



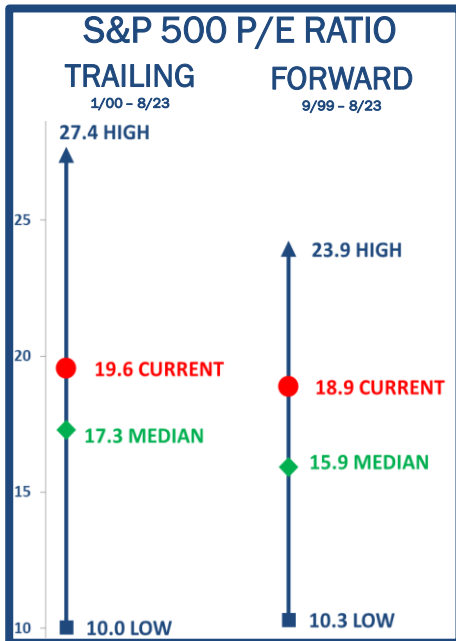
Main Management Market Note: September 15, 2023



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Executive Summary



FactSet financial data and analytics

August CPI came in at +0.6% M/M, in line with expectations and the biggest increase since June 2022. Core CPI came in above forecasts at +0.3% M/M. On the PPI side, Broad PPI jumped +0.7% M/M as Core PPI slowed to +0.2% M/M.

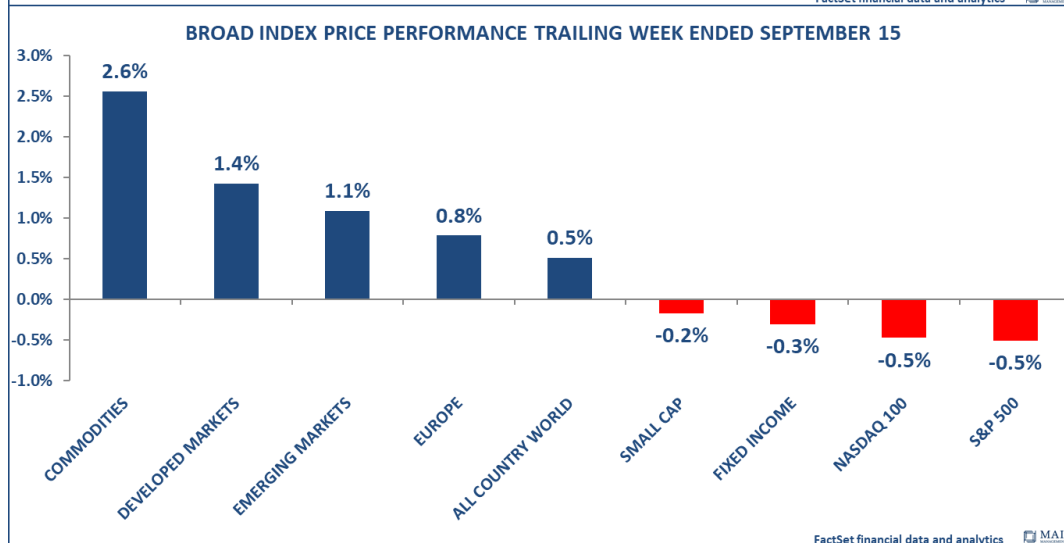
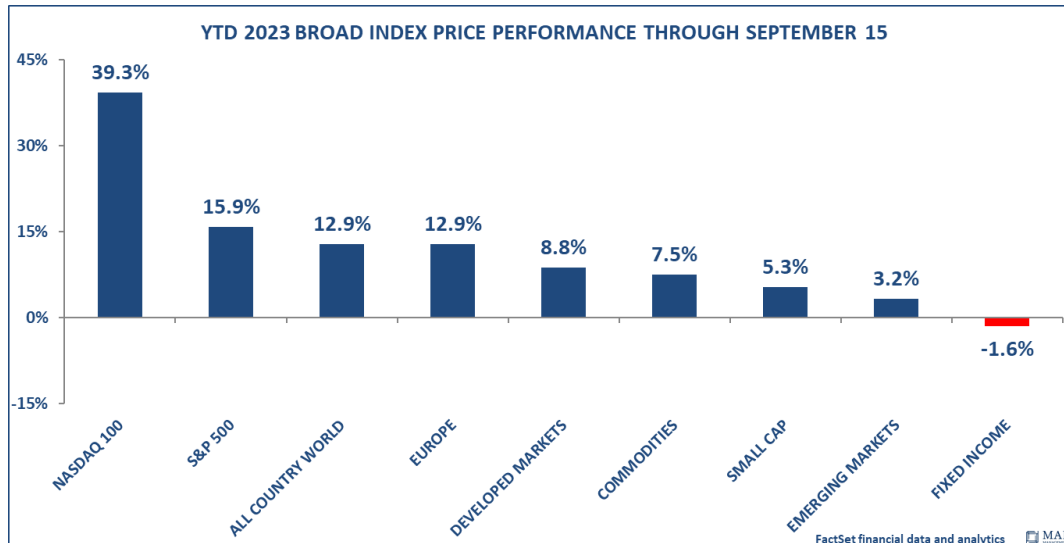
Broad Retail Sales rose +0.6% M/M, ahead of forecasts, while Core Retail Sales slowed to +0.2%. On a Y/Y basis, Broad Retail Sales are up +2.5% and Core Sales are up +3.7%, the smallest gain since May 2020.

Industrial Production came in above expectations at +0.4% M/M while Manufacturing Output rose +0.1% M/M. Capacity Utilization ticked up to 79.7%, the highest since April and ahead of forecasts as well. We've seen solid gains in High Tech in particular.

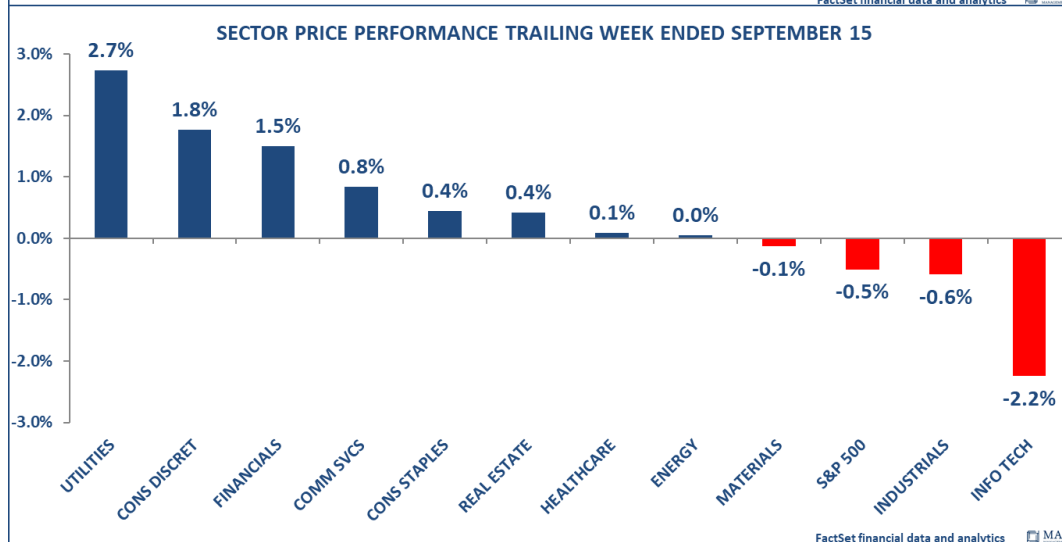
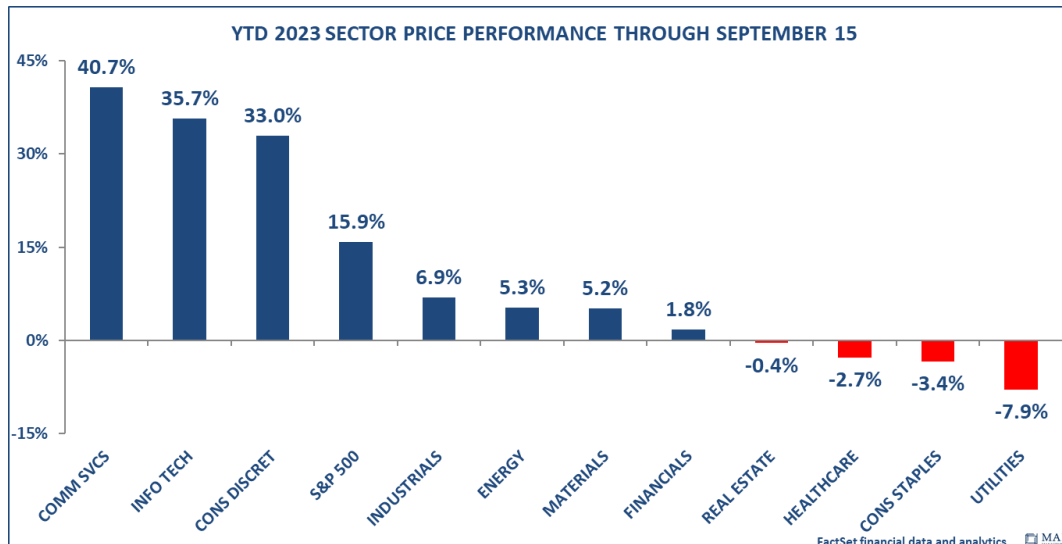
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Broad Index Performance



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 | ↑ | ↑ | ↔ | ↔ | ↑ | ↔ | ↑ | ↔ | ↔ |
| AUG 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 |

