



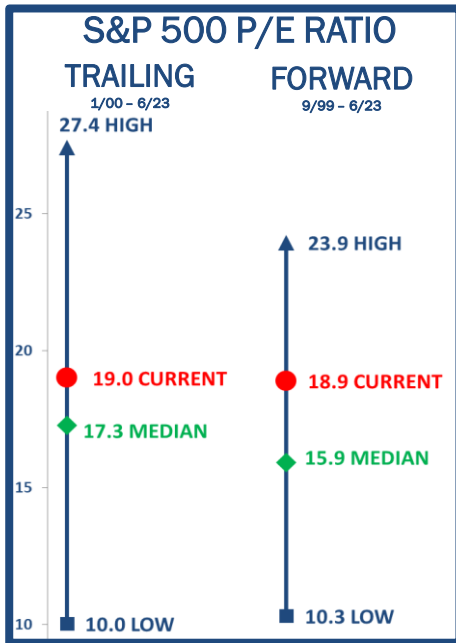
Main Management Market Note: July 28, 2023



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# Executive Summary



FactSet financial data and analytics

- Core PCE, the Fed's preferred inflation measure, rose +0.2% M/M, in line with expectations and the smallest gain since July 2022. Spending accelerated to +0.5% M/M, ahead of expectations for a 0.4% gain. Y/Y, Core PCE slowed to +4.1%, the smallest since Sept. 2021!

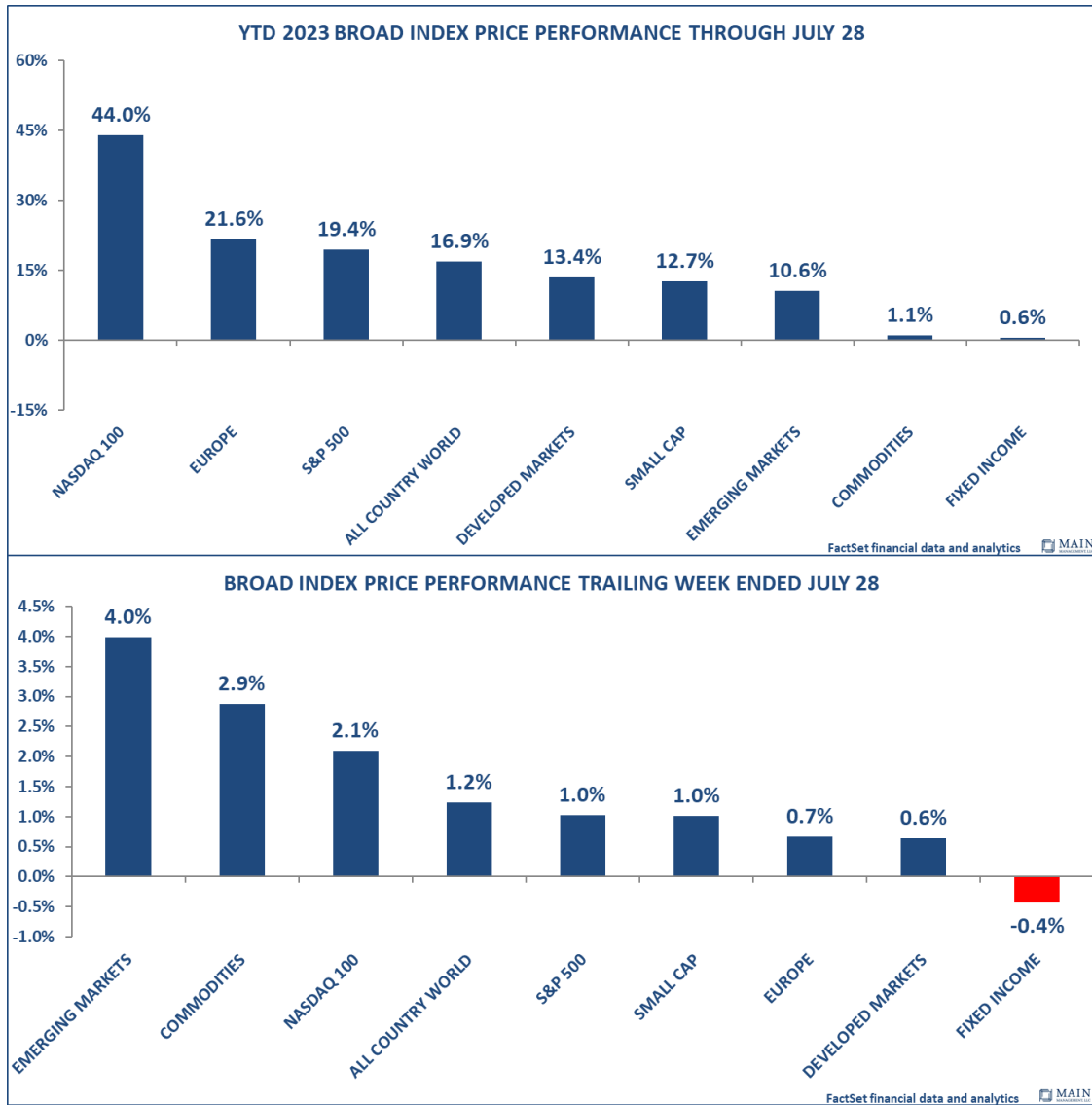
- The 1<sup>st</sup> estimate for Q2 2023 U.S. GDP came in at 2.4%, well above expectations for a 1% increase. Q2 Core PCE slowed to +3.8%, the smallest increase since Q1 2021. The biggest contributors to the GDP figure were Consumer Spending and Business Investment.

- Durable Goods Orders jumped +4.7% M/M in June, well ahead of expectations for a 1% gain. Core Capital Goods posted a +0.2% gain, slowing from May but double forecasts for a 0.1% increase. On an absolute basis, both categories are at new all-time highs.

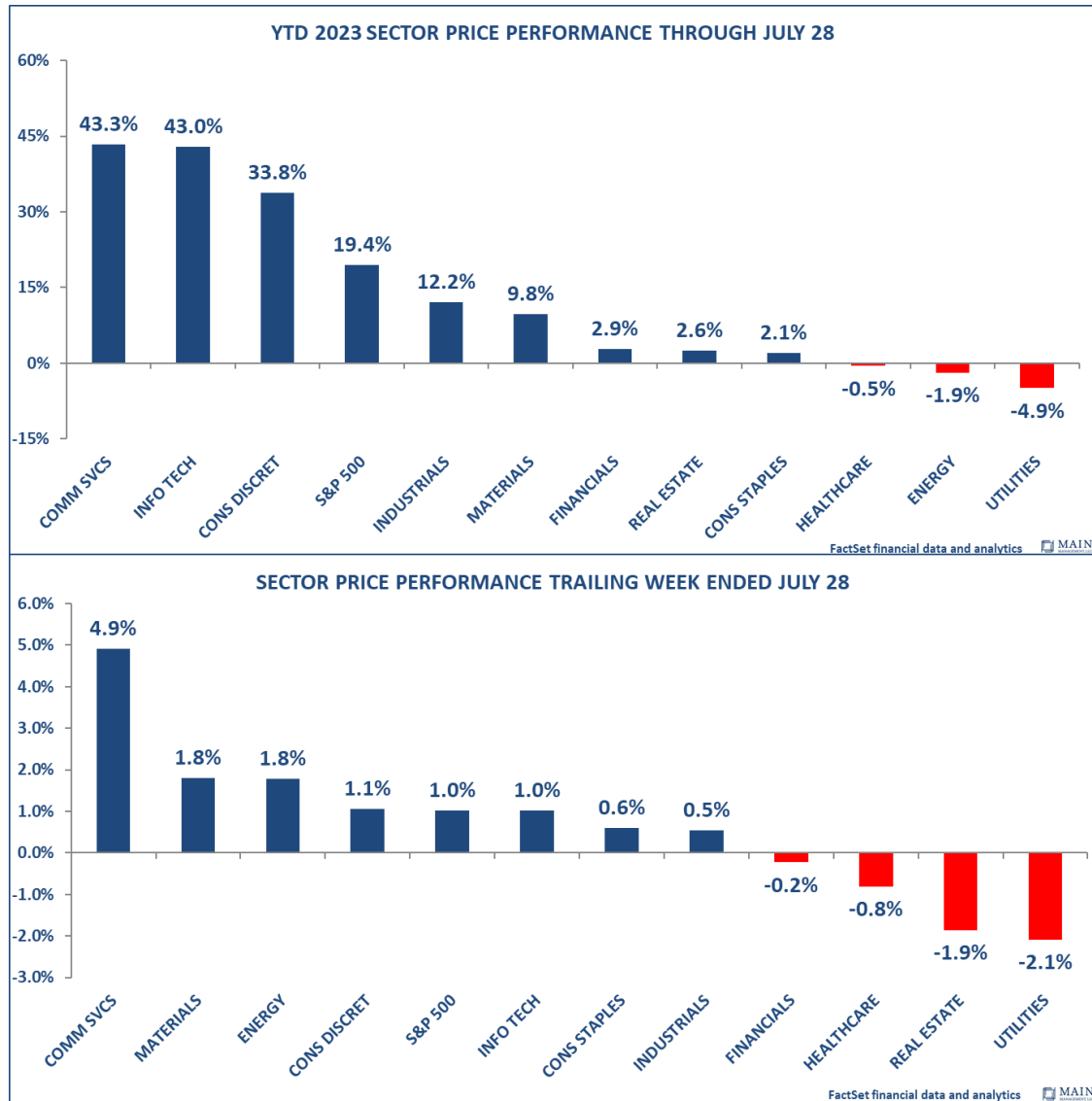
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# Broad Index Performance



