



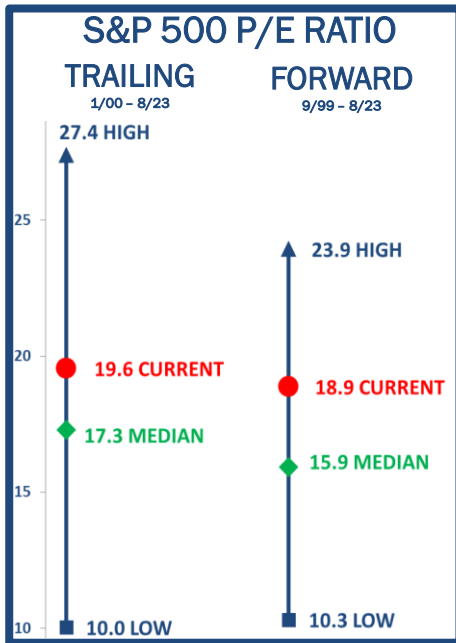
Main Management Market Note: September 22, 2023



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Executive Summary



FactSet financial data and analytics

● August Housing Data is starting to come out. Housing Starts were down markedly while Building Permits jumped. Existing Home Sales came in slightly below forecasts while prices ticked up for the 5th month out of the last 6.

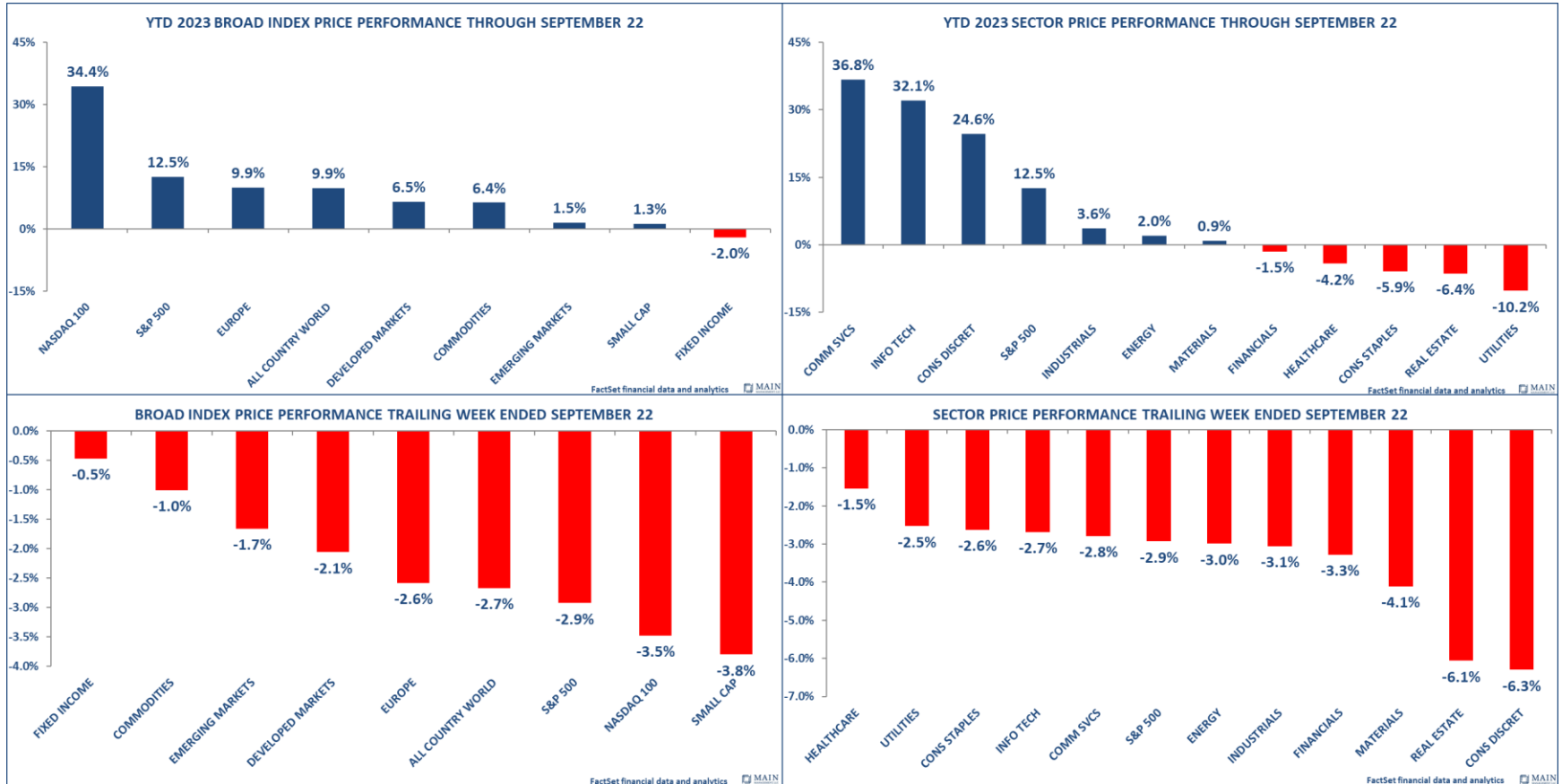
● August saw the Cass Freight Expenditures and Shipments Indices both move higher for the first time August 2022. However, both are down markedly on a Y/Y basis. The Linehaul and Inferred Rates Indices were mixed.

