads tightened during the week on renewed risk appetite, pushing corporate bond prices higher.

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 enact multiple interest rate cuts across the last three FOMC meetings of 2024, with additional cuts in 2025. Belly and long end rates are already at or near what are likely to be their post-pandemic equilibrium levels, unless the US economy enters a recession.

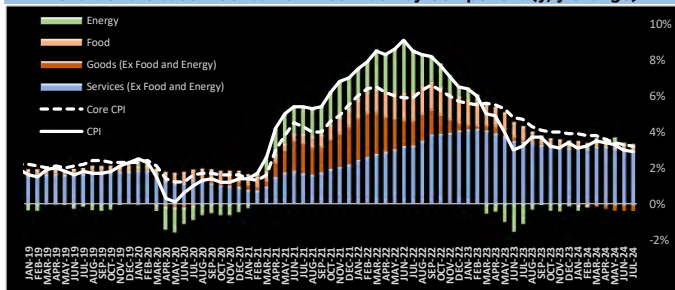
*Inflation - After falling rapidly in late 2022 and all of 2023, inflation became sticky in the 3-4% range in the first half of 2024. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs. Volatile energy prices driven by geopolitical conflicts could present a risk to the inflation outlook.

Albion's Dashboard of Key Leading Economic Indicators as of 08/16/24

- Initial Jobless Claims (237k 4wk m/a) - Mixed: claims have fallen in August after rising in July
- Conference Board LEI (-4.8% y/y) - Weaker: nearly uninterrupted decline since Dec '21 peak
- Residential Building Permits (1,396k) - Mixed: activity curtailed by persistently high mortgage rates
- Corporate Bond Spreads (0.96%) - Steady: stable to slightly tighter after early August scare
- Treasury Yield Curves (68.9% inv) - Stronger: inversion waning as rate cutting cycle approaches
- Consumer Confidence (100.3) - Mixed: present situation strong, future expectations weak
- 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 by Component (y/y change)



Weekly Market Recap - 08/16/24

Market Data

Equity Indices	Close	Index Total Returns (%)			
		1 Week	MTD	YTD	3y Cum.
S&P 500	5,554	4.0%	0.7%	17.5%	29.9%
Dow Jones Indus. Avg.	40,660	3.0%	-0.3%	9.2%	21.4%
NASDAQ	17,632	5.3%	0.2%	18.0%	22.1%
S&P Midcap 400	3,011	2.6%	-2.7%	9.3%	16.0%
Russell 2000 (Small Cap)	2,142	3.0%	-4.9%	6.6%	1.5%
MSCI EAFE (Int'l Dev Mkt Eq)	2,375	4.1%	-0.1%	8.7%	10.8%
MSCI EM (Emerging Mkt Eq)	1,094	2.9%	1.0%	9.1%	-5.6%
MSCI World	3,584	4.0%	0.4%	14.2%	20.4%
S&P Global 1200	3,951	4.1%	0.6%	15.0%	23.1%

Fixed Income	Yield	Index Total Returns (%)			3y Cum.
		1 Week	MTD	YTD	
10y U.S. Treasuries	3.88%	0.5%	1.5%	2.3%	-13.0%
U.S. Bonds (Aggregate)	4.46%	0.5%	1.3%	2.9%	-6.3%
Global Bonds	3.50%	0.4%	1.6%	1.1%	-12.9%
U.S. Munis	3.47%	0.2%	0.7%	1.2%	-1.6%
U.S. Investment Grade Corp	4.97%	1.0%	1.4%	3.3%	-6.3%
U.S. High Yield Corporates	7.47%	0.8%	0.7%	5.3%	7.8%

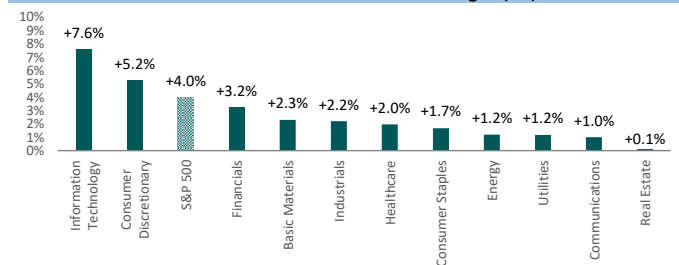
US Interest Rates	Levels (%)				
	8/16/24	8/9/24	7/31/24	12/29/23	8/16/21
2y Treasuries	4.05	4.05	4.26	4.25	0.21
10y Treasuries	3.88	3.94	4.03	3.88	1.27
30y Treasuries	4.14	4.22	4.30	4.03	1.93
Fed Funds (Effective Rate)	5.33	5.33	5.33	5.33	0.10
SOFR (USD)	5.32	5.34	5.38	5.38	0.05
30y Fixed Mortgage	6.49	6.47	6.78	6.61	2.87

Commodity Prices	Levels				
	8/16/24	8/9/24	7/31/24	12/29/23	8/16/21
Oil (WTI)	76.65	76.84	77.91	71.65	67.29
Gasoline	3.42	3.45	3.48	3.12	3.18
Natural Gas	2.12	2.14	2.04	2.51	3.95
Gold	2,508	2,431	2,448	2,063	1,787

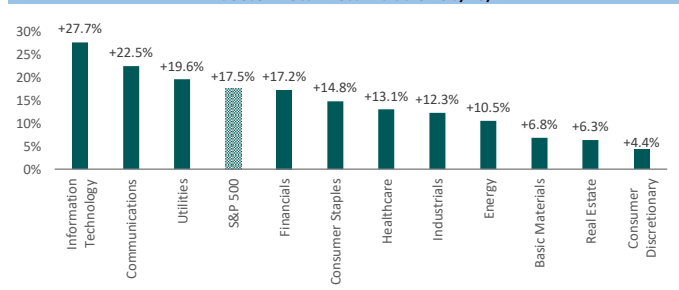
Currency Crosses	Levels				
	8/16/24	8/9/24	7/31/24	12/29/23	8/16/21
\$ per E	1.29	1.28	1.29	1.27	1.38
\$ per €	1.10	1.09	1.08	1.10	1.18
¥ per \$	147.6	146.6	150.0	141.0	109.2
\$ per Bitcoin	59,299	60,777	64,560	41,935	46,078

Macroeconomic Data	Value	Date	Next Rel.	Data Sources:
Fed Funds Target (Floor)	5.25%	08/16/24	09/18/24	
Inflation (Core PCE Deflator)	2.6%	06/30/24	08/30/24	
Inflation (Headline CPI)	2.9%	07/31/24	09/11/24	
Unemployment (U-3)	4.3%	07/31/24	09/06/24	
GDP Growth (Q/Q SAAR)	2.8%	06/30/24	08/29/24	
ISM Manufacturing PMI	46.8	07/31/24	09/03/24	
Consumer Confidence	100.3	07/31/24	08/27/24	

Sector Total Returns for the Week Ending 08/16/24



YTD Sector Total Returns as of 08/16/24



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