# S&P 500 Sector Performance



# Recession Dashboard

RECESSION START	INFLATION	CONSUMER	YIELD CURVE	HOUSING	SENTIMENT	AUTOS	EMPLOYMENT	PMI	RETAIL SALES
NOV 1973	↓	—	—	↓	—	—	↓	↓	—
JAN 1980	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1981	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1990	↓	↓	↓	↓	↔	↓	↓	↔	—
MAR 2001	↔	↓	↓	↔	↔	↔	↓	↓	↔
DEC 2007	↓	↓	↓	↓	↔	↓	↓	↓	↓
DEC 2019	↑	↑	↔	↔	↑	↔	↑	↔	↔
JULY 2023	↑	↔	↔*	↑	↔	↔	↓	↑	↓
LAST CHANGE	BLUE MAR '23	RED JAN '23	RED MAR '23	BLUE JUN '23	RED JUN '22	RED SEP '22	BLUE SEP '22	BLUE JUN '23	BLUE SEP '22

↑ Positive   
 ↔ Neutral   
 ↓ Negative

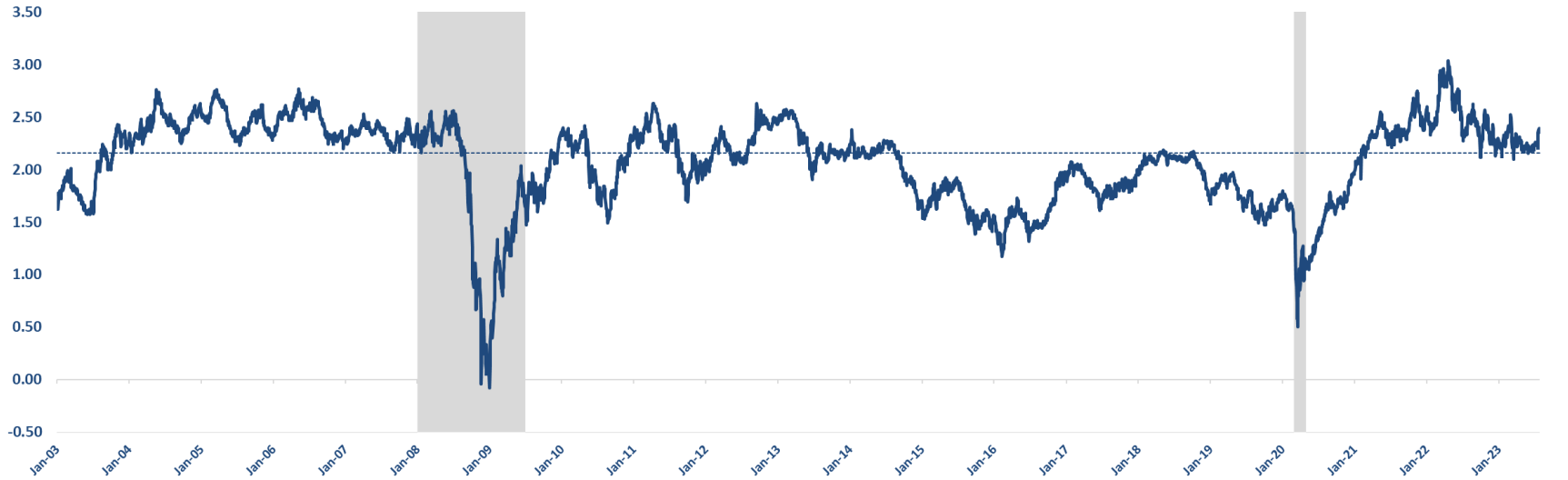


**Inflation:** Headline CPI. Source: St. Louis Fed. **Consumer:** Conference Board Consumer Confidence. Source: The Conference Board. **Yield Curve:** 10 year - 3 month Treasury spread. Source: FactSet financial data and analytics. **Housing:** Housing Starts & Existing Home Sales. Source: St. Louis Fed. **Sentiment:** Conference Board Consumer Confidence, UMich Consumer Sentiment, State Street Investor Confidence, CEO Confidence, VIX, AAI **Autos:** Auto Sales. Source: St. Louis Fed. **Employment:** Initial Weekly Unemployment Claims & Nonfarm Payrolls. Source: St. Louis Fed. **PMI:** Markit US Manufacturing PMI & US ISM Manufacturing PMI & Chicago PMI. Source: Markit, ISM. **Retail Sales:** Advance Retail Sales. Source: St. Louis Fed.

\* 10 year - 3 month Treasury spread inverted on 11/2/22.

# Inflation Watch

EXPECTED INFLATION RATE  
10YR TREASURY - 10YR TIPS YIELD



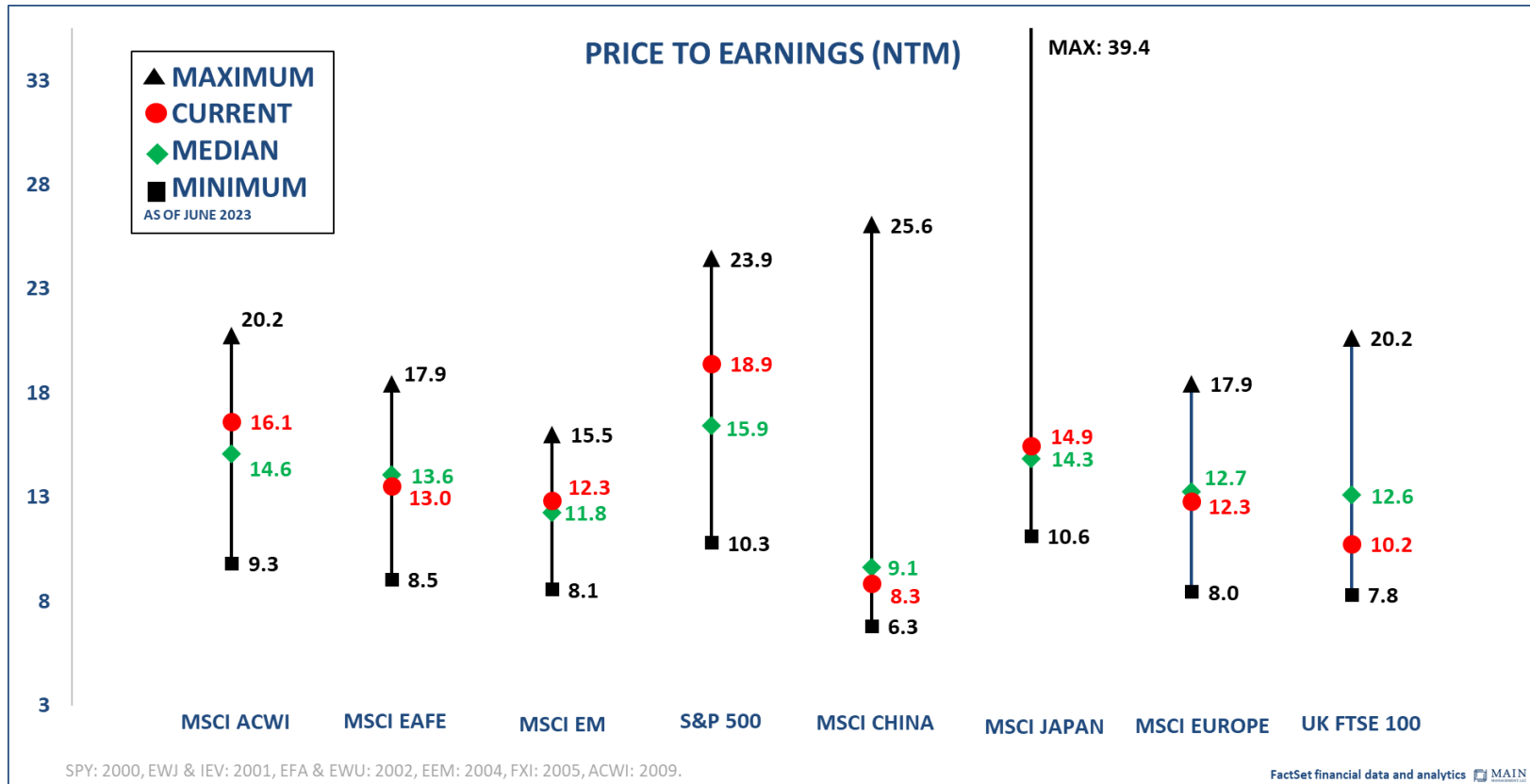
FactSet financial data and analytics MAIN MANAGEMENT, LLC

COMMODITY	1MO	3MO	YTD '23	1YR
BBG COMMODITY	5.6%	3.5%	-5.2%	-10.8%
S&P GSCI	11.2%	9.3%	1.5%	-4.6%
LUMBER	0.0%	-2.6%	-7.9%	-38.0%
GASOLINE	-0.5%	-2.8%	15.1%	-20.7%
NATURAL GAS	-9.8%	14.8%	-29.2%	-71.2%
WTI CRUDE	18.3%	7.1%	-0.1%	-19.9%
COTTON	11.6%	10.2%	3.9%	-13.2%
CORN	-14.4%	-15.0%	-21.4%	-11.2%
COPPER	2.2%	0.0%	1.5%	12.7%
SOYBEANS	2.5%	7.4%	0.8%	-3.0%
SILVER	5.6%	-3.4%	0.7%	26.1%
COFFEE	-4.7%	-16.0%	-3.5%	-26.3%
GOLD	1.7%	-2.1%	6.6%	12.2%
BITCOIN	-5.2%	-1.9%	76.5%	27.8%
US DOLLAR DXY	-0.7%	0.3%	-1.7%	-4.4%