● September Flash PMIs were mixed but remain weak. However, the Manufacturing sector is showing signs of a bottom. The Service and Composite readings were mixed. There was notable weakness in France and Japan.

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Broad Index & 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

EXPECTED INFLATION RATE
10YR TREASURY - 10YR TIPS YIELD



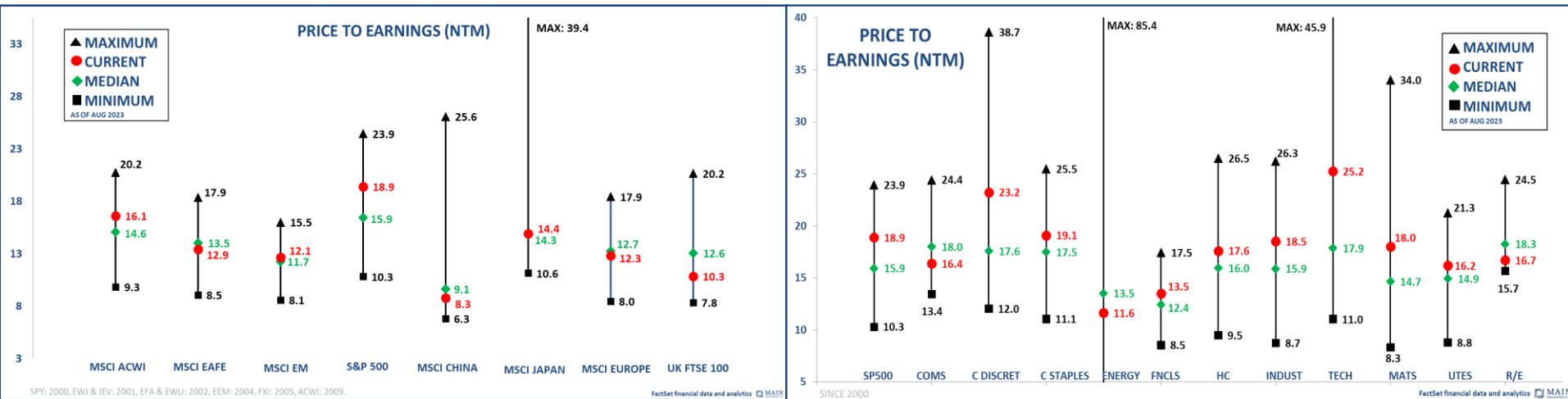
FactSet financial data and analytics MAIN

COMMODITY	1MO	3MO	YTD '23	1YR
BBG COMMODITY	1.7%	1.2%	-6.0%	-9.3%
S&P GSCI	6.7%	12.4%	7.5%	7.4%
LUMBER	0.0%	0.0%	-7.9%	-30.6%
GASOLINE	-0.7%	6.3%	23.6%	3.6%
NATURAL GAS	0.4%	16.5%	-25.9%	-67.3%
WTI CRUDE	11.1%	23.5%	11.8%	7.5%
COTTON	0.5%	7.0%	1.8%	-12.7%
CORN	1.3%	-29.2%	-30.0%	-30.7%
COPPER	-1.2%	-6.3%	-3.7%	4.4%
SOYBEANS	-5.6%	-14.6%	-14.8%	-11.5%
SILVER	0.4%	3.2%	-2.4%	19.4%
COFFEE	4.9%	-10.0%	-7.4%	-30.0%
GOLD	1.3%	-0.6%	5.2%	14.7%
BITCOIN	2.2%	-12.0%	61.4%	40.3%
US DOLLAR DXY	2.0%	3.2%	1.8%	-4.8%