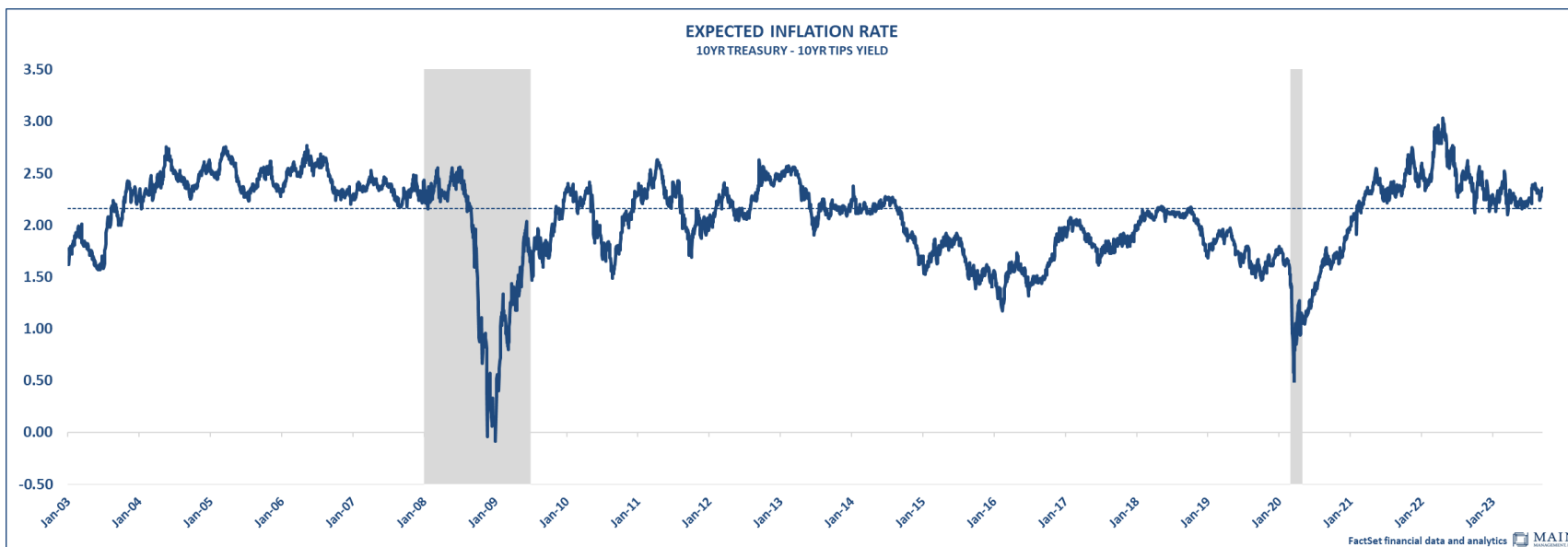
 Positive
  Neutral
  Negative



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.

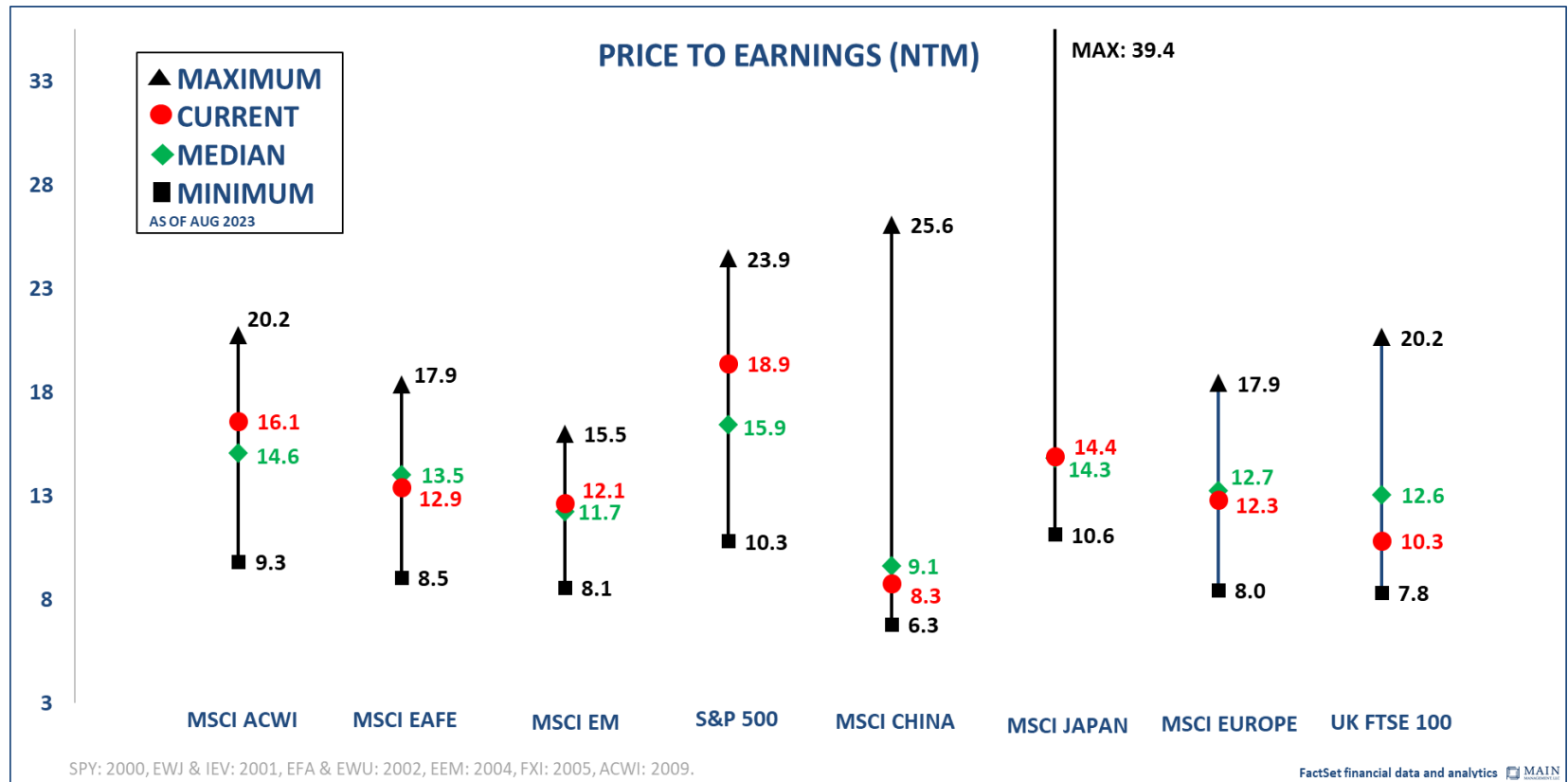
Inflation Watch



| COMMODITY | 1MO | 3MO | YTD '23 | 1YR |
|---------------|-------|--------|---------|--------|
| BBG COMMODITY | 2.5% | 6.4% | -4.5% | -11.3% |
| S&P GSCI | 6.8% | 19.5% | 8.8% | 4.7% |
| LUMBER | 0.0% | 0.0% | -7.9% | -32.7% |
| GASOLINE | -0.5% | 7.5% | 23.2% | 1.6% |
| NATURAL GAS | -1.2% | 32.1% | -23.1% | -68.9% |
| WTI CRUDE | 9.3% | 32.2% | 12.5% | 1.4% |
| COTTON | -1.3% | 5.7% | 3.7% | -19.3% |
| CORN | -2.8% | -23.9% | -31.8% | -34.8% |
| COPPER | 1.6% | -2.2% | -0.6% | 6.7% |
| SOYBEANS | -3.4% | -3.2% | -11.6% | -10.6% |
| SILVER | 0.3% | -5.4% | -5.5% | 15.0% |
| COFFEE | 1.3% | -17.0% | -8.5% | -29.6% |
| GOLD | 0.2% | -1.6% | 4.7% | 12.6% |
| BITCOIN | -8.9% | 3.3% | 62.2% | 34.3% |
| US DOLLAR DXY | 2.1% | 2.4% | 1.8% | -3.9% |