Data as of July 27, 2023

## Broad Index Valuations

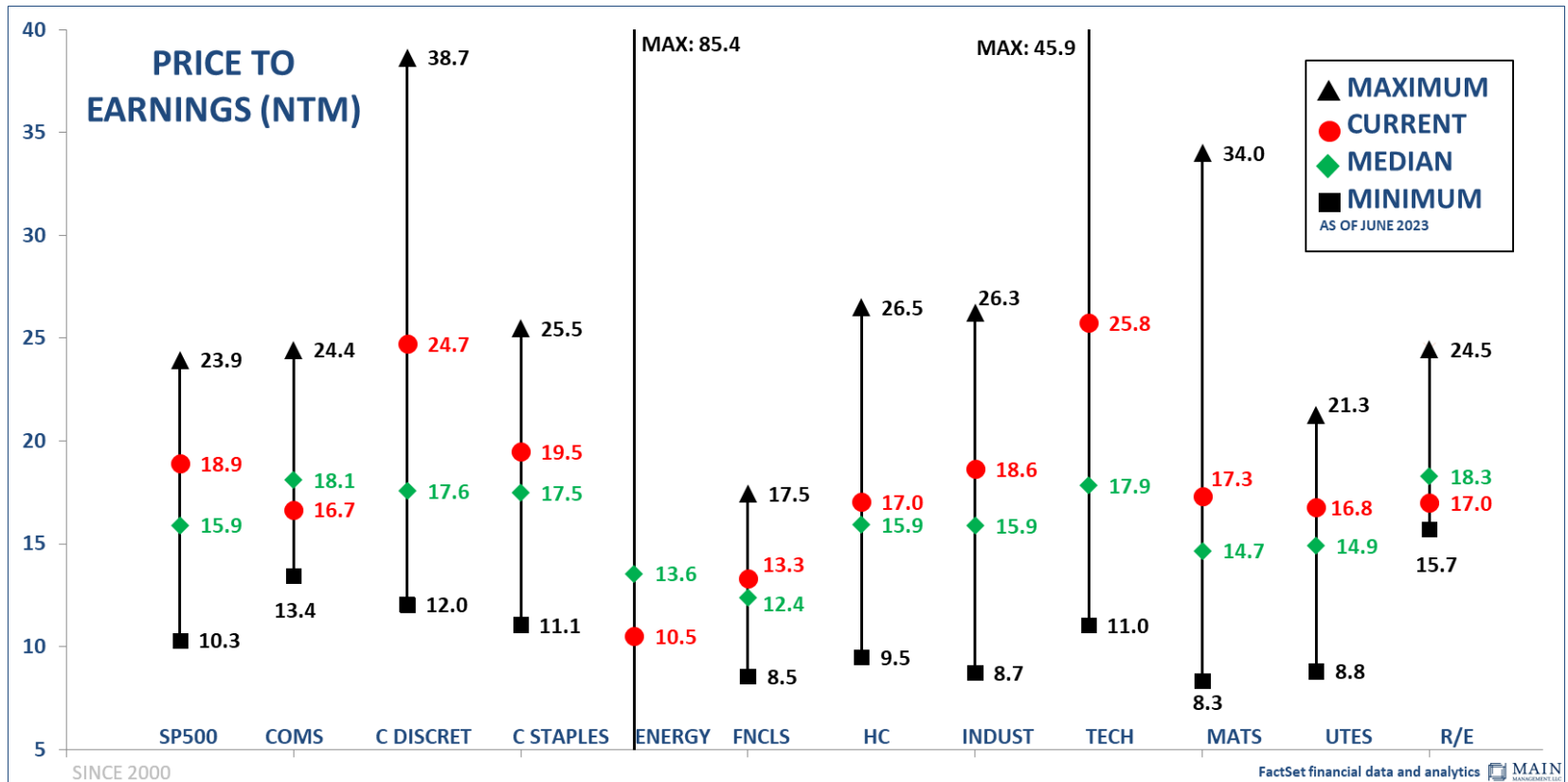
Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of several major global indices. This is just one of the data points we look at for our valuation work.





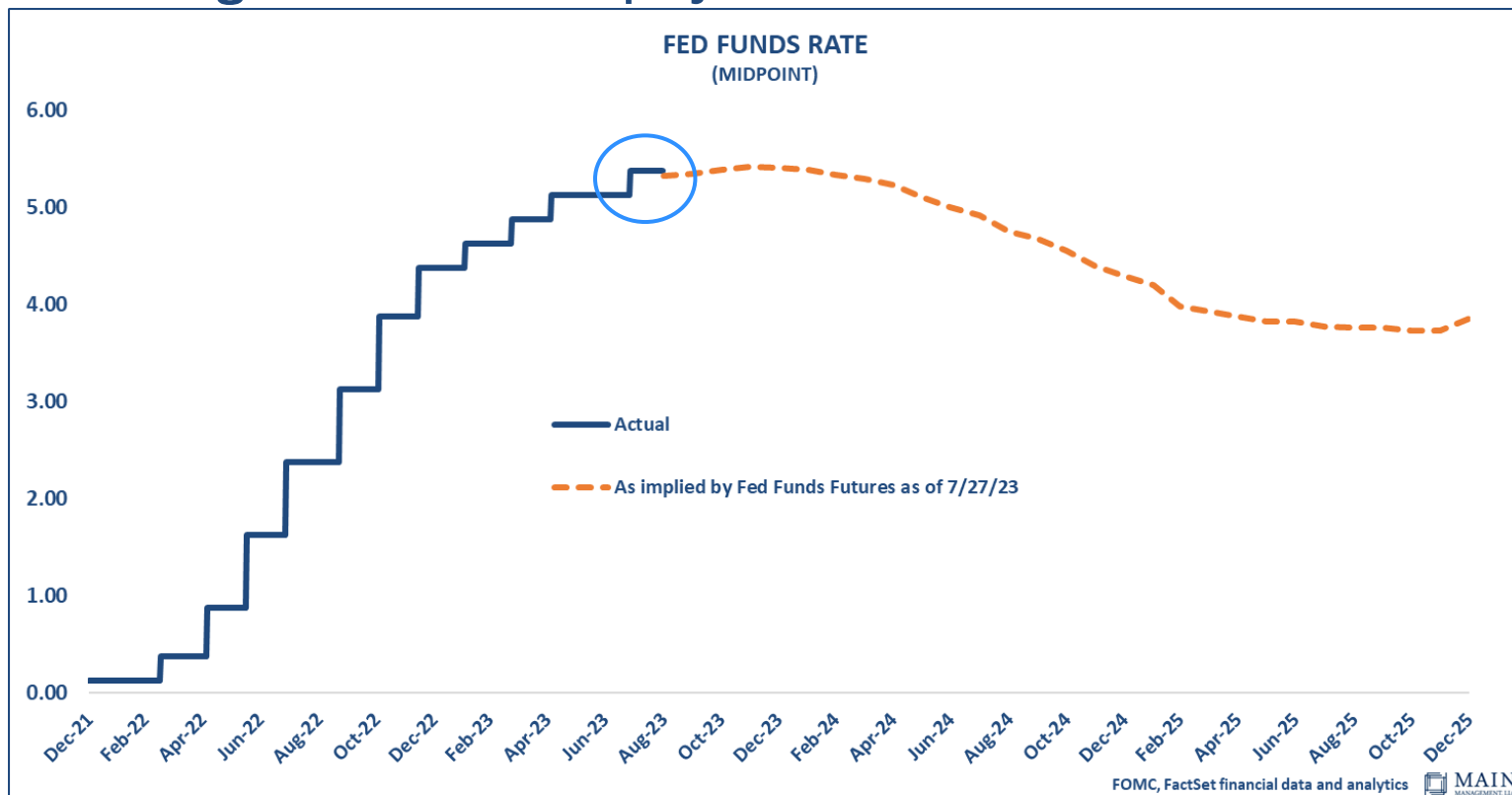
# US Sector Valuations

Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of the 11 S&P 500 sectors. This is just one of the data points we look at for our valuation work.



