



Wealth Advisors.
Investment Managers

Weekly Market Recap - 10/11/24

Market Commentary

Weekly Recap:

Domestic stocks posted gains last week despite rising bond yields and slightly higher oil prices. Inflation and monetary policy were in focus. First, the minutes from the September FOMC meeting showed a nearly even split between committee members favoring 25bp vs. 50bp rate cuts. Fed Chair Jerome Powell's personal preference for a 50bp cut appears to have been the deciding factor.

Then on Thursday, fresh CPI data appeared to undermine the wisdom of a 50bp cut, as headline and core inflation both came in slightly hotter than expected:

* Headline CPI = +2.4% y/y; consensus = +2.3%

* Core (ex food & energy) CPI = +3.3% y/y; consensus = +3.2%

In response to a divided committee and warmth in inflation, Treasury yields rose and the curve steepened. Futures markets continue to reprice the magnitude and pace of the rate cutting cycle, settling for now on 25bp cuts at the November and December FOMC meetings, following by 4 or 5 additional 25bp cuts in 2025.

Through it all though, US equity benchmarks finished higher on the week, with notable strength returning to Nvidia on comments from CEO Jensen Huang that demand for the company's new Blackwell chip is "insane", while production is now fully ramped. Other semiconductor companies and AI theme stocks benefitted from a read-thru, causing the tech sector to outperform on the week.

The biggest laggard last week was Chinese stocks, which gave back some of their recent extraordinary gains after investors were left disappointed by a speech from President Xi Jinping regarding the upcoming monetary and fiscal stimulus.

Albion's "Four Pillars":

***Economy & Earnings** - The US economy has been resilient despite the higher interest rate environment. S&P 500 earnings are on track for high single-digit or low double-digit y/y growth in 2024, provided that the economy continues to expand.

***Valuation** - The S&P 500's forward P/E of 21.4x 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 deliver 25 bp interest rate cuts in each of the last two FOMC meetings of 2024, with additional cuts in 2025. Belly and long end rates are already near what are likely to be their post-pandemic equilibrium levels, unless the US economy enters a recession.

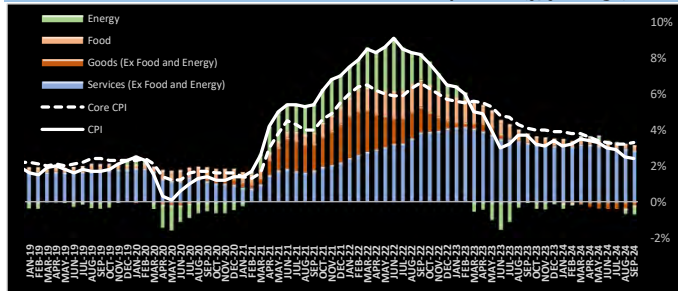
***Inflation** - After becoming sticky in the 3-4% range in the first half of 2024, more recent data has reinforced the disinflationary trend, and the Fed has expressed confidence in the path to its 2% target. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 10/11/24

- Initial Jobless Claims (231k 4wk m/a) - Steady: normalized in early fall after a summer uptick
- Conference Board LEI (-5.0% y/y) - Weaker: nearly uninterrupted decline since Dec '21 peak
- Residential Building Permits (1,470k) - Mixed: activity curtailed by persistently high mortgage rates
- Corporate Bond Spreads (0.81%) - Stronger: tightening as equities rally post-FOMC
- Treasury Yield Curves (55.6% inv) - Stronger: inversion waning as rate cutting cycle unfolds
- Consumer Confidence (98.7) - Mixed: present situation strong, future expectations weak
- Real Final Sales (+2.7% y/y) - Steady: consumer spending remained solid in Q1 2024