Data as of September 21, 2023

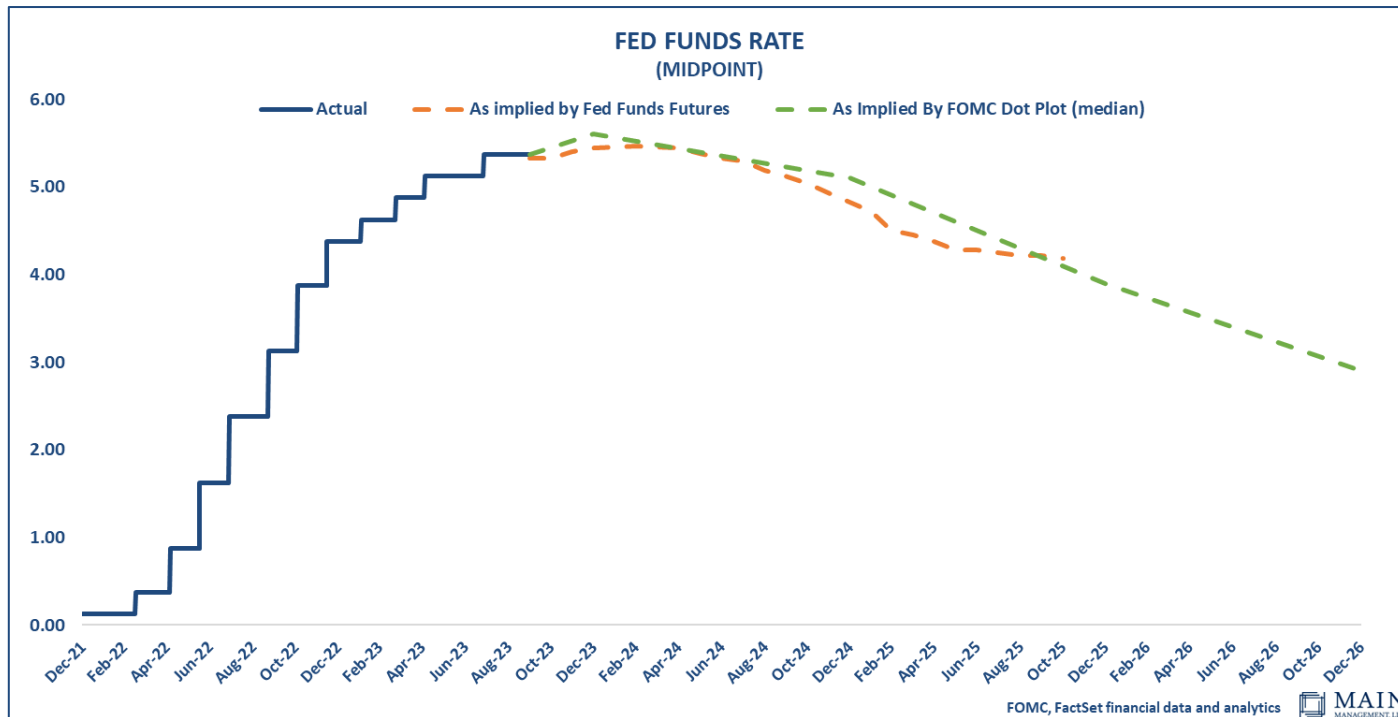
Valuations

Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of several major global indices and the S&P 500 Sectors. These are just a few of the data points we look at for our valuation work.



Of Note This Week

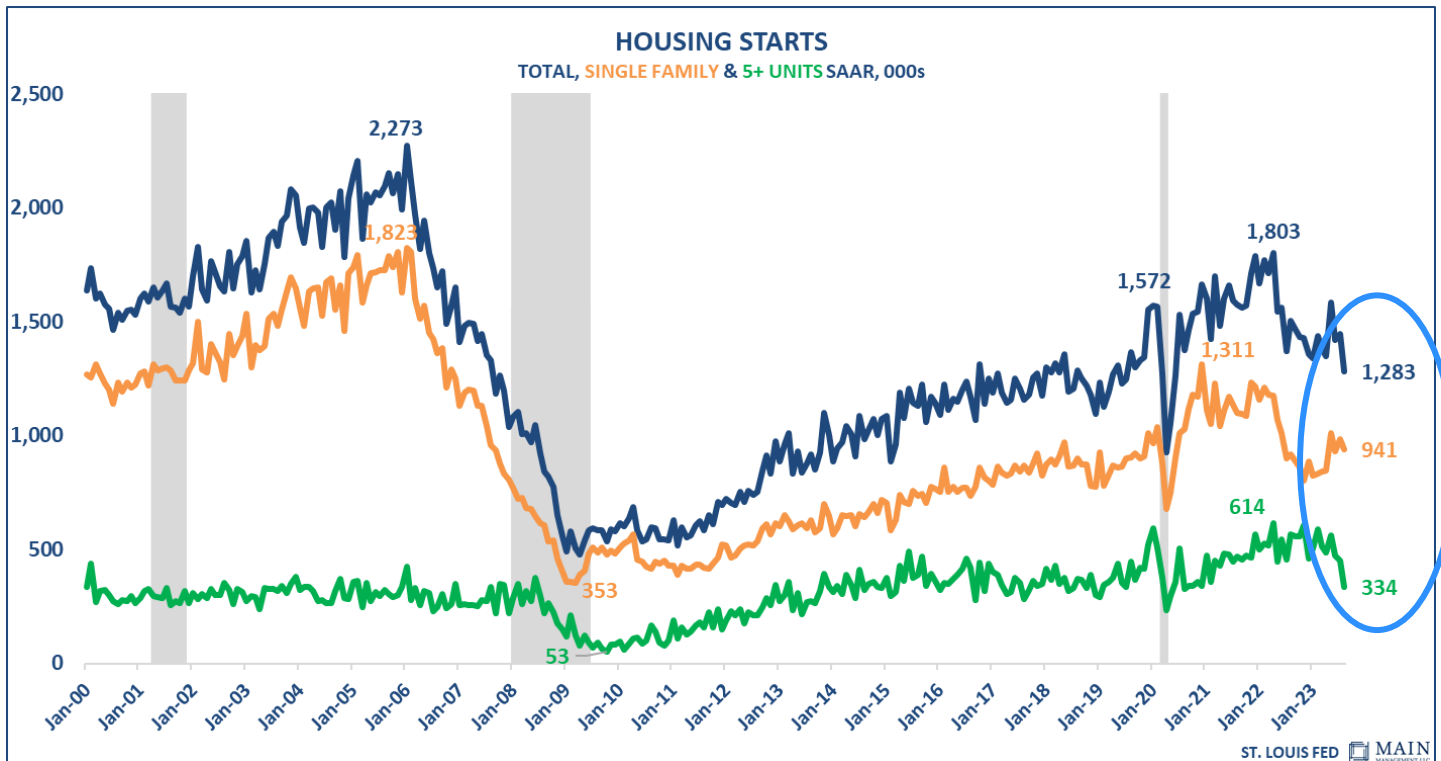
The Federal Open Market Committee (FOMC) held the Fed Funds Rate steady in the 5.25%-5.5% range at this week's meeting but projects another rate hike before year-end. However, market expectations, as reflected by the Fed Funds futures, are pricing in just a 30% chance of that hike happening in November, a clear sign of the market's skepticism about the Fed's intentions.