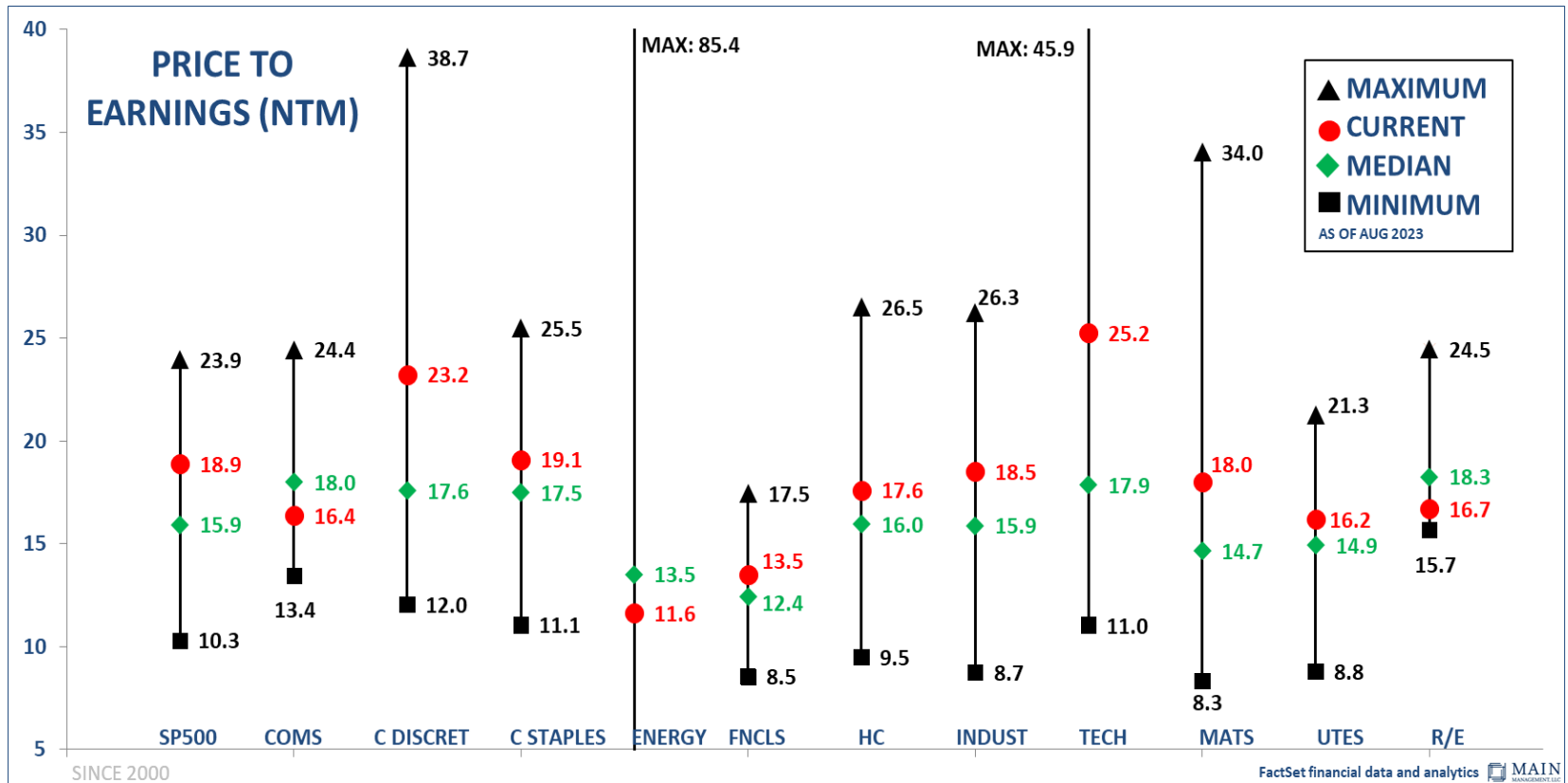
Broad Index Valuations

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.



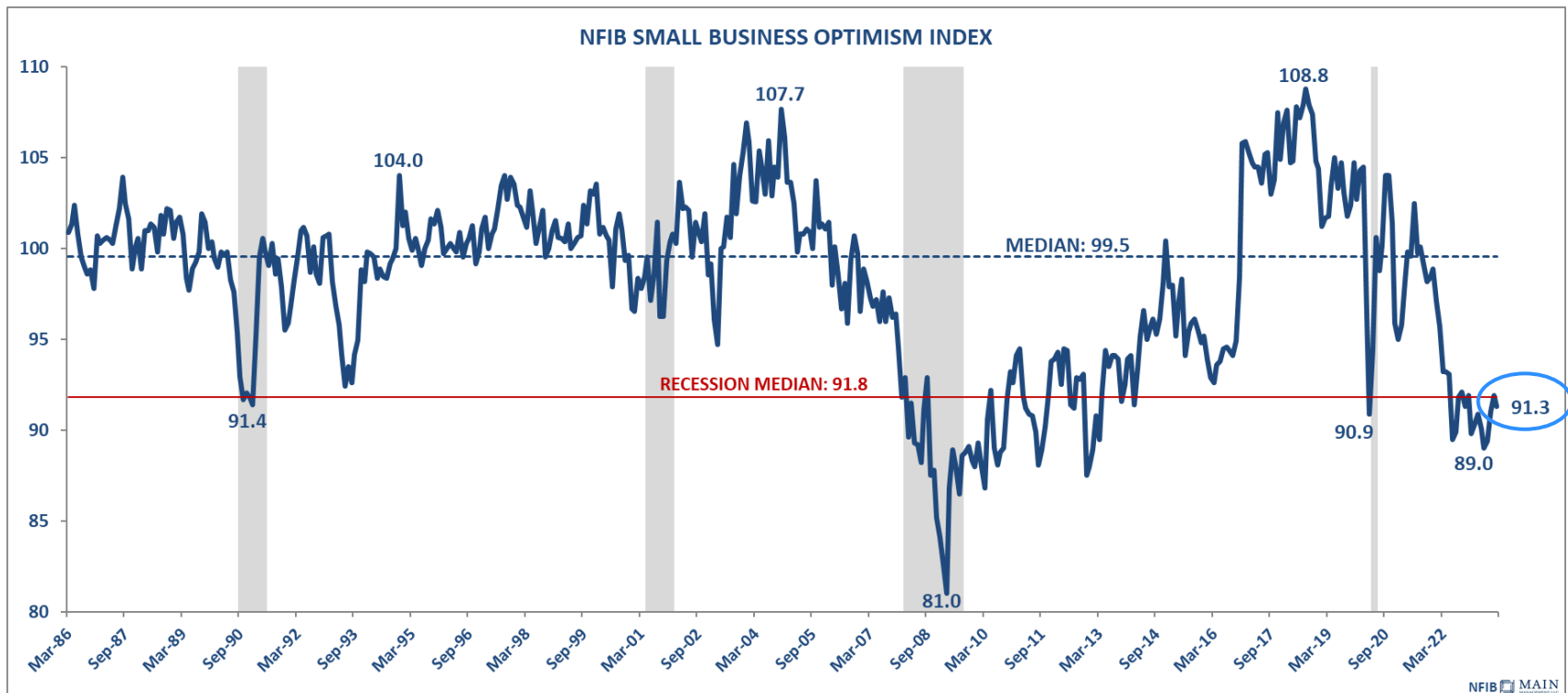
US Sector Valuations

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.



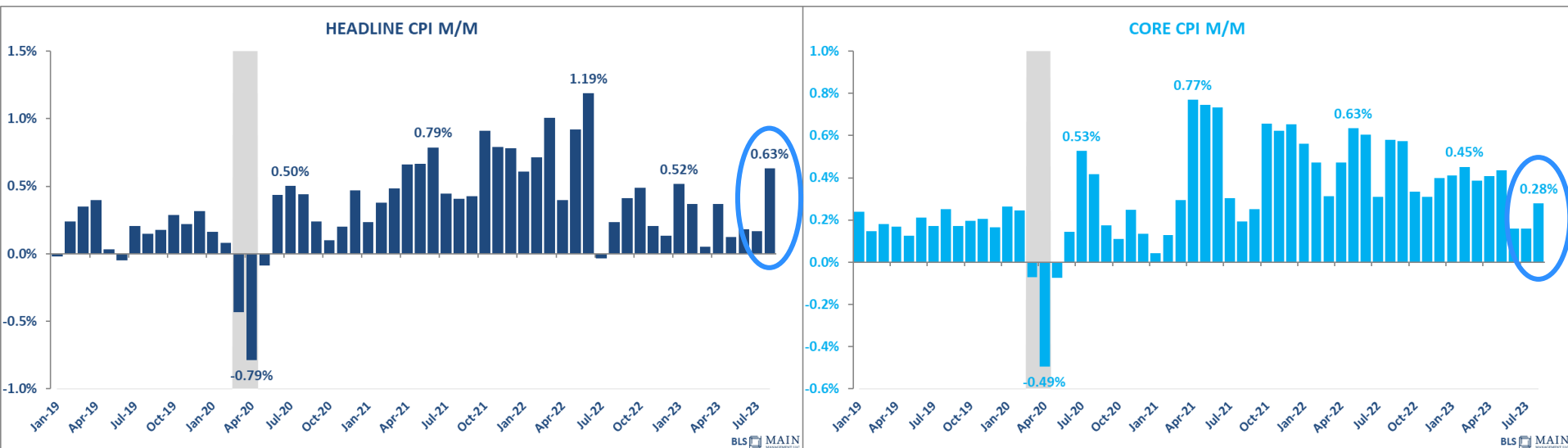
Of Note This Week

The NFIB Small Business Optimism Index ticked down to 91.3 in August, moving back below the recession median of 91.8 and well below the long-term median of 99.5. Notably, the sales environment deteriorated, both in recent months as well as the outlook for the coming months.