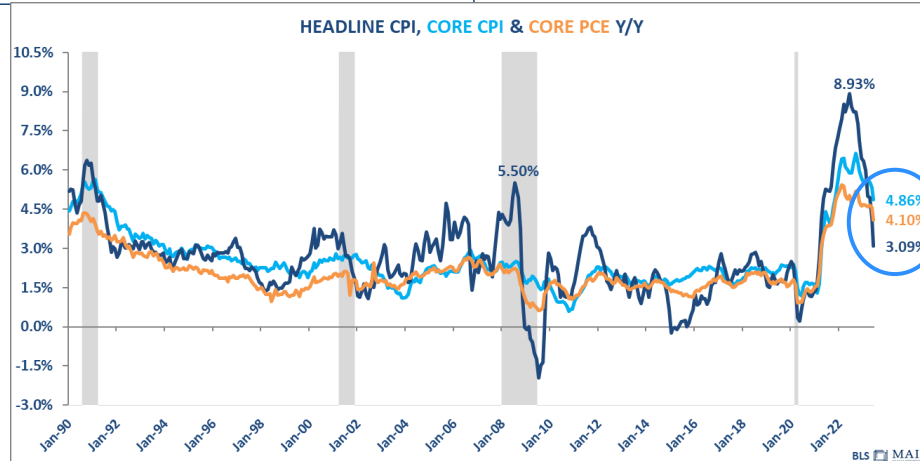
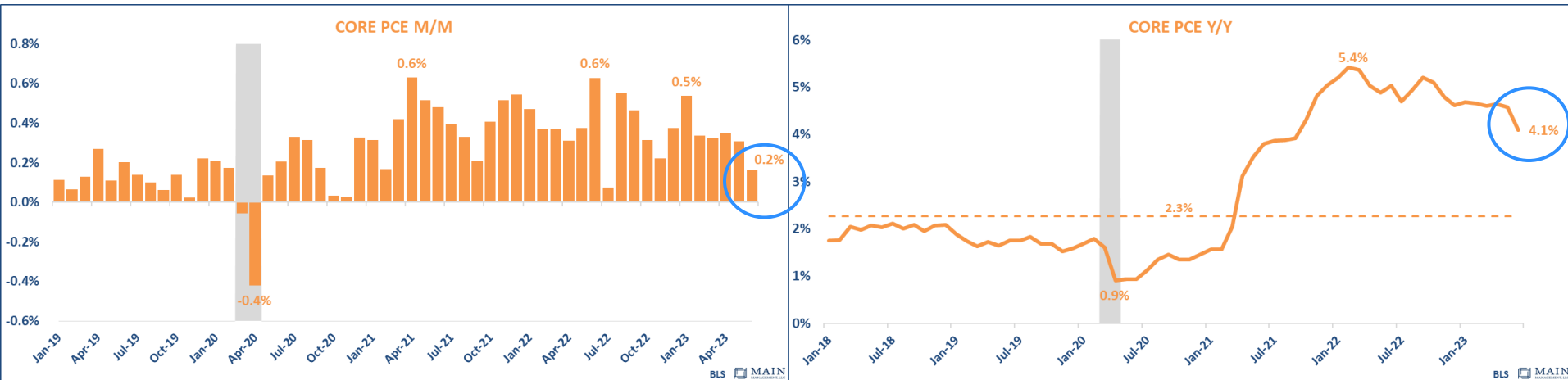
## Of Note This Week

The Federal Open Market Committee (FOMC) acted as expected, raising rates by 25 basis points to a range of 5.25% to 5.50%. The real head-turner from the meeting was Chair Powell's mention that a 2023 recession is now no longer the base case projection from the Fed's economists.



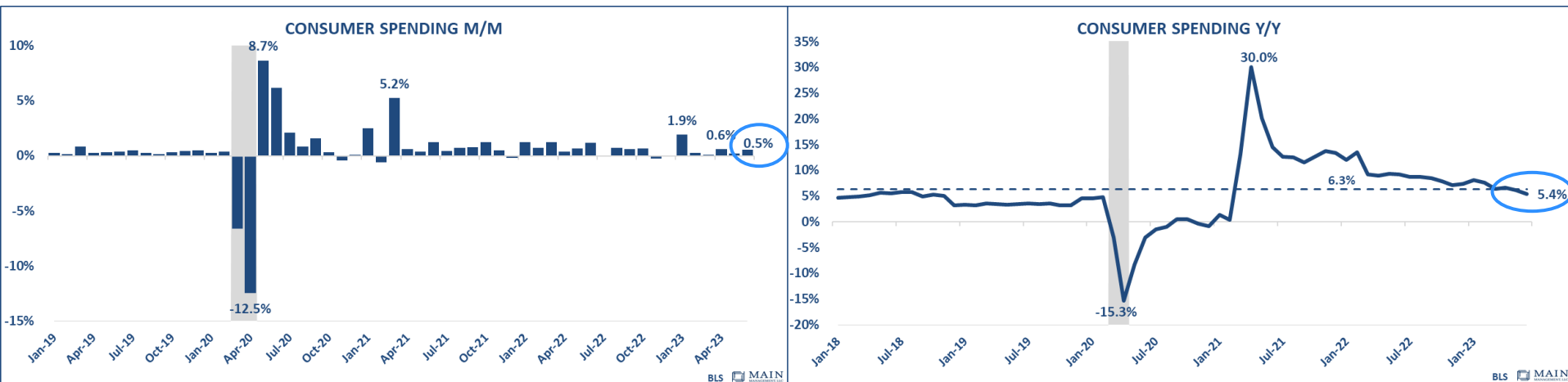
# Income & Spending

Core PCE rose +0.2% M/M in June, in line with expectations and the smallest increase since July 2022. On a Y/Y basis, it slowed to +4.1%, the smallest gain since September 2021. At the bottom we show it relative to Headline and Core CPI for some perspective.



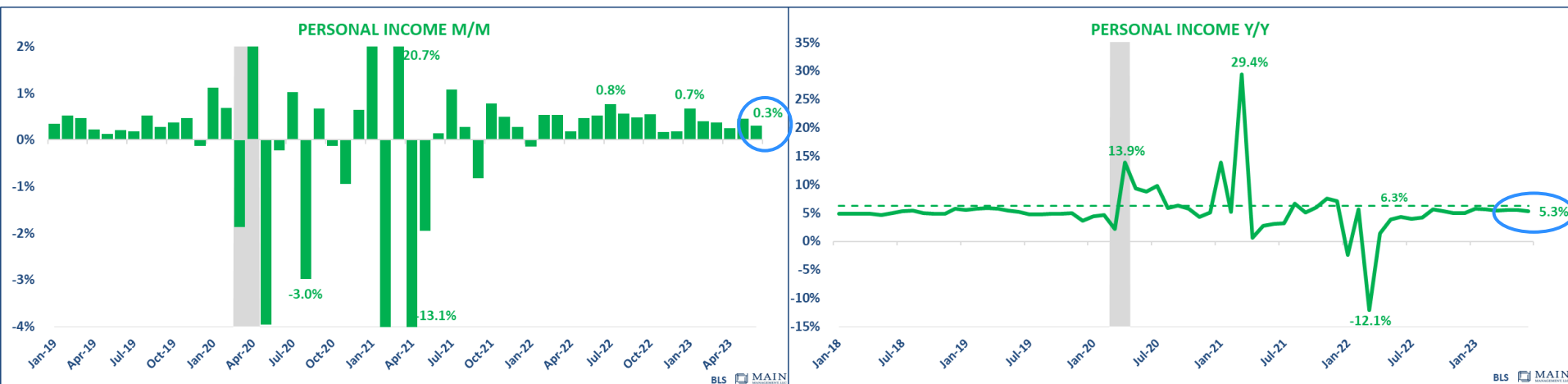
# Income & Spending

Consumer Spending accelerated to +0.5% M/M, ahead of expectations for a 0.4% gain. It's good to see an acceleration in consumer spending as there have been concerns about it over the last several months. However, on a Y/Y basis, it slowed to +5.4%, the smallest gain since February 2021.



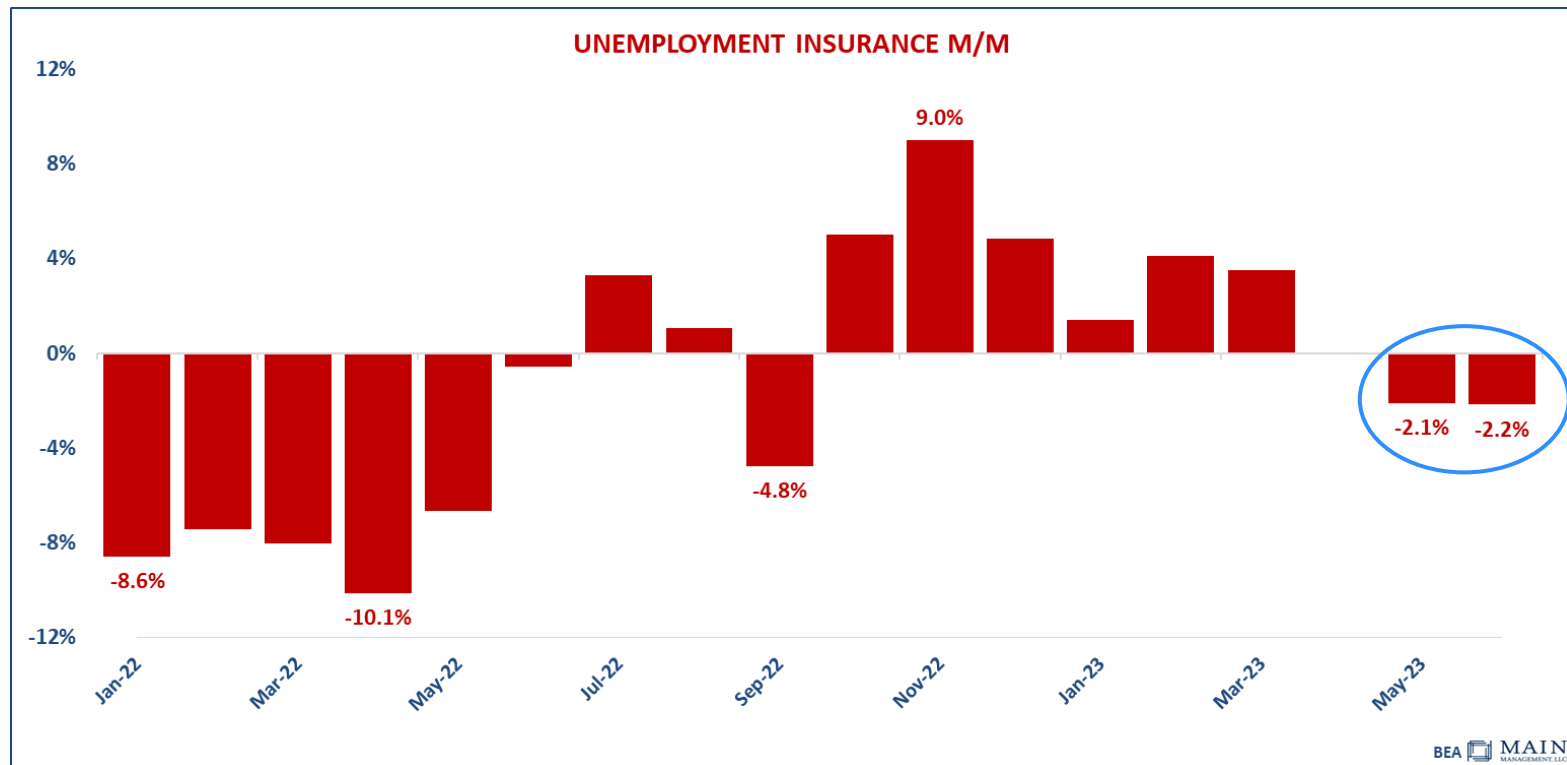
# Income & Spending

Personal Income was up +0.3% M/M, missing forecasts for a 0.5% gain. On a Y/Y basis, it slowed slightly to +5.3%, the smallest increase since December 2022.