FOMC, FactSet financial data and analytics MAIN MANAGEMENT, LLC

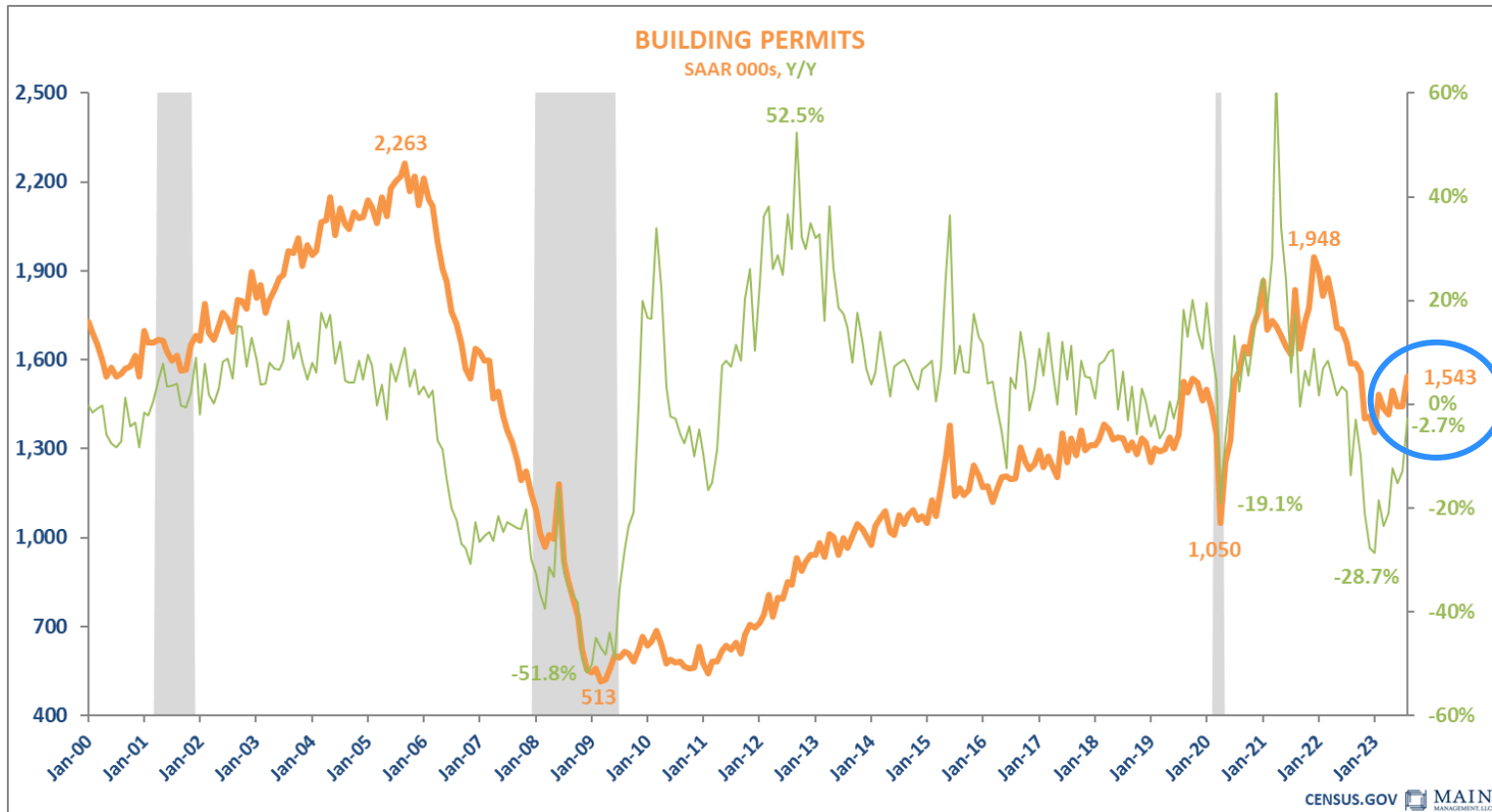
August Housing Data

Housing Starts were down markedly as tighter financial conditions, rising mortgage rates, and high prices are weighing on affordability. Total Housing Starts slowed to 1.28mil units, solidly below forecasts for 1.44mil units and the slowest rate since June 2020. Single Family Starts