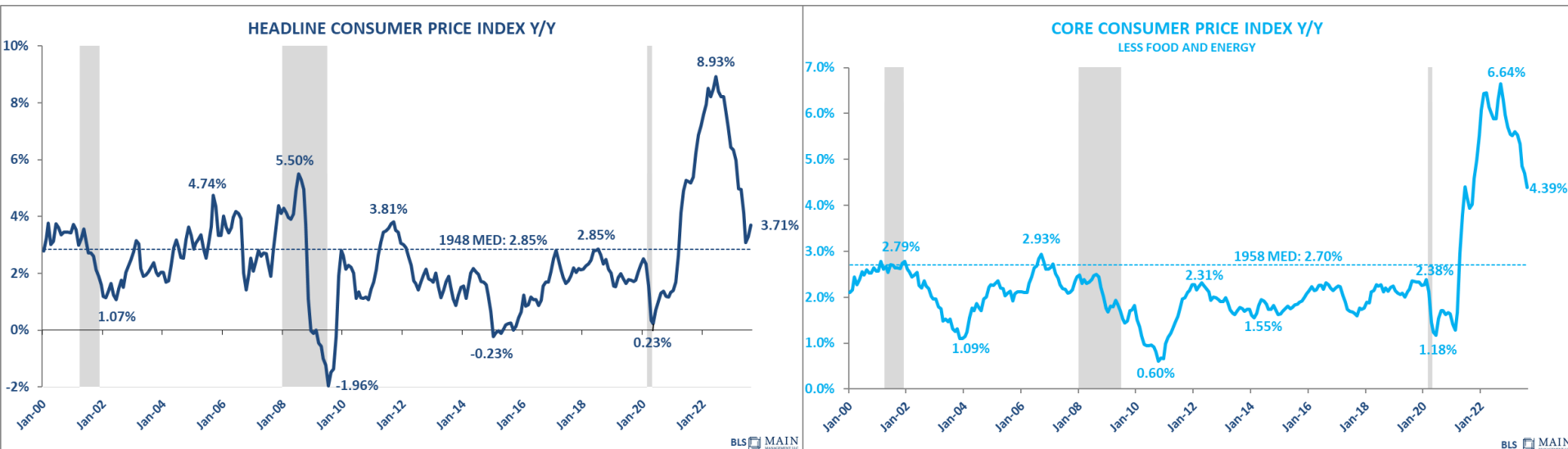
August CPI & PPI

August CPI came in at +0.63% M/M, in line with expectations and the biggest gain since June 2022. Core CPI came in at +0.28% M/M, ahead of forecasts for a 0.2% reading and the biggest gain in a few months. A +5.8% rise in Energy was a big culprit in the difference between the two series. Food, the other component that Core CPI excludes, rose +0.2% M/M.



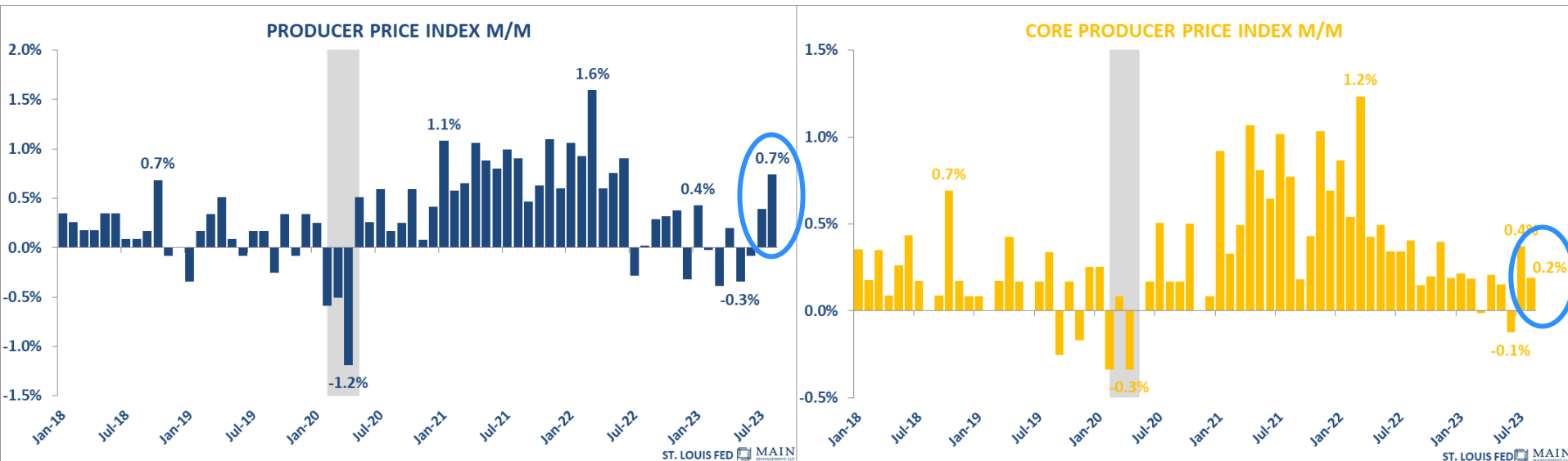
August CPI & PPI

On a Y/Y basis, Headline CPI accelerated to +3.71%, marking the 2nd consecutive month of acceleration and slightly above 3.6% forecasts. The good news is that Core CPI slowed to +4.39%, the smallest gain since September 2021.



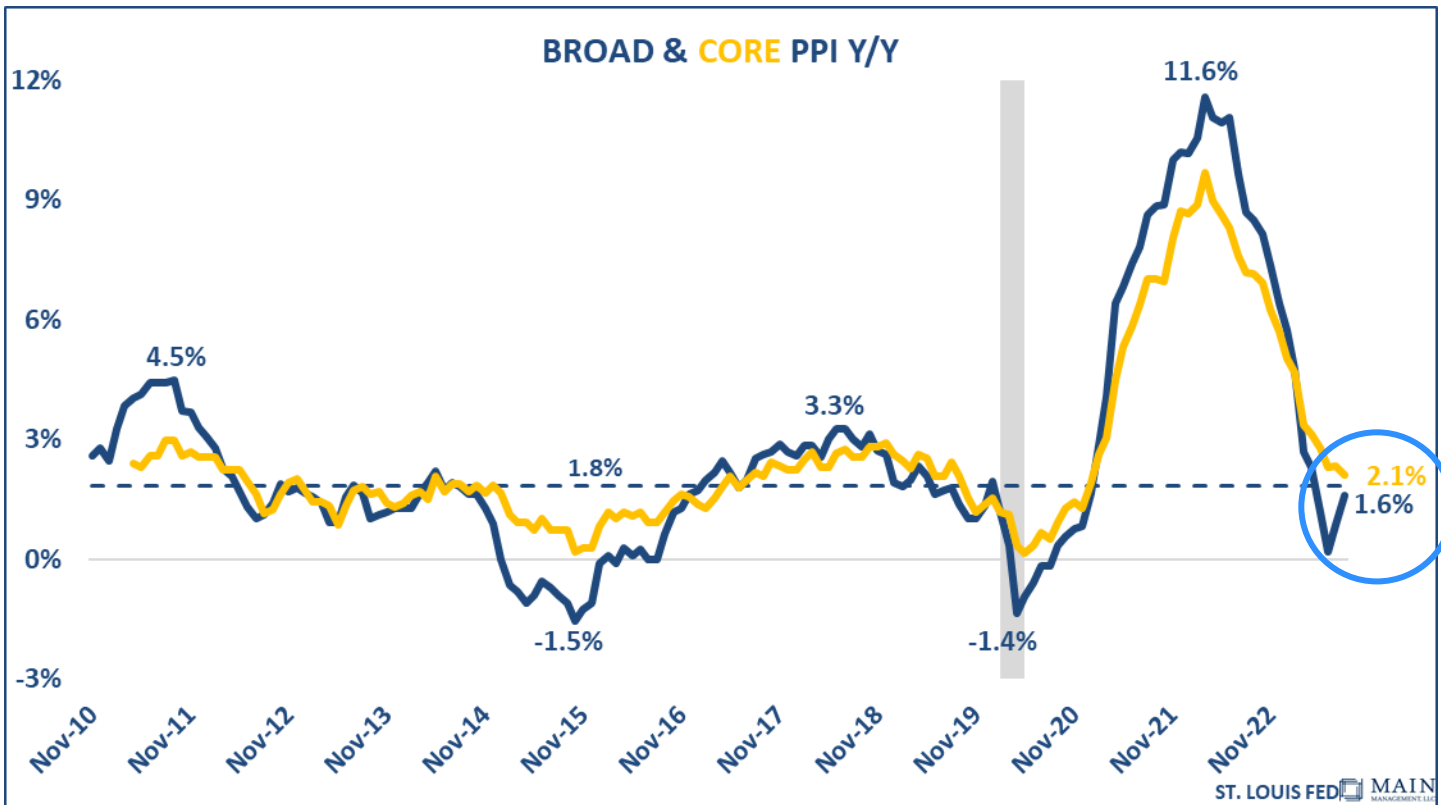
August CPI & PPI

PPI jumped +0.7% M/M in August, well above forecasts for a 0.4% increase and the biggest rise since June 2022. Core PPI slowed to +0.2% M/M, in line with expectations, while July was revised up to +0.4%. Similar to the CPI data, a record +10.5% M/M jump in Energy prices contributed to the difference between Headline and Core PPI.