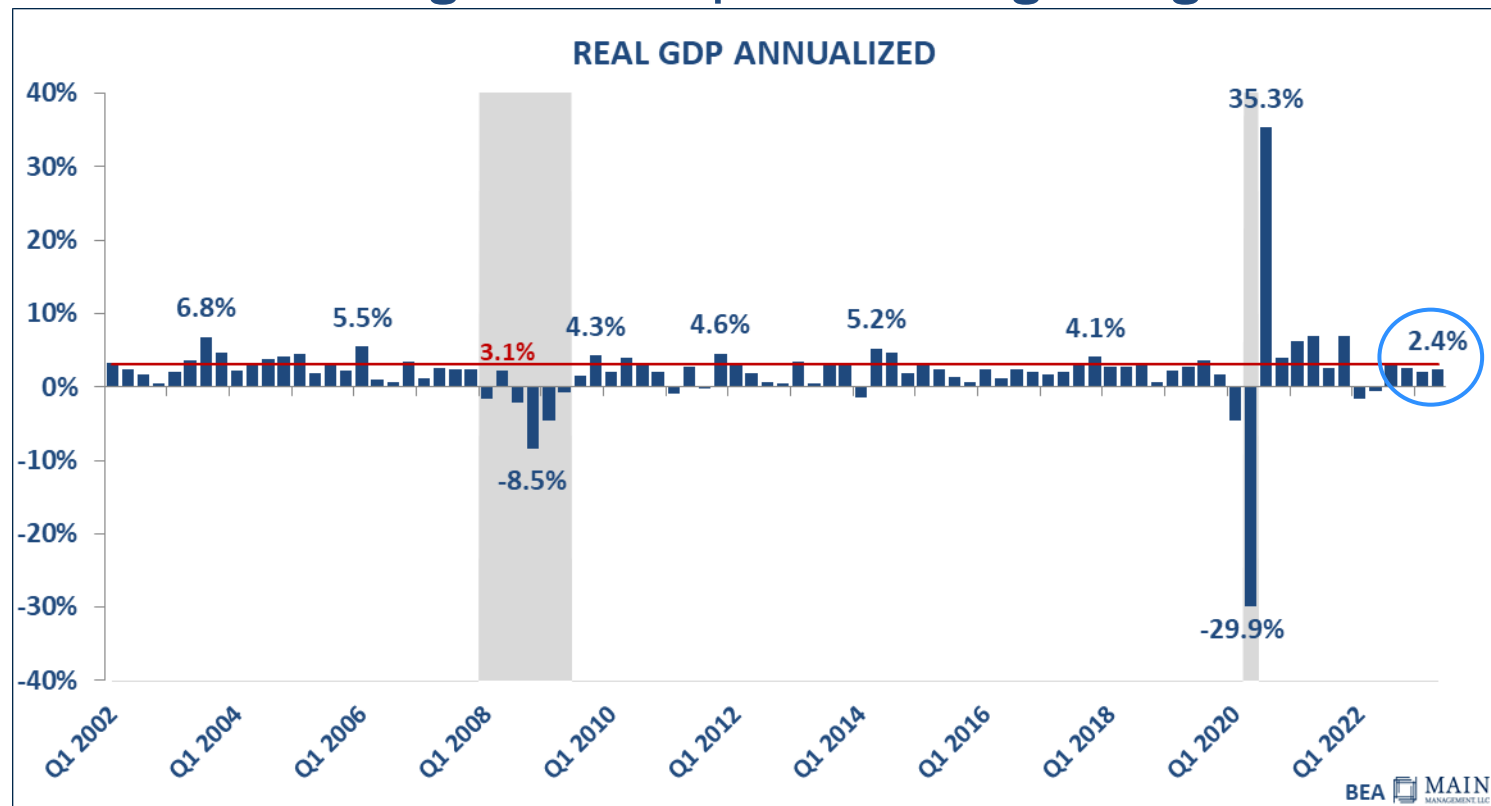
## Income & Spending

It's worth noting that Unemployment Insurance was down -2.2% M/M in June, the 2<sup>nd</sup> straight decline after several months of increases. This is another indicator of ongoing strength in the labor market. If people were losing their jobs, you would expect this to be increasing.



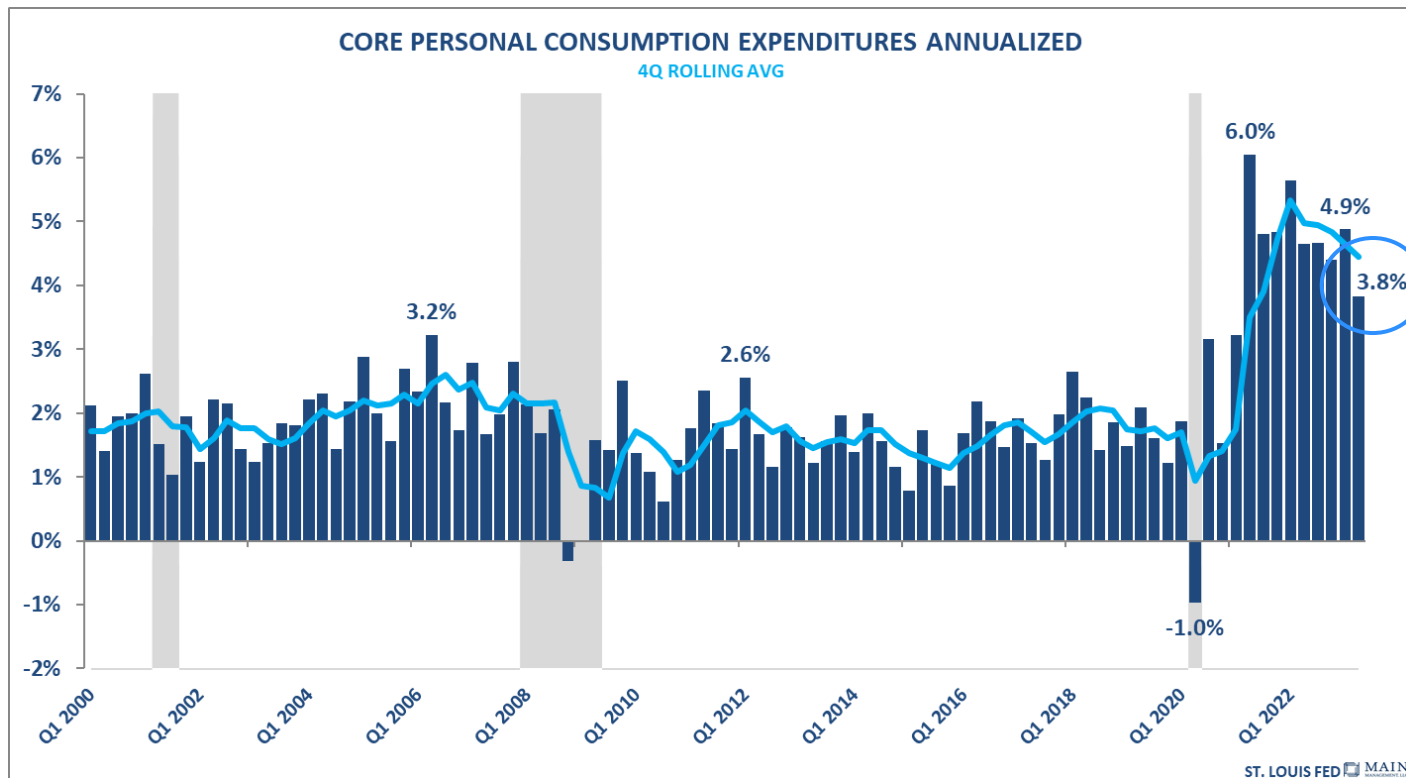
## Q2 2023 U.S. GDP

The 1<sup>st</sup> estimate of Q2 2023 U.S. GDP came in at 2.4% annualized, far above expectations for a 1.8% reading. The biggest contributors to this reading were Consumer Spending and Business Investment while Housing and Net Exports were slight drags.



