



Wealth Advisors,
Investment Managers

Weekly Market Recap - 10/18/24

Market Commentary

Weekly Recap:

Benign macro data, low rate volatility, a solid outlook from Taiwan Semiconductor (TSM), and some commodity relief in the form of falling oil prices combined to create a constructive backdrop for US equities. The S&P 500 and the Dow both finished the week at fresh all time highs, while the Nasdaq Composite remains just a hair below the record high set on July 16th. TSM rose 9.8% on Thursday after bolstering revenue guidance, reinforcing the upward trend in A/I theme stocks.

International equities were weaker, due in part to a second straight week of declines in China after disappointing comments from President Xi Jinping regarding the scope and magnitude of Beijing's monetary and fiscal stimulus measures.

Rates barely budged last week and remain 40-50 basis point higher across most of the curve relative to levels immediately prior to the Fed's 50bp rate cut in mid-September.

Oil prices dropped by more than \$6 per barrel over the course of the week after Israel elected not to target Iran's nuclear and oil production capabilities as part of its retaliatory response to the recent missile attack.

Macro data released last week was mostly constructive outside of housing:

- * Import (-0.3% m/m) and export (-0.7%) prices fell sequentially and are down y/y
- * Retail sales (+0.4% m/m; +0.5% ex-autos) surprised to the upside in September
- * Initial jobless claims (+241k) pulled back from recent storm driven highs
- * Housing starts (-0.5% m/m) and building permits (-2.9%) remain subdued

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 22x 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 low-to-mid 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.

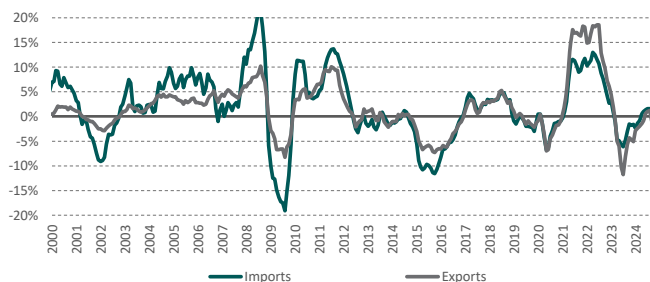
***Inflation** - After becoming sticky in the 3-4% range in the first half of 2024, more recent data has reinforced the disinflationary trend, and the Fed has expressed confidence in the path to its 2% target. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 10/18/24

- Initial Jobless Claims (236k 4wk m/a) - Mixed: storm-driven uptick in October
- Conference Board LEI (-5.0% y/y) - Weaker: nearly uninterrupted decline since Dec '21 peak
- Residential Building Permits (1,428k) - Mixed: activity curtailed by persistently high mortgage rates
- Corporate Bond Spreads (0.81%) - Stronger: tightening as equities rally post-FOMC
- Treasury Yield Curves (53.3% 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: Import/Export Prices (y/y change)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	5,865	0.9%	1.8%	1.8%	24.3%	37.0%
Dow Jones Indus. Avg.	43,276	1.0%	2.3%	2.3%	16.5%	30.5%
NASDAQ	18,490	0.8%	1.7%	1.7%	23.9%	26.1%
S&P Midcap 400	3,198	1.4%	2.5%	2.5%	16.4%	21.9%
Russell 2000 (Small Cap)	2,276	1.9%	2.1%	2.1%	13.5%	4.8%
MSCI EAFE (Int'l Dev Mkt Eq)	2,409	-0.4%	-2.4%	-2.4%	10.8%	14.6%
MSCI EM (Emerging Mkt Eq)	1,155	-0.4%	-1.3%	-1.3%	15.7%	-1.3%
MSCI World	3,753	0.6%	0.8%	0.8%	19.9%	26.3%
S&P Global 1200	4,133	0.6%	0.9%	0.9%	20.7%	29.3%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.08%	0.1%	-2.1%	-2.1%	1.4%	-11.3%
U.S. Bonds (Aggregate)	4.51%	0.1%	-1.4%	-1.4%	3.0%	-5.3%
Global Bonds	3.47%	0.0%	-2.2%	-2.2%	1.3%	-10.6%
U.S. Munis	3.43%	0.2%	-0.3%	-0.3%	2.0%	0.0%
U.S. Investment Grade Corp	4.93%	0.1%	-1.2%	-1.2%	4.0%	-4.6%
U.S. High Yield Corporates	7.16%	0.3%	-0.1%	-0.1%	7.9%	9.7%

US Interest Rates	Levels (%)					
	10/18/24	10/11/24	9/30/24	9/30/24	12/29/23	10/18/21
2y Treasuries	3.95	3.96	3.64	3.64	4.25	0.43
10y Treasuries	4.08	4.10	3.78	3.78	3.88	1.60
30y Treasuries	4.39	4.41	4.12	4.12	4.03	2.03
Fed Funds (Effective Rate)	4.83	4.83	4.83	4.83	5.33	0.08
SOFR (USD)	4.84	4.81	4.96	5.34	5.38	0.05
30y Fixed Mortgage	6.32	6.32	6.08	6.08	6.61	3.05

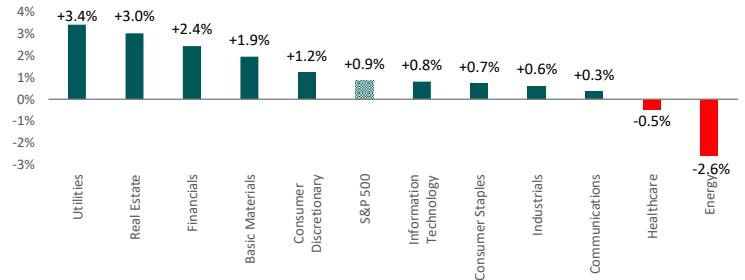
Commodity Prices	Levels					
	10/18/24	10/11/24	9/30/24	9/30/24	12/29/23	10/18/21
Oil (WTI)	69.22	75.56	68.17	68.17	71.65	82.44
Gasoline	3.18	3.20	3.20	3.20	3.12	3.34
Natural Gas	2.26	2.63	2.92	1.76	2.51	4.99
Gold	2,721	2,657	2,635	2,230	2,063	1,765

Currency Crosses	Levels					
	10/18/24	10/11/24	9/30/24	9/30/24	12/29/23	10/18/21
\$ per £	1.31	1.31	1.34	1.34	1.27	1.37
\$ per €	1.09	1.09	1.11	1.11	1.10	1.16
¥ per \$	149.5	149.1	143.6	143.6	141.0	114.3
\$ per Bitcoin	68,420	63,002	63,785	63,785	41,935	61,367

Macroeconomic Data	Value	Date	Next Rel. Cons Est	
			Value	Date
Fed Funds Target (Floor)	4.75%	10/18/24	11/07/24	4.50%
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	3.0%
ISM Manufacturing PMI	47.2	09/30/24	11/01/24	47.8
Consumer Confidence	98.7	09/30/24	10/29/24	98.5

Data Sources: Bloomberg, FactSet

Sector Total Returns for the Week Ending 10/18/24



YTD Sector Total Returns as of 10/18/24