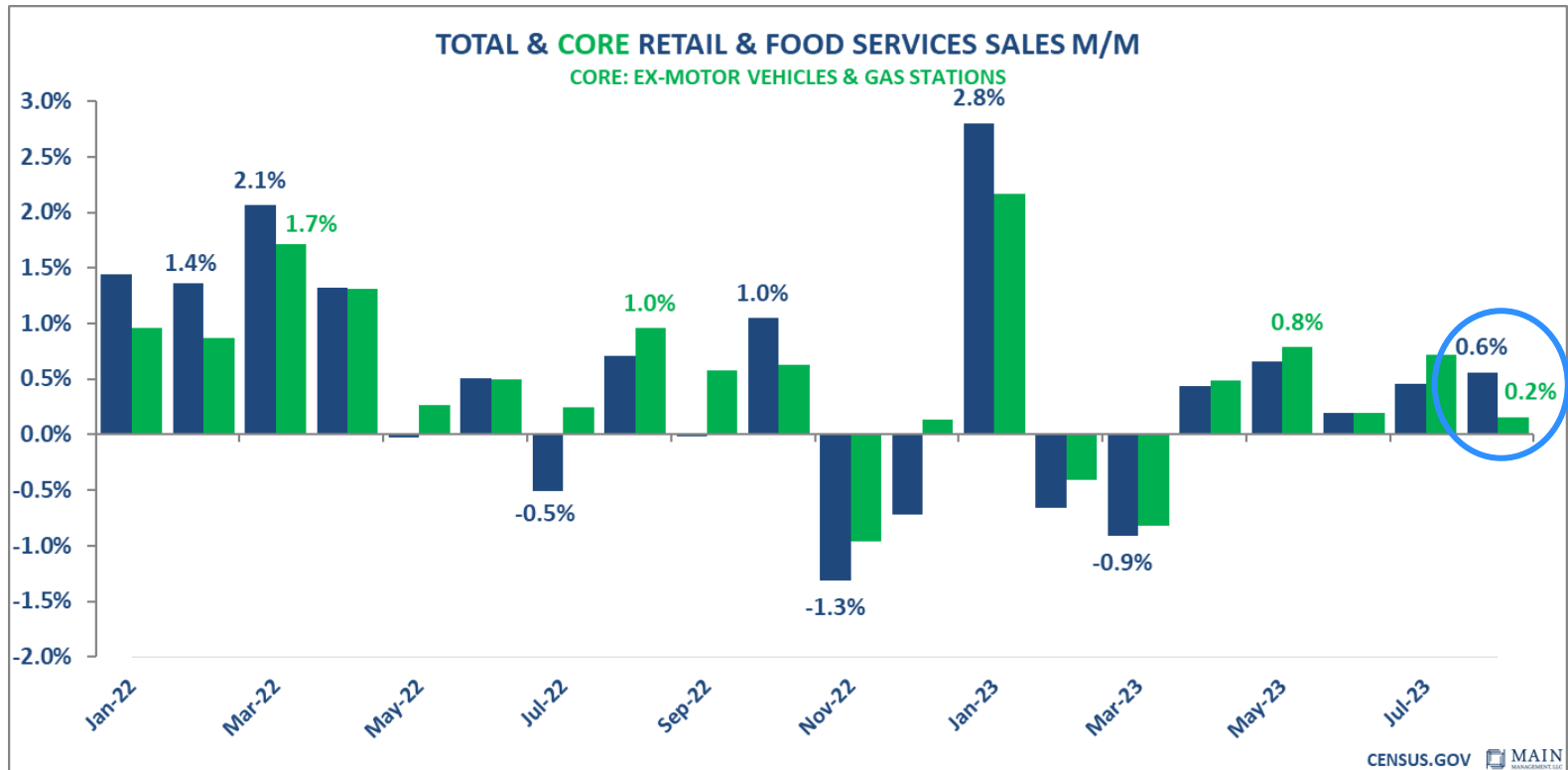
August CPI & PPI

Year-over-year, Broad PPI accelerated to +1.6%, the 2nd acceleration in a row, while Core PPI slowed to +2.1%, the smallest gain since Jan. 2021.



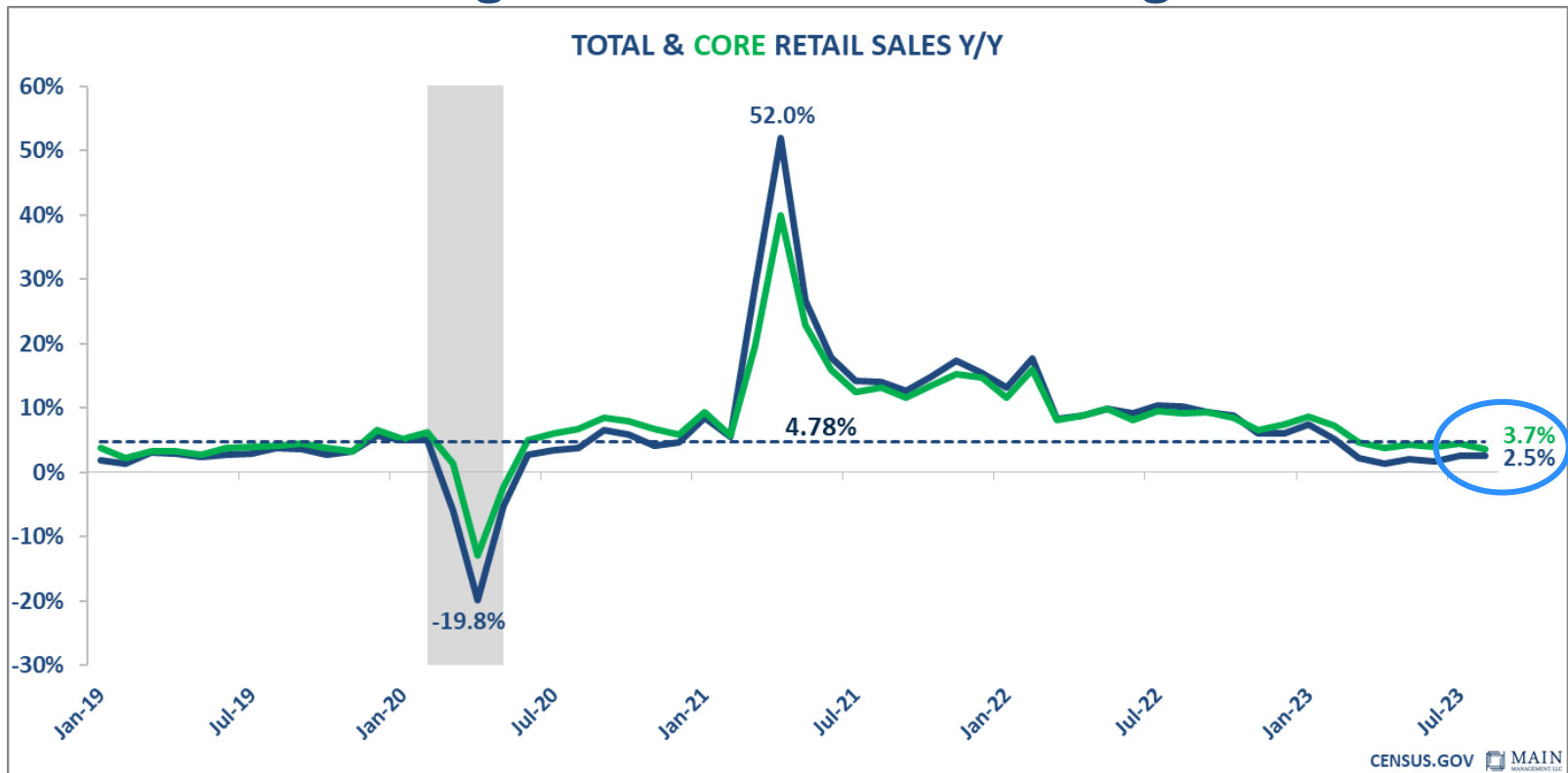
Retail Sales

August Retail Sales posted a +0.6% M/M gain, solidly ahead of forecasts for a 0.2% gain and the 5th straight positive reading. Core Retail Sales rose +0.2% M/M, the smallest gain in 6 months but the 5th consecutive positive reading as well.



Retail Sales

On a Y/Y basis, Total Retail Sales ticked down to +2.5% from +2.7% while Core inched lower to +3.7% from +4.5%, the smallest reading since May 2020. Still, with the 5 straight monthly increases, both series hit new all-time highs on an absolute basis in August.

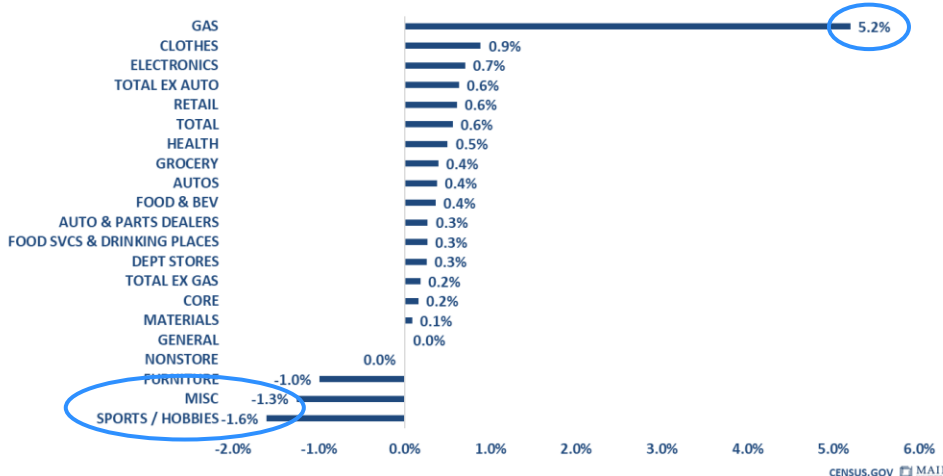


Retail Sales

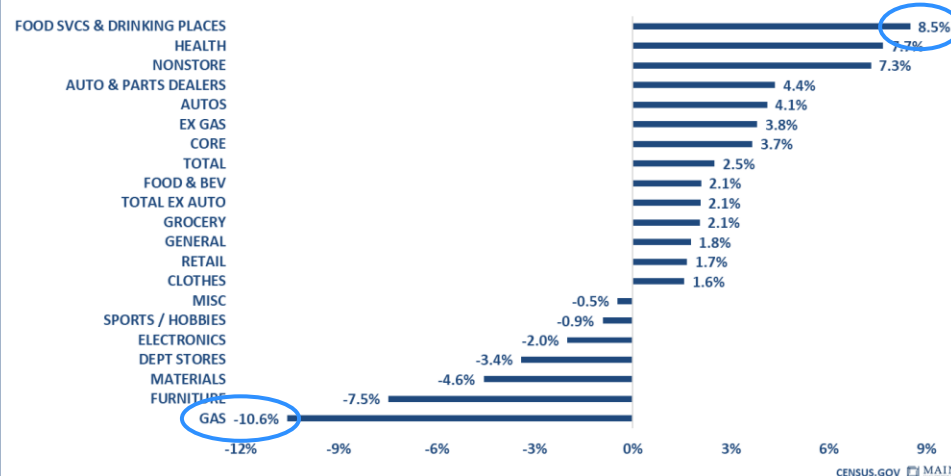
On an industry basis, Gas led the way up +5.2% M/M, followed by Clothing at +0.9%. The laggards were Sports/Hobbies down -1.6% and then Miscellaneous down -1.3%. It was good to see only 4 industries negative in August.