## Q2 2023 U.S. GDP

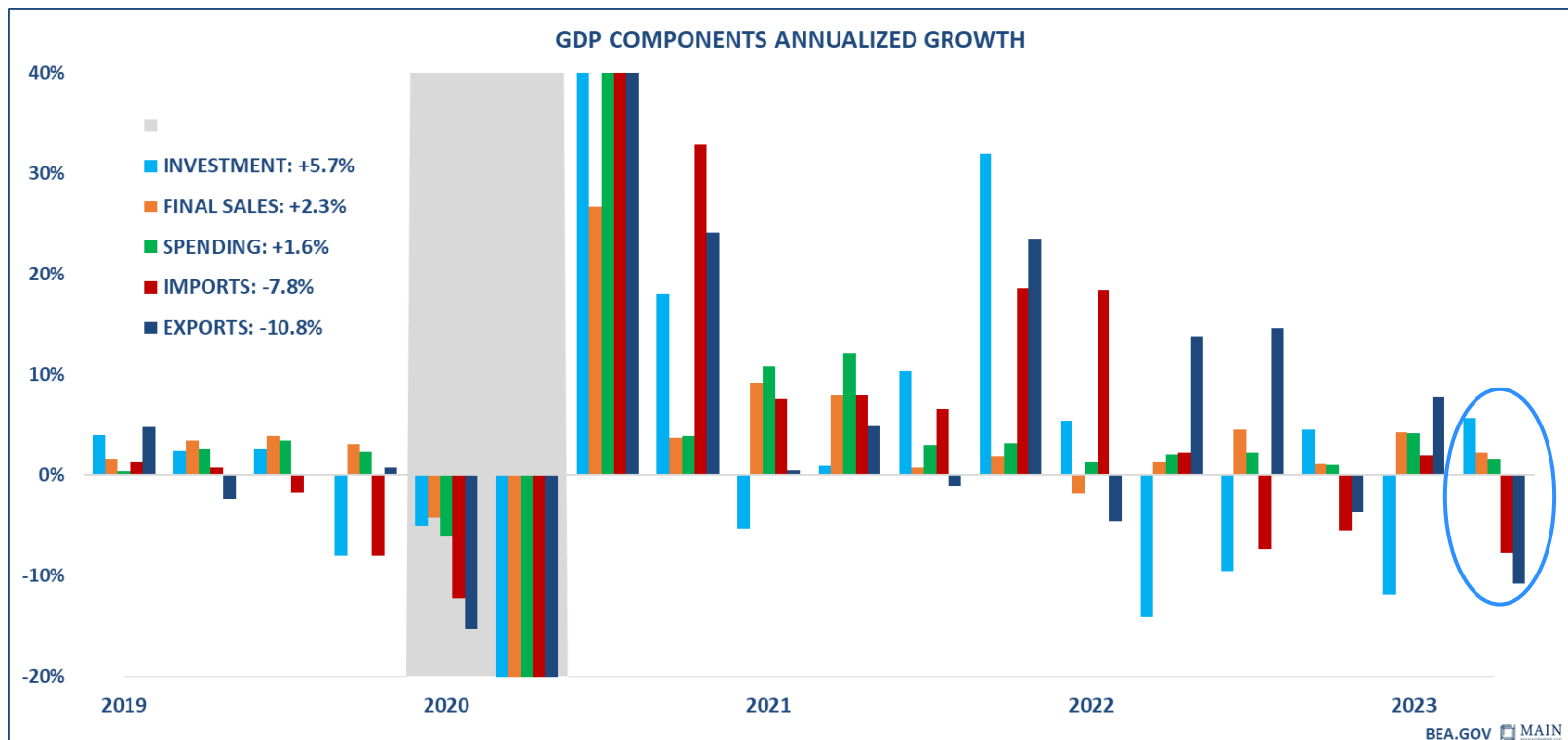
Q2 Core Personal Consumption Expenditures (PCE) slowed to +3.8% from 4.9% in Q1, the smallest increase since Q1 2021. The Q2 data so far shows that we've got accelerating growth and slowing inflation – not a recessionary environment at present.





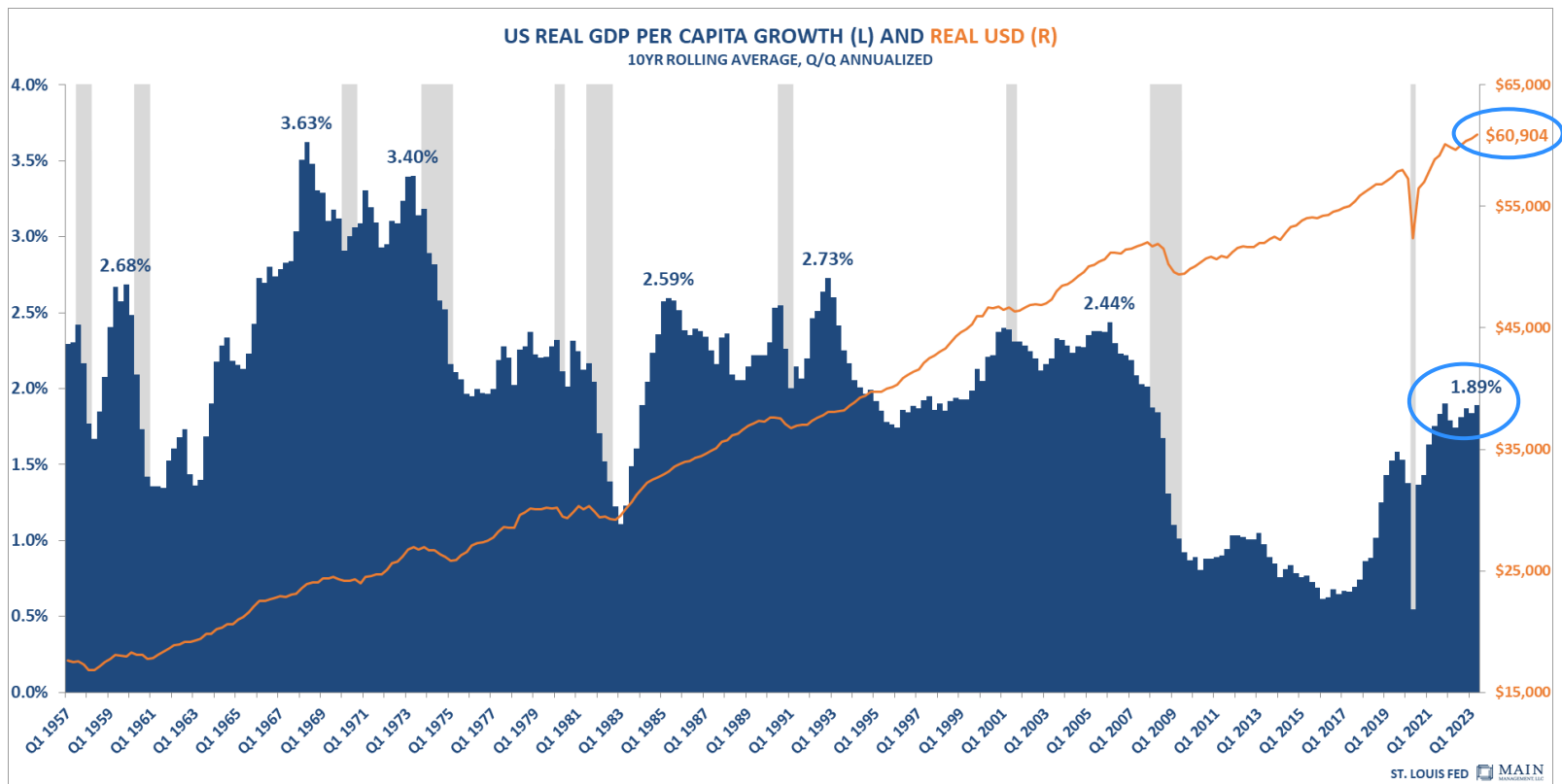
## Q2 2023 U.S. GDP

For the major components, Private Domestic Investment led the way up +5.7%, its biggest gain since Q4 2021. Final Sales decelerated to +2.3% from 4.2% in Q1, as did Consumer Spending which slowed to +1.6% from 4.2%. Imports and Exports were down -7.8% and -10.8%, respectively, their biggest declines since Q2 2020.



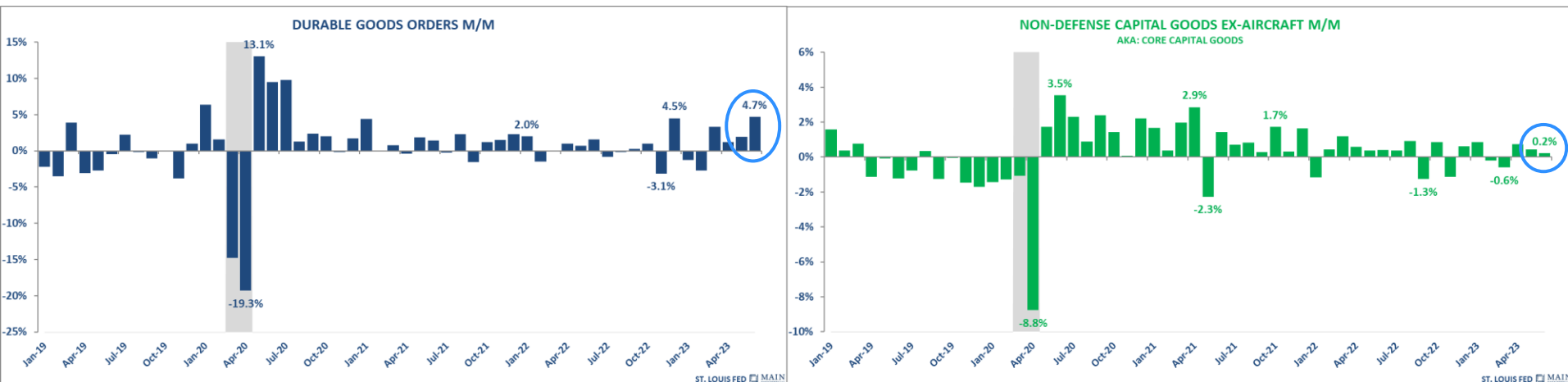
## Q2 2023 U.S. GDP

GDP Per Capita accelerated slightly to +1.9% annualized in Q2 from +1.6% in Q1. The 20-quarter rolling average of that annualized figure now stands at 1.89%, the 2<sup>nd</sup> highest since Q4 2007! On an absolute basis, Per Capita GDP is now at \$60,904, a record high.