held up better but still slowed to 941k units while Multi-Family Starts plunged to 334k, the slowest since August 2020.



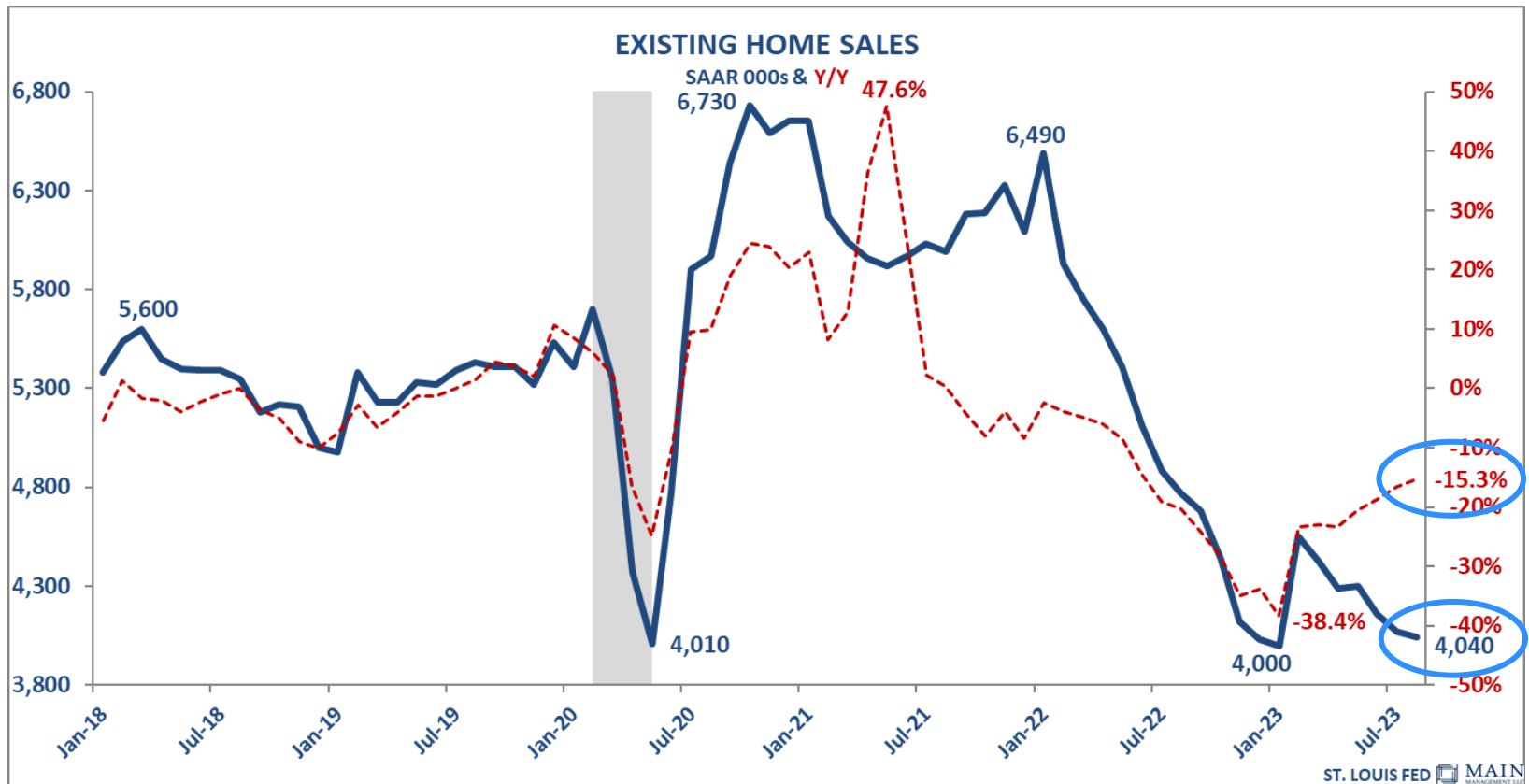
August Housing Data

On the other hand, Building Permits jumped to 1.543mil units, solidly ahead of forecasts for 1.443mil units and the fastest rate since Oct. 2022. On a Y/Y basis, they improved to -2.7%, the least negative since July 2022.