From a Y/Y standpoint, Food Services/Drinking Places lead the way up +8.5%, followed by Health at +7.7%. Despite its big month, Gas is still down the most at -10.6% and then Furniture down -7.5%.

M/M CHANGE IN RETAIL INDUSTRIES

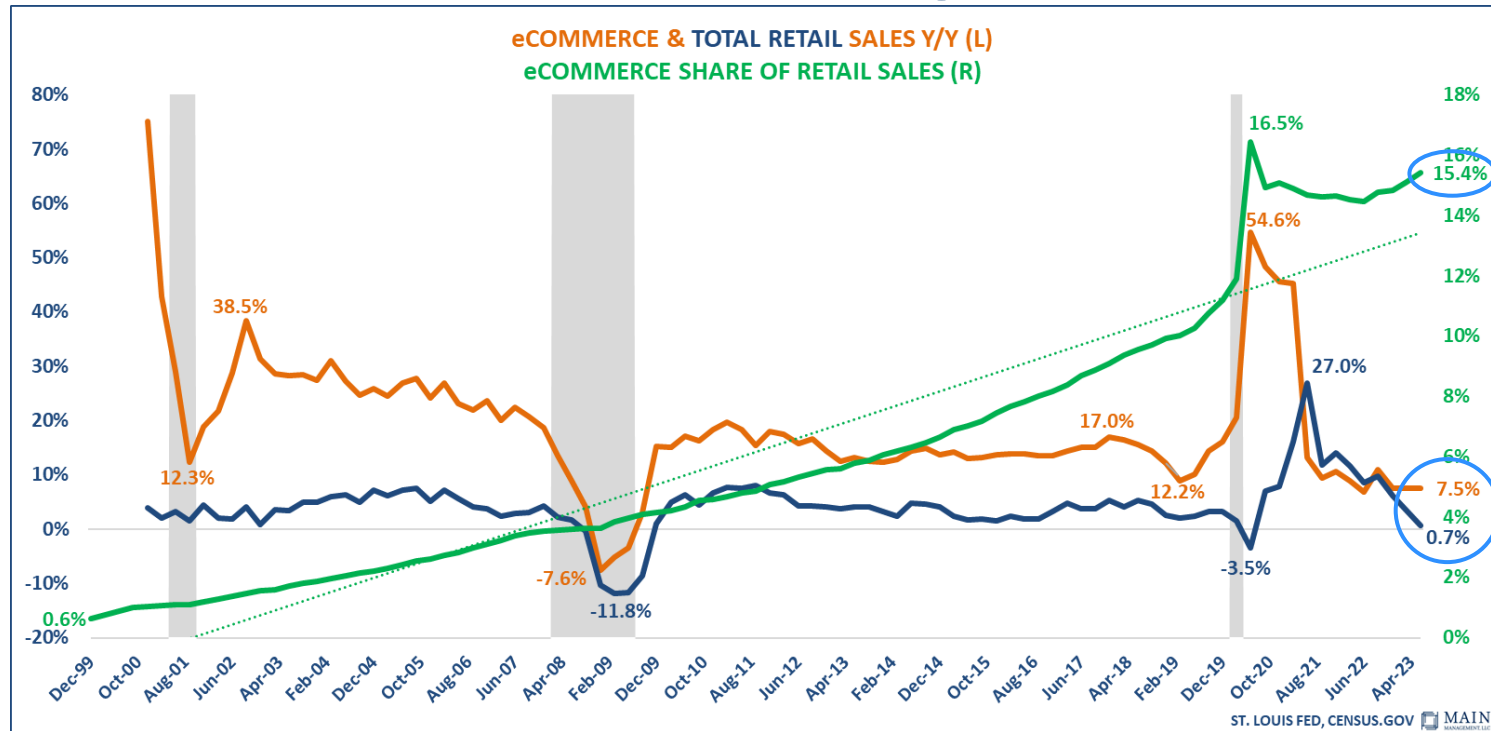


Y/Y CHANGE IN RETAIL INDUSTRIES



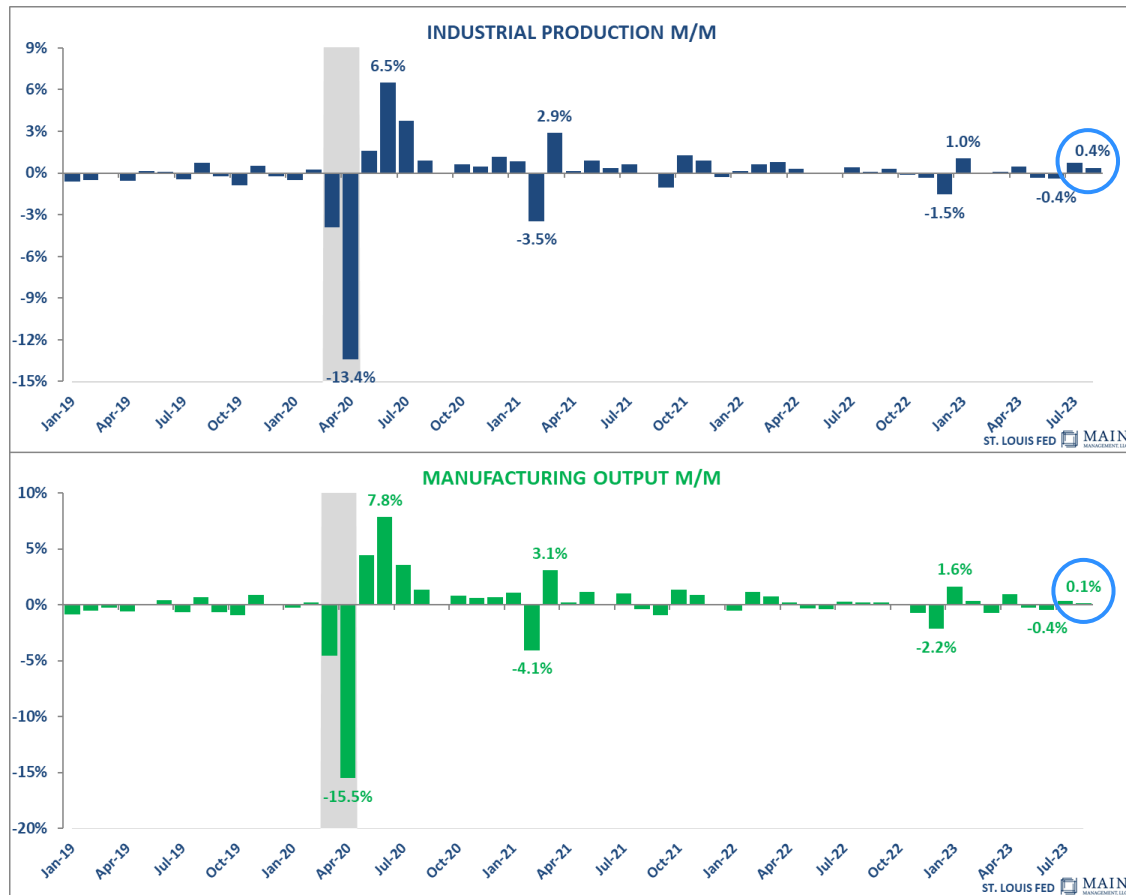
Retail Sales

We also have the Q2 2023 Retail Sales figures. Total Retail Sales were flat while eCommerce rose +2.1% Q/Q. Total Retail Sales slowed to +0.7% Y/Y, the smallest gain since Q2 2020 while eCommerce Sales were unchanged for the 3rd straight quarter at 7.5%. eCommerce sales are now 15.4% of Total sales, continuing the upward trajectory.