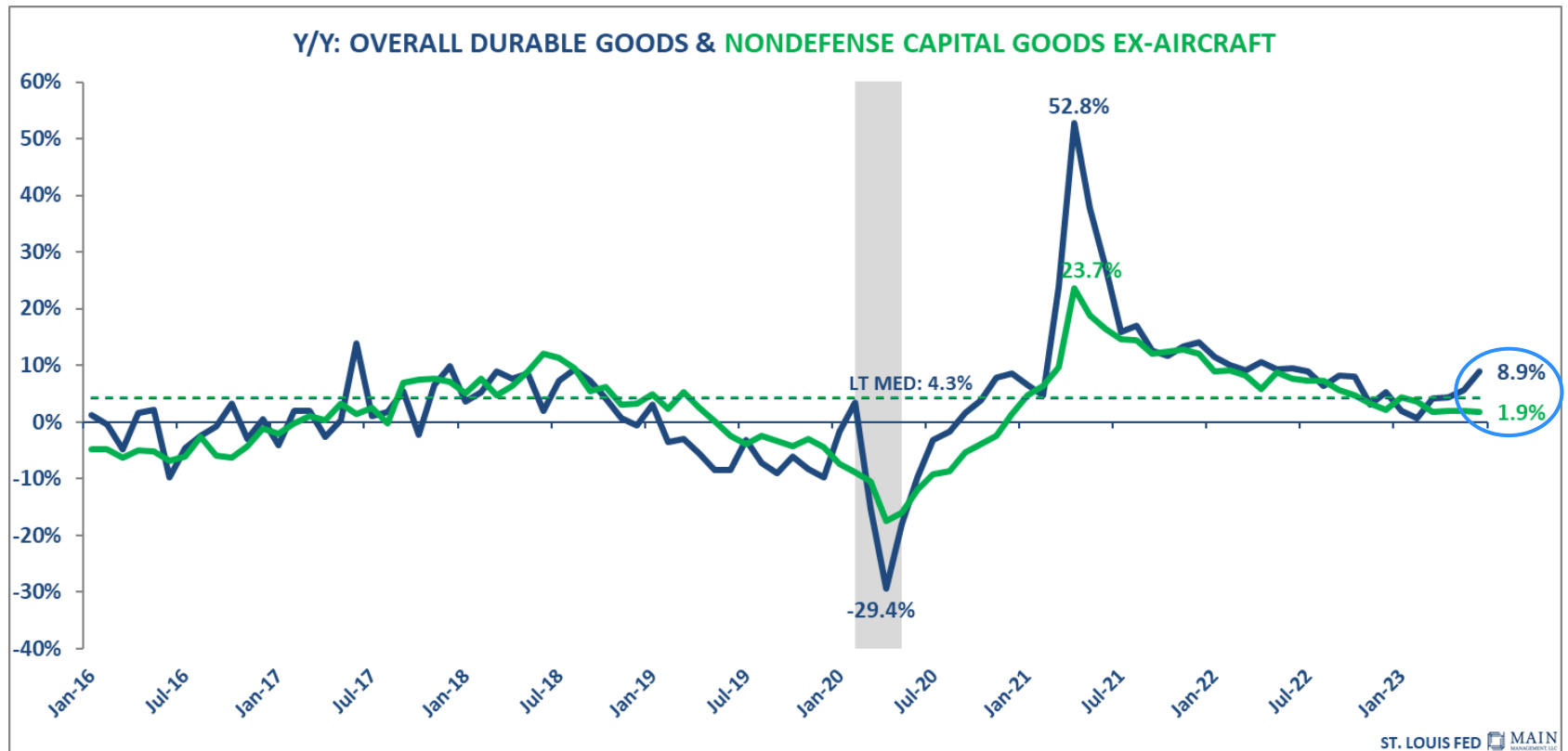
# Durable Goods

Durable Goods Orders jumped +4.7% M/M in June, well ahead of forecasts for a 1% gain and the strongest reading since July 2020! Orders for Core Capital Goods, a proxy for business spending, slowed to +0.2% M/M, the smallest gain in 3 months but ahead of forecasts for a 0.1% gain.



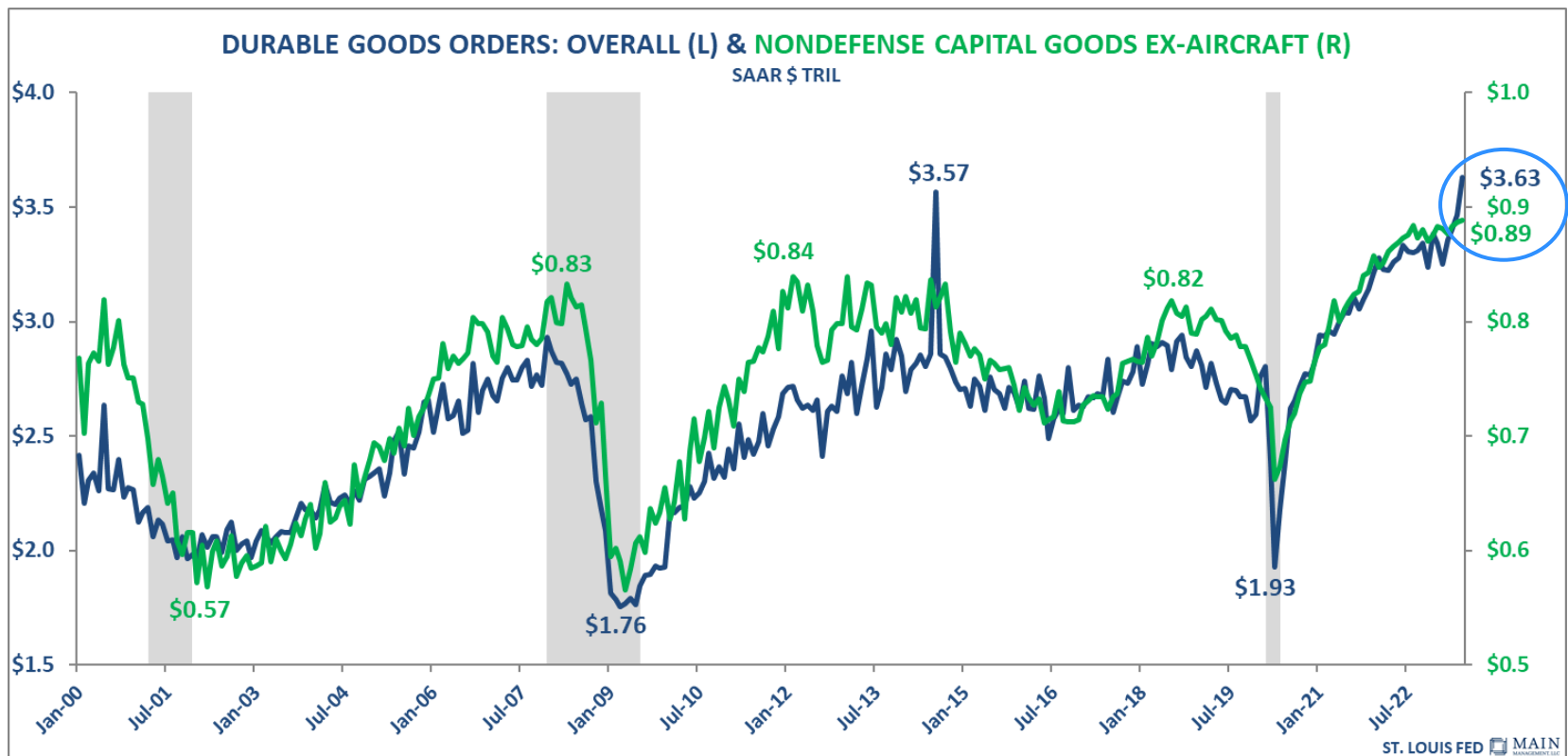
## Durable Goods

Year-over-year, Durable Goods Orders accelerated to +8.9%, the biggest increase since June 2022! Core Capital Goods decelerated slightly to +1.9%. They've been holding steady around that level for a few months now.