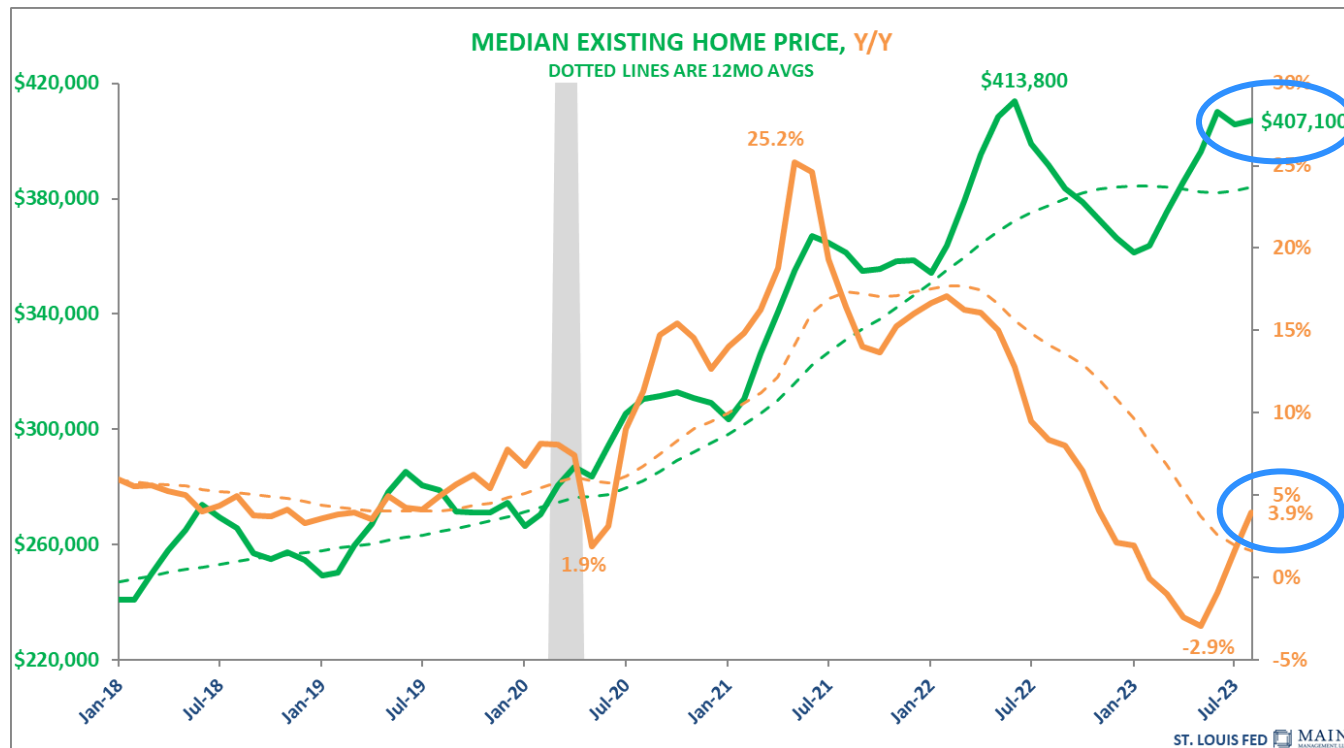
August Housing Data

Existing Home Sales slowed to a seasonally adjusted annual rate of 4.04 million units in August, below forecasts for 4.1mil units. On a Y/Y basis, they accelerated but are still down -15.3%, the least negative since June 2022.