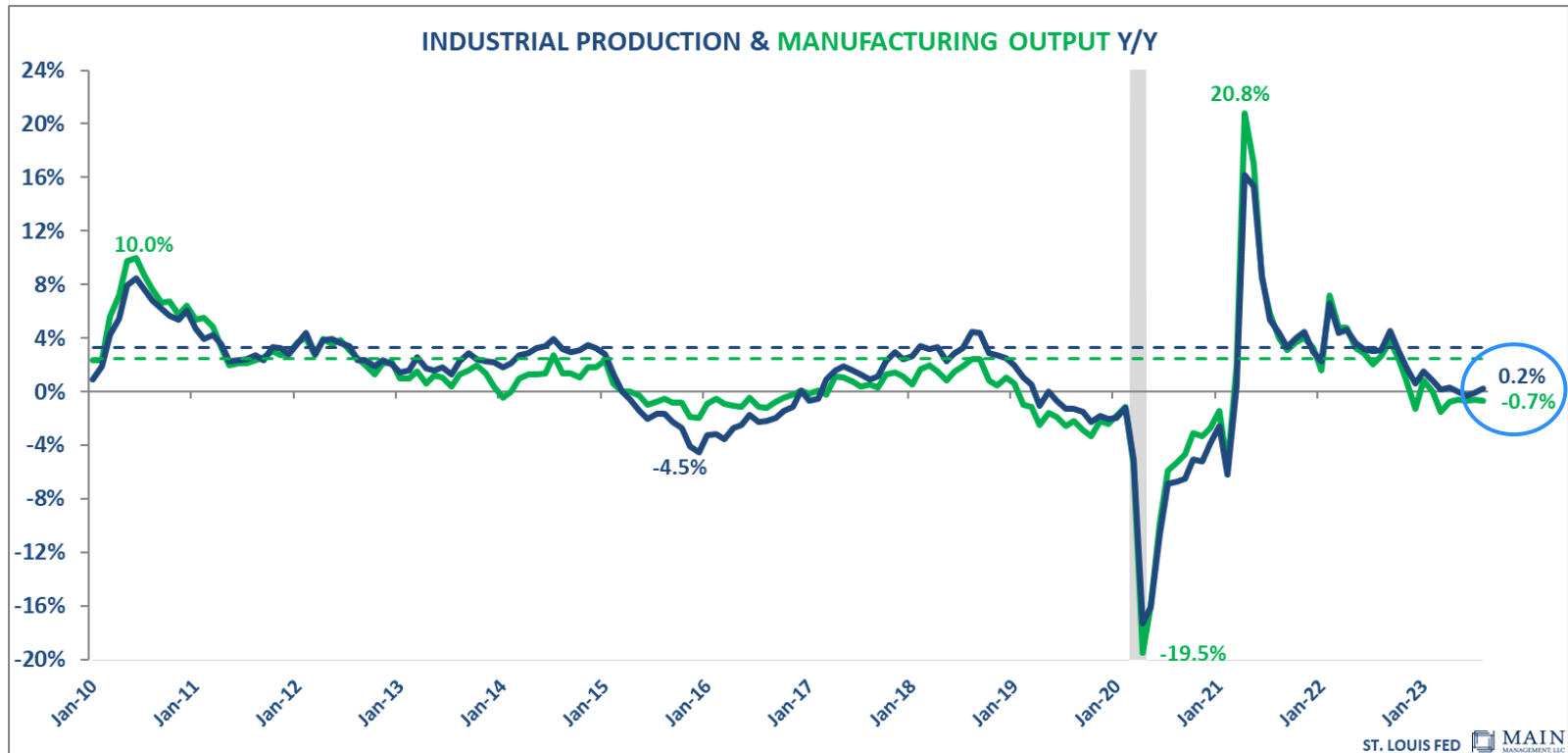
Industrial Production

Industrial Production rose +0.4% M/M in August, ahead of forecasts for a +0.1% gain. Manufacturing Output rose +0.1% M/M, in line with expectations.



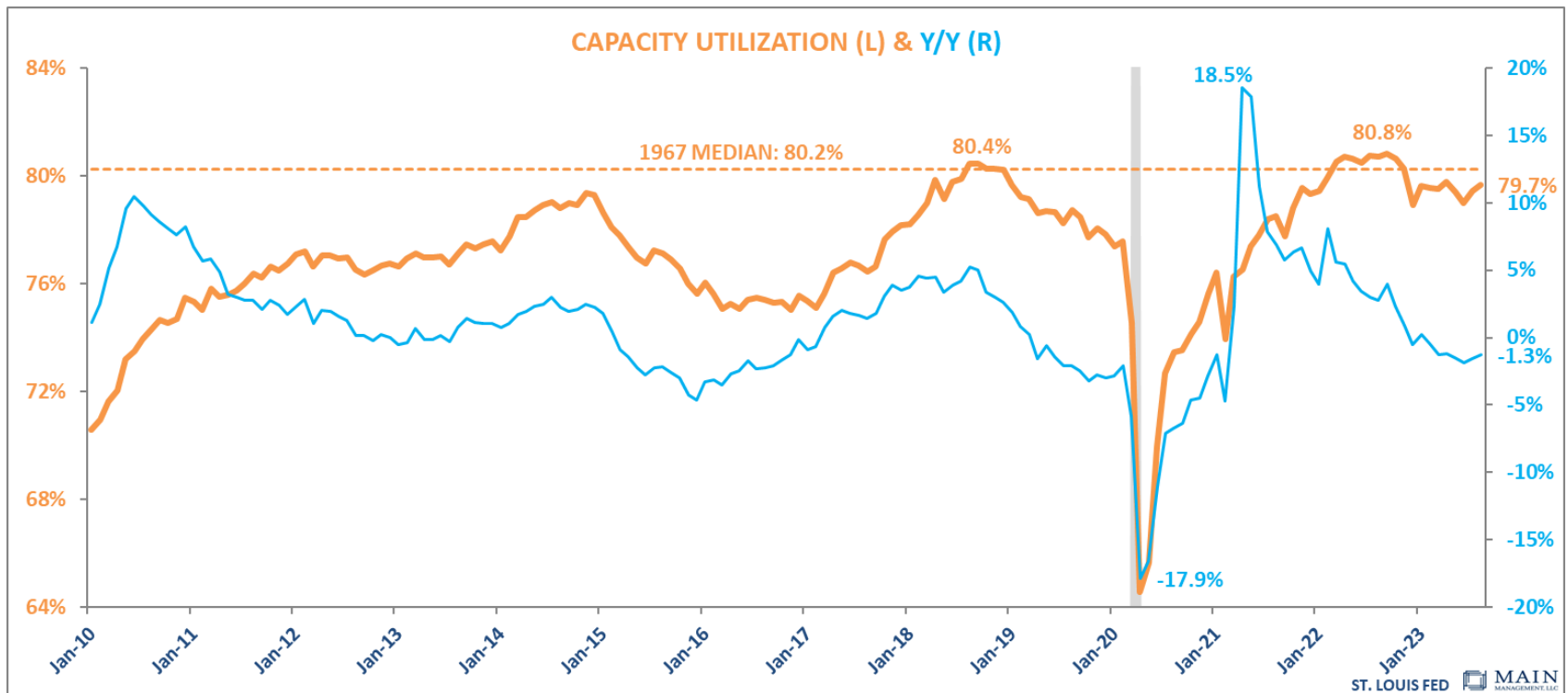
Industrial Production

On a Y/Y basis, Industrial Production accelerated slightly to +0.2% while Manufacturing Output slowed to -0.7%.



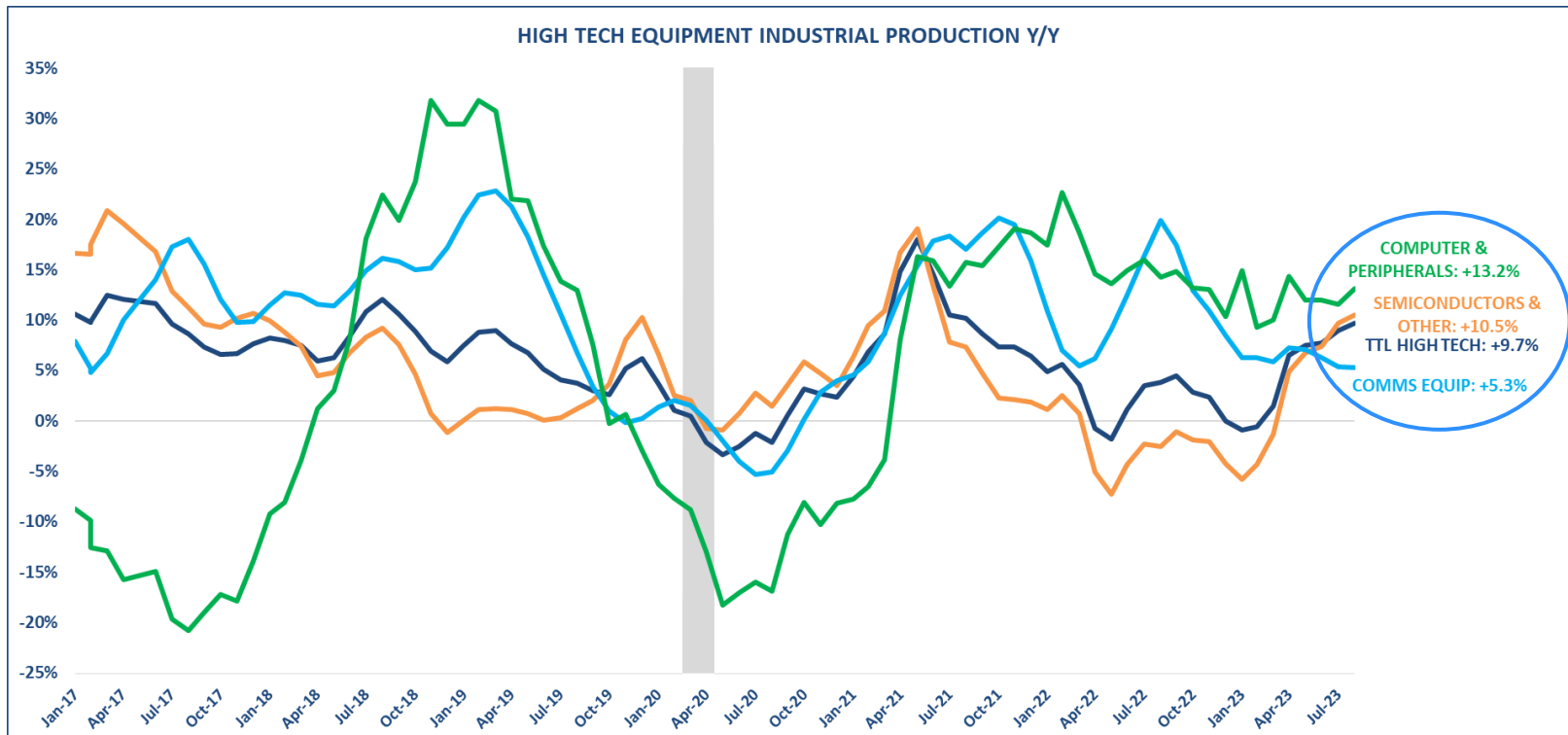
Industrial Production

Capacity Utilization inched up +0.3% M/M and now stands at 79.7%, the highest since April 2023 and ahead of expectations for a 79.3% reading.

