



Wealth Advisors,
Investment Managers

Weekly Market Recap - 11/08/24

Market Commentary

Weekly Recap:

US stocks moved sharply higher in the wake of Tuesday's election outcome, which saw Donald Trump reclaim the White House while the Republican party achieved majorities in the House and Senate. Cyclical and small caps were the biggest beneficiaries, as the prospect of deregulation and lower taxes gave investors greater confidence to invest in economically sensitive sectors. Meanwhile, international markets moved lower in the immediate aftermath of the US election and finished close to flat in the aggregate on the week, as Trump's "America First" agenda and the prospect of significant tariffs weighed on foreign stocks.

Rates initially moved higher across the curve on the election result, but then drifted lower in the back half of the week. As expected, the FOMC delivered a 25 basis point rate cut on Thursday. Fed Chair Jerome Powell struck a balanced tone during the ensuing press conference, noting that the committee is attempting to find the "middle path" between moving too quickly and undoing the progress on inflation, and moving too slowly and allowing the labor market to weaken too much.

Also of note during the press conference, Powell indicated that he would serve out his full term as Fed Chair, even if asked to resign by President-elect Trump. He also noted that the committee would not speculate on the potential impact of Trump's policy priorities (tariffs, stricter border control, deportation of undocumented immigrants, etc.) on inflation or the economy, and would not enact monetary policy changes in anticipation of any such policies. Rather, the committee will continue to assess incoming economic data in real time, and recalibrate monetary policy as needed in order to fulfill its dual mandate of price stability and full employment.

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, with consensus calling for double-digit y/y growth in 2025 as well.

***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 mid single digits.

***Interest Rates** - Futures markets imply that the Fed will deliver another 25 bp interest rate cut at the FOMC meeting in December 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.

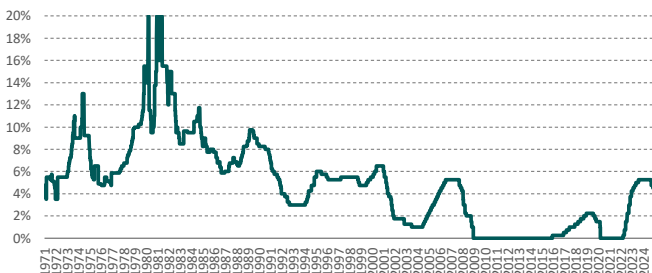
***Inflation** - After becoming sticky in the 3-4% range in the first half of 2024, more recent data has reinforced the disinflationary trend, and the Fed has expressed confidence in the path to its 2% target. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

Albion's Dashboard of Key Leading Economic Indicators as of 11/08/24

- Initial Jobless Claims (227k 4wk m/a) - Stronger: storm-driven uptick in October is fading
- Conference Board LEI (-4.8% 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 (0.74%) - Stronger: post-election rally to all time tight levels
- Treasury Yield Curves (51.1% inv) - Stronger: inversion waning as rate cutting cycle unfolds
- Consumer Confidence (108.7) - Stronger: sharp rebound in October on labor market optimism
- Real Final Sales (+2.7% y/y) - Steady: consumer spending has been solid throughout 2024

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

Chart of the Week: Fed Funds Target Rate (Lower Bound)



Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	5,996	4.7%	5.1%	4.2%	27.2%	33.6%
Dow Jones Indus. Avg.	43,989	4.6%	5.3%	4.0%	18.5%	28.4%
NASDAQ	19,287	5.8%	6.6%	6.1%	29.2%	23.6%
S&P Midcap 400	3,297	6.3%	6.5%	5.7%	20.0%	19.1%
Russell 2000 (Small Cap)	2,400	8.6%	9.3%	7.7%	19.7%	2.6%
MSCI EAFE (Int'l Dev Mkt Eq)	2,337	0.1%	0.2%	-5.2%	7.6%	8.2%
MSCI EM (Emerging Mkt Eq)	1,136	1.2%	1.5%	-2.9%	13.8%	-1.8%
MSCI World	3,791	3.6%	4.0%	1.9%	21.1%	22.7%
S&P Global 1200	4,162	3.4%	3.7%	1.7%	21.6%	25.4%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.30%	0.7%	0.0%	-3.6%	-0.1%	-13.4%
U.S. Bonds (Aggregate)	4.71%	0.8%	0.3%	-2.2%	2.2%	-6.6%
Global Bonds	3.62%	0.2%	-0.1%	-3.4%	0.1%	-12.4%
U.S. Munis	3.60%	0.5%	0.5%	-0.9%	1.3%	-0.9%
U.S. Investment Grade Corp	5.09%	1.2%	0.7%	-1.7%	3.5%	-6.0%
U.S. High Yield Corporates	7.12%	0.7%	0.8%	0.3%	8.3%	9.3%

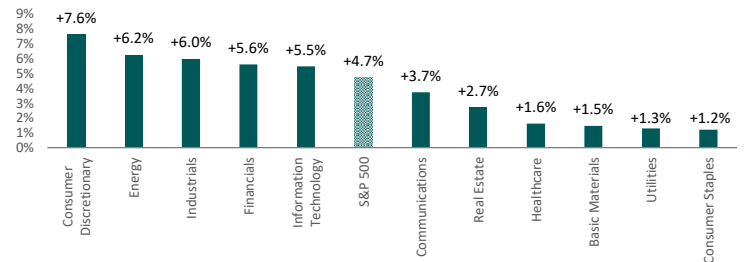
US Interest Rates	Levels (%)					
	11/8/24	11/1/24	10/31/24	9/30/24	12/29/23	11/8/21
2y Treasuries	4.25	4.21	4.17	3.64	4.25	0.44
10y Treasuries	4.30	4.38	4.28	3.78	3.88	1.49
30y Treasuries	4.47	4.58	4.48	4.12	4.03	1.88
Fed Funds (Effective Rate)	4.83	4.83	4.83	4.83	5.33	0.08
SOFR (USD)	4.82	4.86	4.90	4.96	5.38	0.05
30y Fixed Mortgage	6.79	6.72	6.72	6.08	6.61	3.09

Commodity Prices	Levels					
	11/8/24	11/1/24	10/31/24	9/30/24	12/29/23	11/8/21
Oil (WTI)	70.38	69.49	69.26	68.17	71.65	81.93
Gasoline	3.09	3.11	3.12	3.20	3.12	3.42
Natural Gas	2.67	2.66	2.71	2.92	2.51	5.43
Gold	2,685	2,737	2,744	2,635	2,063	1,824

Currency Crosses	Levels					
	11/8/24	11/1/24	10/31/24	9/30/24	12/29/23	11/8/21
\$ per £	1.29	1.29	1.29	1.34	1.27	1.36
\$ per €	1.07	1.08	1.09	1.11	1.10	1.16
¥ per \$	152.6	153.0	152.0	143.6	141.0	113.2
\$ per Bitcoin	76,530	69,195	69,938	63,785	41,935	66,139

Macroeconomic Data	Value	Date	Next Rel.	Cons Est	Data Sources:
Fed Funds Target (Floor)	4.50%	11/08/24	12/18/24	-	
Inflation (Core PCE Deflator)	2.7%	09/30/24	11/27/24	-	
Inflation (Headline CPI)	2.4%	09/30/24	11/13/24	2.6%	
Unemployment (U-3)	4.1%	10/31/24	12/06/24	-	
GDP Growth (Q/Q SAAR)	2.8%	09/30/24	11/27/24	-	
ISM Manufacturing PMI	46.5	10/31/24	12/02/24	-	
Consumer Confidence	108.7	10/31/24	11/26/24	-	

Sector Total Returns for the Week Ending 11/08/24



YTD Sector Total Returns as of 11/08/24