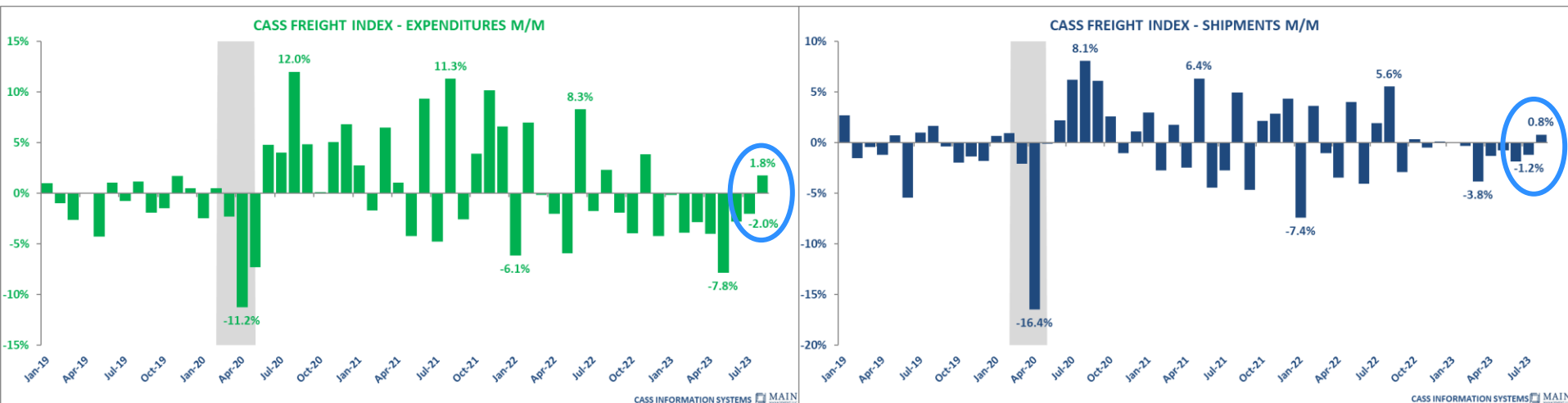
August Housing Data

The Median Existing Home Price ticked up after a decline in July, rising to \$407,100. That figure is now up +3.9% from a year ago after being down -2.9% as recently as May. Prices have resumed their upward trajectory because of restricted supply. Homeowners may be reluctant to put their homes on the market because the prospect of buying another home is less palatable with higher mortgage rates.



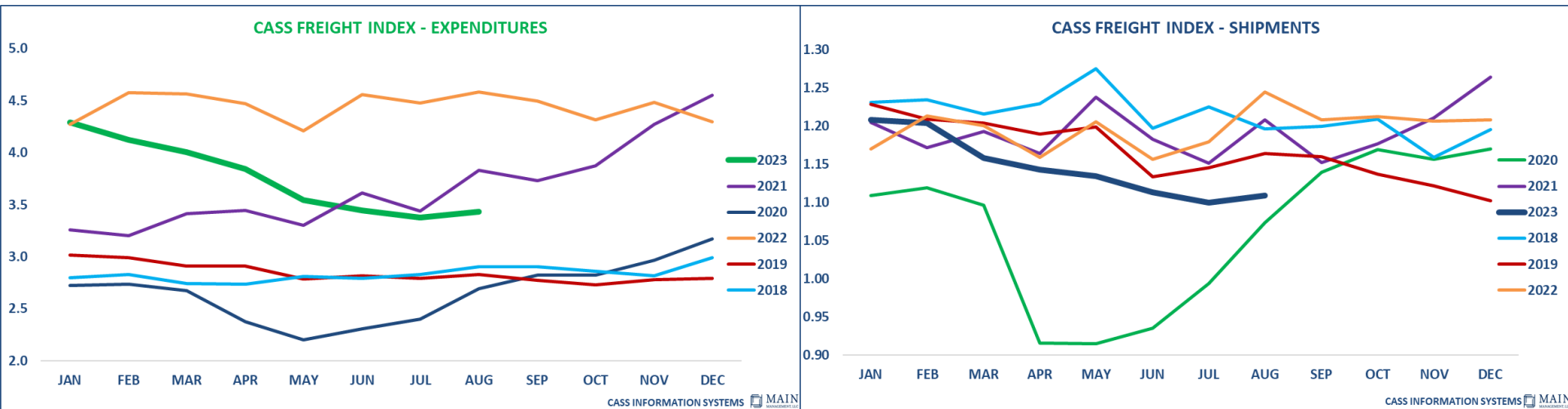
Cass Freight Indices

August saw both the Cass Freight Expenditures and Shipments Indices rise simultaneously for the first time in a year. Expenditures posted a +1.8% M/M gain, the biggest since November 2022 while Shipments rose +0.8% M/M, the biggest since August 2022. Prior to this increase, Expenditures had posted 8 straight declines and Shipments 7 straight.