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

Chart of the Week: Consumer Price Index Components (y/y change)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	5,815	1.1%	1.0%	1.0%	23.3%	39.7%
Dow Jones Indus. Avg.	42,864	1.2%	1.3%	1.3%	15.4%	32.1%
NASDAQ	18,343	1.1%	0.9%	0.9%	22.9%	29.7%
S&P Midcap 400	3,154	1.1%	1.0%	1.0%	14.7%	23.7%
Russell 2000 (Small Cap)	2,234	1.0%	0.2%	0.2%	11.4%	5.1%
MSCI EAFE (Int'l Dev Mkt Eq)	2,419	0.3%	-2.0%	-2.0%	11.2%	17.1%
MSCI EM (Emerging Mkt Eq)	1,160	-1.7%	-0.9%	-0.9%	16.1%	0.5%
MSCI World	3,732	0.9%	0.3%	0.3%	19.2%	29.0%
S&P Global 1200	4,111	0.8%	0.3%	0.3%	20.0%	31.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.10%	-0.8%	-2.2%	-2.2%	1.3%	-11.2%
U.S. Bonds (Aggregate)	4.50%	-0.5%	-1.5%	-1.5%	2.9%	-5.0%
Global Bonds	3.51%	-0.6%	-2.2%	-2.2%	1.3%	-10.4%
U.S. Munis	3.45%	-0.5%	-0.6%	-0.6%	1.7%	-0.1%
U.S. Investment Grade Corp	4.93%	-0.4%	-1.3%	-1.3%	4.0%	-4.0%
U.S. High Yield Corporates	7.24%	-0.3%	-0.5%	-0.5%	7.5%	9.4%

US Interest Rates	Levels (%)					
	10/11/24	10/4/24	9/30/24	9/30/24	12/29/23	10/11/21
2y Treasuries	3.96	3.92	3.64	3.64	4.25	0.32
10y Treasuries	4.10	3.97	3.78	3.78	3.88	1.61
30y Treasuries	4.41	4.25	4.12	4.12	4.03	2.16
Fed Funds (Effective Rate)	4.83	4.83	4.83	4.83	5.33	N/A N/A
SOFR (USD)	4.82	4.83	4.96	5.34	5.38	N/A N/A
30y Fixed Mortgage	6.32	6.12	6.08	6.08	6.61	2.99

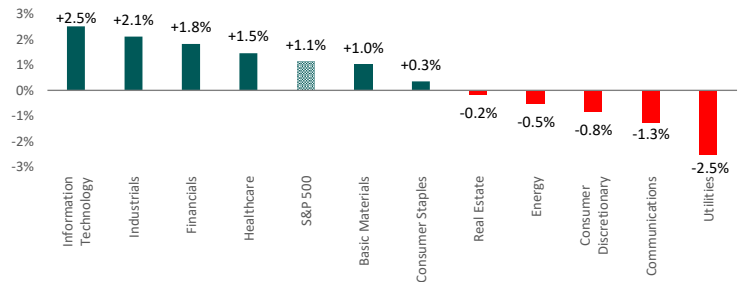
Commodity Prices	Levels					
	10/11/24	10/4/24	9/30/24	9/30/24	12/29/23	10/11/21
Oil (WTI)	75.56	74.38	68.17	83.17	71.65	80.52
Gasoline	3.20	3.18	3.20	3.20	3.12	3.28
Natural Gas	2.63	2.85	2.92	1.76	2.51	5.35
Gold	2,657	2,654	2,635	2,230	2,063	1,754

Currency Crosses	Levels					
	10/11/24	10/4/24	9/30/24	9/30/24	12/29/23	10/11/21
\$ per £	1.31	1.31	1.34	1.34	1.27	1.36
\$ per €	1.09	1.10	1.11	1.11	1.10	1.16
¥ per \$	149.1	148.7	143.6	143.6	141.0	113.3
\$ per Bitcoin	63,002	62,420	63,785	63,785	41,935	57,342

Macroeconomic Data	Value	Date	Next Rel.	Cons Est
Inflation (Core PCE Deflator)	2.7%	08/31/24	10/31/24	2.6%
Inflation (Headline CPI)	2.4%	09/30/24	11/13/24	-
Unemployment (U-3)	4.1%	09/30/24	11/01/24	4.1%
GDP Growth (Q/Q SAAR)	3.0%	06/30/24	10/30/24	-
ISM Manufacturing PMI	47.2	09/30/24	11/01/24	-
Consumer Confidence	98.7	09/30/24	10/29/24	-

Data Sources: Bloomberg, FactSet

Sector Total Returns for the Week Ending 10/11/24



YTD Sector Total Returns as of 10/11/24