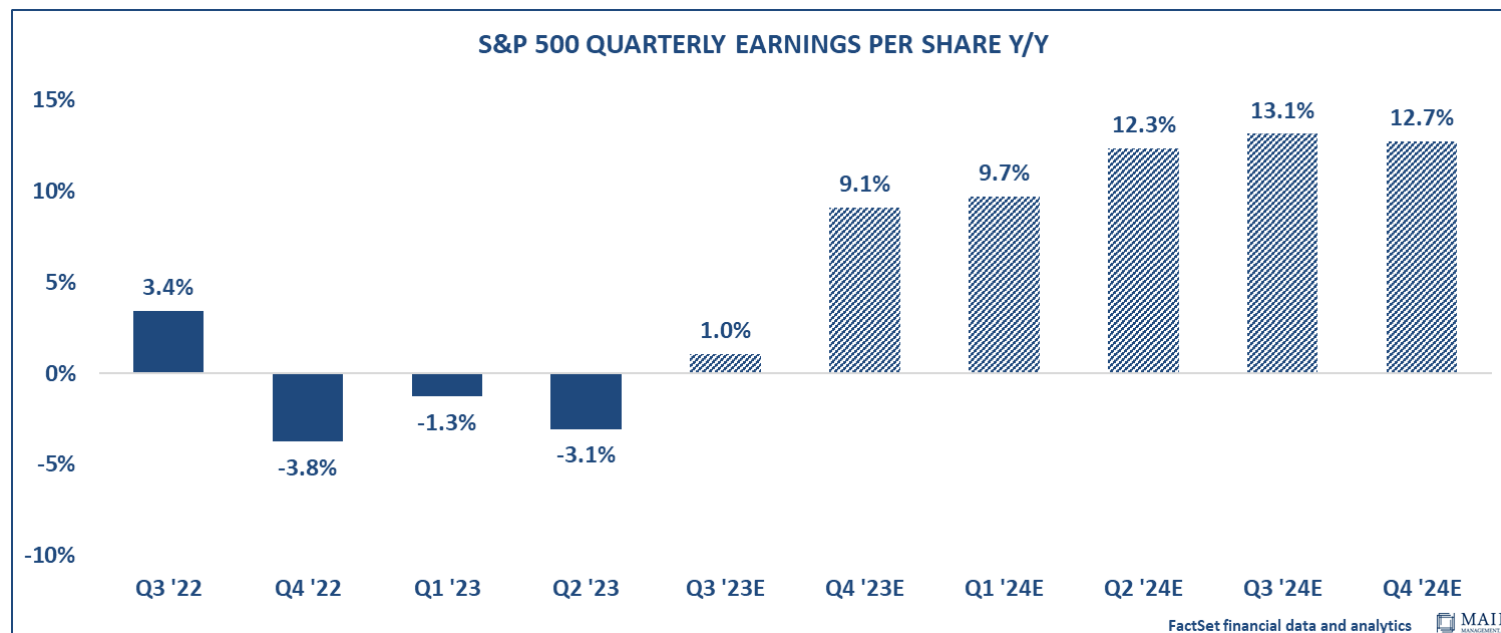


Industrial Production

High Tech Categories have been showing solid strength of late. On a Y/Y basis, they all accelerated in August except for Communications Equipment, but even that is still up +5.3% despite being the laggard.

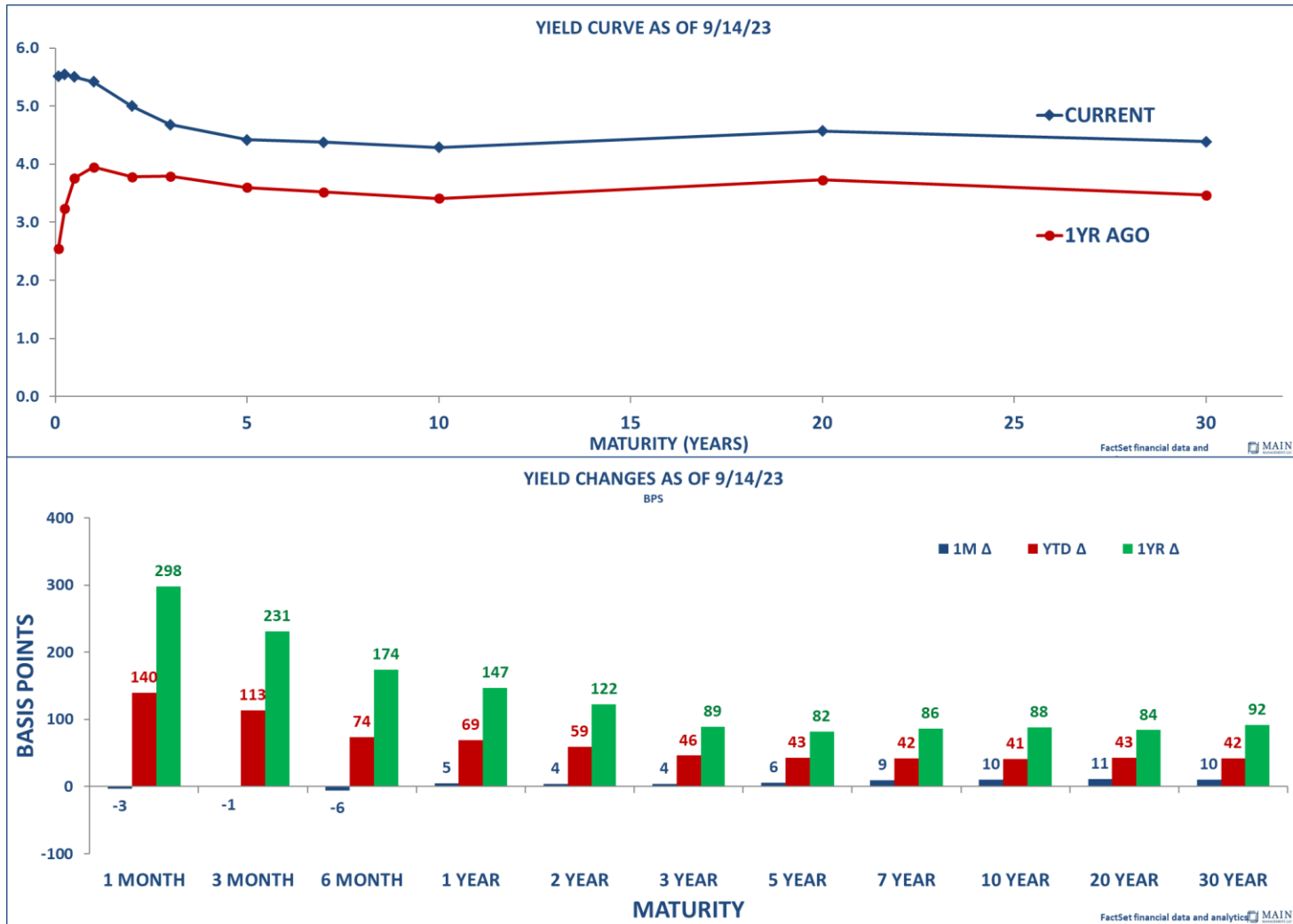


S&P 500 Earnings Estimates



| S&P 500 EARNINGS ESTIMATES | | | | CHANGE | | | |
|----------------------------|----------|----------|----------|--------|---------|--------|---------|
| PERIOD | 9/15/23 | 1WK AGO | 1MO AGO | 1WK %Δ | 1WK \$Δ | 1MO %Δ | 1MO \$Δ |
| 3Q22 | \$54.97 | -- | -- | -- | -- | -- | -- |
| 4Q22 | \$52.87 | -- | -- | -- | -- | -- | -- |
| 1Q23 | \$52.64 | -- | -- | -- | -- | -- | -- |
| 2Q23 | \$54.09 | -- | -- | -- | -- | -- | -- |
| 3Q23E | \$55.54 | \$55.56 | \$55.33 | -0.04% | -\$0.02 | 0.38% | \$0.21 |
| 4Q23E | \$57.68 | \$57.67 | \$57.34 | 0.02% | \$0.01 | 0.59% | \$0.34 |
| 1Q24E | \$57.74 | \$57.70 | \$57.31 | 0.07% | \$0.04 | 0.75% | \$0.43 |
| 2Q24E | \$60.76 | \$60.76 | \$60.29 | 0.00% | \$0.00 | 0.78% | \$0.47 |
| 2022 | \$216.44 | \$216.44 | \$216.44 | 0.00% | \$0.00 | 0.00% | \$0.00 |
| 2023E | \$220.15 | \$220.15 | \$219.83 | 0.00% | \$0.00 | 0.15% | \$0.32 |
| 2024E | \$246.87 | \$246.85 | \$245.31 | 0.01% | \$0.02 | 0.64% | \$1.56 |

Yields



Disclosures

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