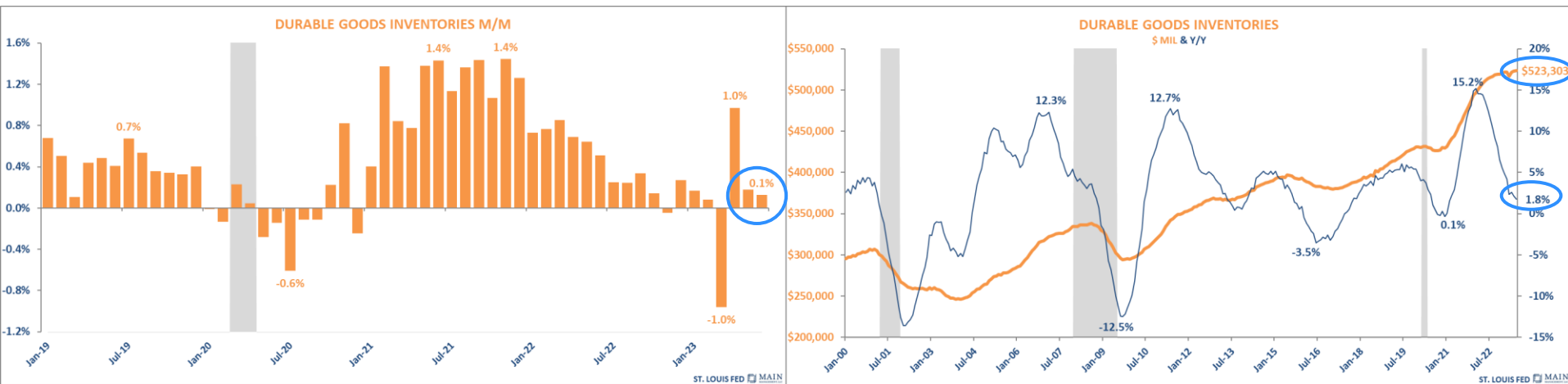
# Durable Goods

On a SAAR basis, Durable Goods jumped to a new all-time high at \$3.63 trillion, finally surpassing that prior outlier peak from several years ago! Core Capital Goods also rose to a new high at \$0.89 trillion.

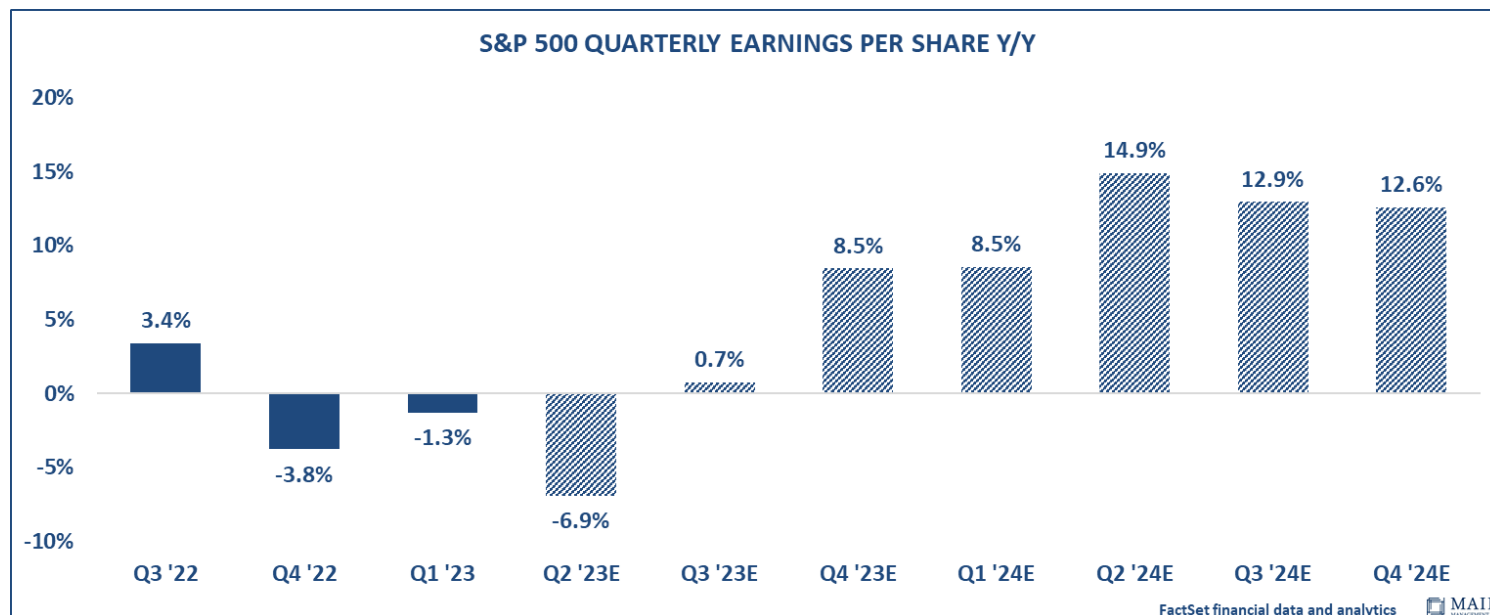


# Durable Goods

Durable Goods Inventories ticked up +0.1% M/M in June, the 3rd straight increase. On an absolute basis, Inventories also reached a new all-time high at \$523 billion. They slowed to +1.8% Y/Y, the smallest increase since February 2021.

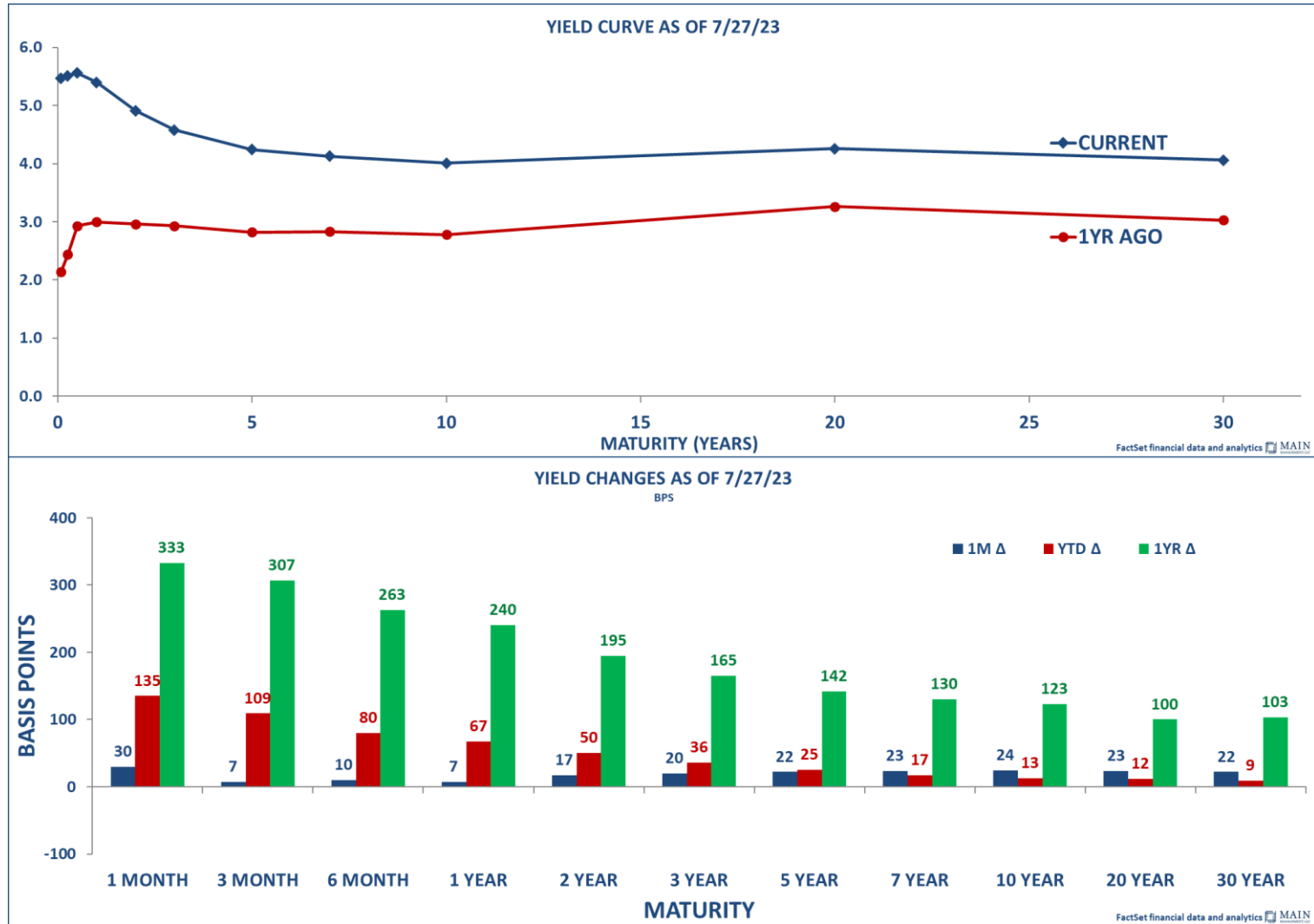


# S&P 500 Earnings Estimates



S&P 500 EARNINGS ESTIMATES				CHANGE			
PERIOD	7/28/23	1WK AGO	1MO AGO	1WK %Δ	1WK \$Δ	1MO %Δ	1MO \$Δ
3Q22	\$54.97	--	--	--	--	--	--
4Q22	\$52.87	--	--	--	--	--	--
1Q23	\$52.64	--	--	--	--	--	--
2Q23E	\$51.96	\$51.11	\$52.24	1.66%	\$0.85	-0.54%	-\$0.28
3Q23E	\$55.38	\$55.21	\$55.42	0.31%	\$0.17	-0.07%	-\$0.04
4Q23E	\$57.34	\$57.19	\$57.36	0.26%	\$0.15	-0.03%	-\$0.02
1Q24E	\$57.13	\$57.06	\$57.27	0.12%	\$0.07	-0.24%	-\$0.14
2Q24E	\$59.70	\$59.33	\$59.28	0.62%	\$0.37	0.71%	\$0.42
2022	\$216.44	\$216.44	\$216.44	0.00%	\$0.00	0.00%	\$0.00
2023E	\$217.77	\$216.93	\$218.70	0.39%	\$0.84	-0.43%	-\$0.93
2024E	\$244.69	\$244.12	\$244.68	0.23%	\$0.57	0.00%	\$0.01

# Yields





## Disclosures

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