



Wealth Advisors.
Investment Managers

Weekly Market Recap - 11/15/24

Market Commentary

Weekly Recap:

Bond yields rose and equity markets gave back some of their post-election gains after fresh inflation data cast additional doubts on whether the Fed would cut overnight interest rates in December.

Consumer Price Index (CPI) data for October was released on Wednesday and showed little change sequentially, with core (ex food & energy) inflation still well above the Fed's target at +3.3% y/y. See the Chart of the Week for a breakdown of CPI.

Later in the week, Producer Price Index (PPI) data showed a sequential increase in upstream inflation pressures, with core PPI inflation rising 30 basis points sequentially to +3.1% y/y. Import/export prices also rose sequentially, although trade is not currently a significant driver of inflation in the US.

By Friday's close, futures markets were pricing in only slightly better than 50/50 odds of a rate cut in December. Meanwhile, rates moved higher across the curve last week, with 10y Treasury yields briefly touching 4.5% for the first time in five months.

Against this backdrop of sticky inflation and rising rates, equities were unable to sustain their post-election gains. The healthcare sector was particularly hard hit after President-elect Trump nominated RFK Jr. to head up the US Department of Health and Human Services. Small caps were also weaker last week after outperforming significantly in the first few days following the election.

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 may deliver another 25 bp interest rate cut at the FOMC meeting in December of 2024, with additional cuts possible 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 the disinflationary trend resumed over the summer, more recent inflation data has shown some renewed signs of stickiness. Services inflation in particular remains somewhat elevated, in part due to heavily lagged shelter costs.

Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	5,871	-2.0%	3.0%	2.0%	24.6%	31.4%
Dow Jones Indus. Avg.	43,445	-1.2%	4.1%	2.8%	17.1%	28.0%
NASDAQ	18,680	-3.1%	3.3%	2.8%	25.2%	20.7%
S&P Midcap 400	3,208	-2.7%	3.6%	2.9%	16.8%	15.8%
Russell 2000 (Small Cap)	2,304	-4.0%	5.0%	3.4%	15.0%	0.2%
MSCI EAFE (Int'l Dev Mkt Eq)	2,275	-2.6%	-2.4%	-7.7%	4.8%	5.7%
MSCI EM (Emerging Mkt Eq)	1,085	-4.4%	-3.0%	-7.2%	8.8%	-7.5%
MSCI World	3,711	-2.1%	1.8%	-0.2%	18.6%	20.5%
S&P Global 1200	4,067	-2.2%	1.4%	-0.6%	18.9%	22.9%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.44%	-1.1%	-1.1%	-4.7%	-1.2%	-13.5%
U.S. Bonds (Aggregate)	4.84%	-0.8%	-0.5%	-3.0%	1.3%	-6.5%
Global Bonds	3.68%	-1.3%	-1.3%	-4.6%	-1.2%	-12.6%
U.S. Munis	3.59%	0.1%	0.6%	-0.8%	1.5%	-0.8%
U.S. Investment Grade Corp	5.25%	-1.1%	-0.4%	-2.8%	2.4%	-5.8%
U.S. High Yield Corporates	7.29%	-0.4%	0.4%	-0.1%	7.9%	9.4%

US Interest Rates	Levels (%)					
	11/15/24	11/8/24	10/31/24	9/30/24	12/29/23	11/15/21
2y Treasuries	4.30	4.25	4.17	3.64	4.25	0.52
10y Treasuries	4.44	4.30	4.28	3.78	3.88	1.61
30y Treasuries	4.62	4.47	4.48	4.12	4.03	2.00
Fed Funds (Effective Rate)	4.58	4.58	4.83	4.83	5.33	0.08
SOFR (USD)	4.57	4.60	4.90	4.96	5.38	0.05
30y Fixed Mortgage	6.78	6.79	6.72	6.08	6.61	2.98

Commodity Prices	Levels					
	11/15/24	11/8/24	10/31/24	9/30/24	12/29/23	11/15/21
Oil (WTI)	67.02	70.38	69.26	68.17	71.65	80.88
Gasoline	3.08	3.09	3.12	3.20	3.12	3.41
Natural Gas	2.82	2.67	2.71	2.92	2.51	5.02
Gold	2,563	2,685	2,744	2,635	2,063	1,863

Currency Crosses	Levels					
	11/15/24	11/8/24	10/31/24	9/30/24	12/29/23	11/15/21
\$ per £	1.26	1.29	1.29	1.34	1.27	1.34
\$ per €	1.05	1.07	1.09	1.11	1.10	1.14
¥ per \$	154.3	152.6	152.0	143.6	141.0	114.1
\$ per Bitcoin	91,740	76,530	69,938	63,785	41,935	63,900

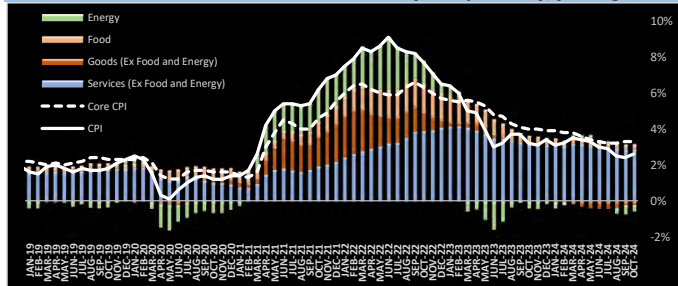
Macroeconomic Data	Value	Date	Next Rel.	Cons Est	Data Sources:
Fed Funds Target (Floor)	4.50%	11/15/24	12/18/24	-	
Inflation (Core PCE Deflator)	2.7%	09/30/24	11/27/24	2.8%	
Inflation (Headline CPI)	2.6%	10/31/24	12/11/24	-	
Unemployment (U-3)	4.1%	10/31/24	12/06/24	-	
GDP Growth (Q/Q SAAR)	2.8%	09/30/24	11/27/24	2.8%	
ISM Manufacturing PMI	46.5	10/31/24	12/02/24	-	
Consumer Confidence	108.7	10/31/24	11/26/24	113.5	

Albion's Dashboard of Key Leading Economic Indicators as of 11/15/24

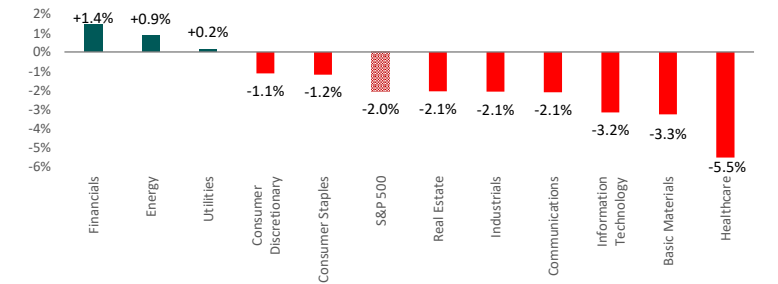
- Initial Jobless Claims (221k 4wk m/a) - Stronger: storm-driven uptick in October is fading
- Conference Board LEI (-4.8% y/y) - Weaker: nearly uninterrupted decline since Dec '21 peak
- Residential Building Permits (1,425k) - Mixed: activity curtailed by persistently high mortgage rates
- Corporate Bond Spreads (0.77%) - Stronger: post-election rally to all time tight levels
- Treasury Yield Curves (42.2% 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: Consumer Price Index by Component (y/y change)



Sector Total Returns for the Week Ending 11/15/24



YTD Sector Total Returns as of 11/15/24