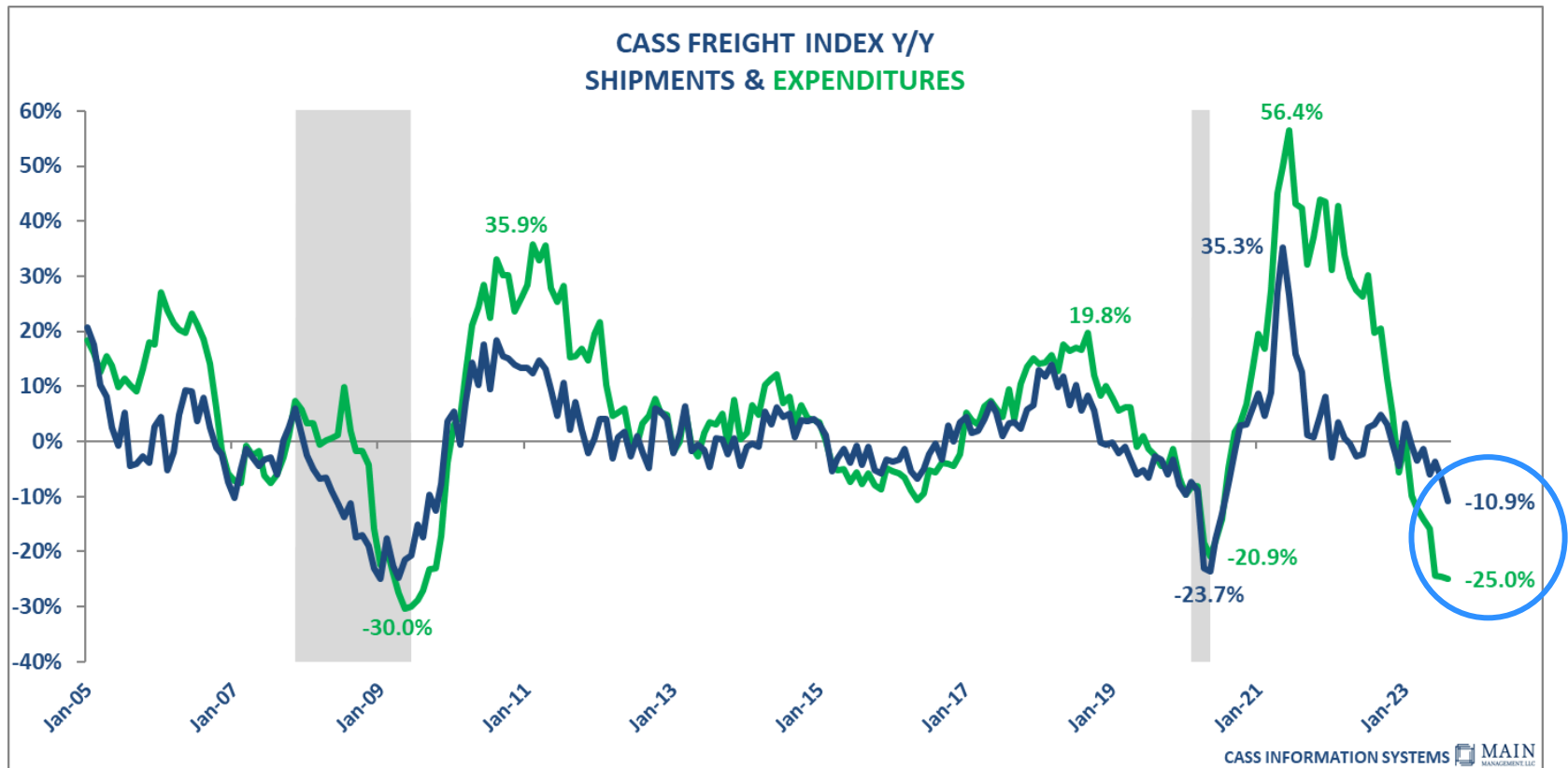
Cass Freight Indices

Here are Expenditures and Shipments on a calendar basis relative to the last 5 years. As you can see, both moved higher for the first time this year, but Expenditures have held up much better versus recent history than Shipments.



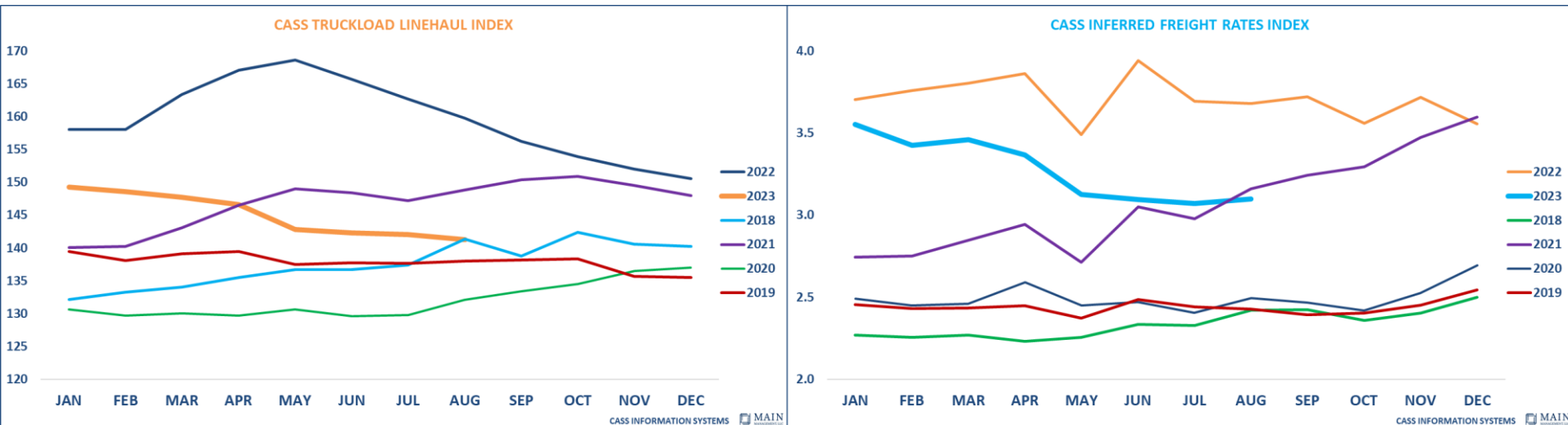
Cass Freight Indices

However, on a Y/Y basis, Expenditures are down a massive -25.0%, the biggest decline since August 2009!! Shipments fell to -10.9% Y/Y, the biggest decline since July 2020.



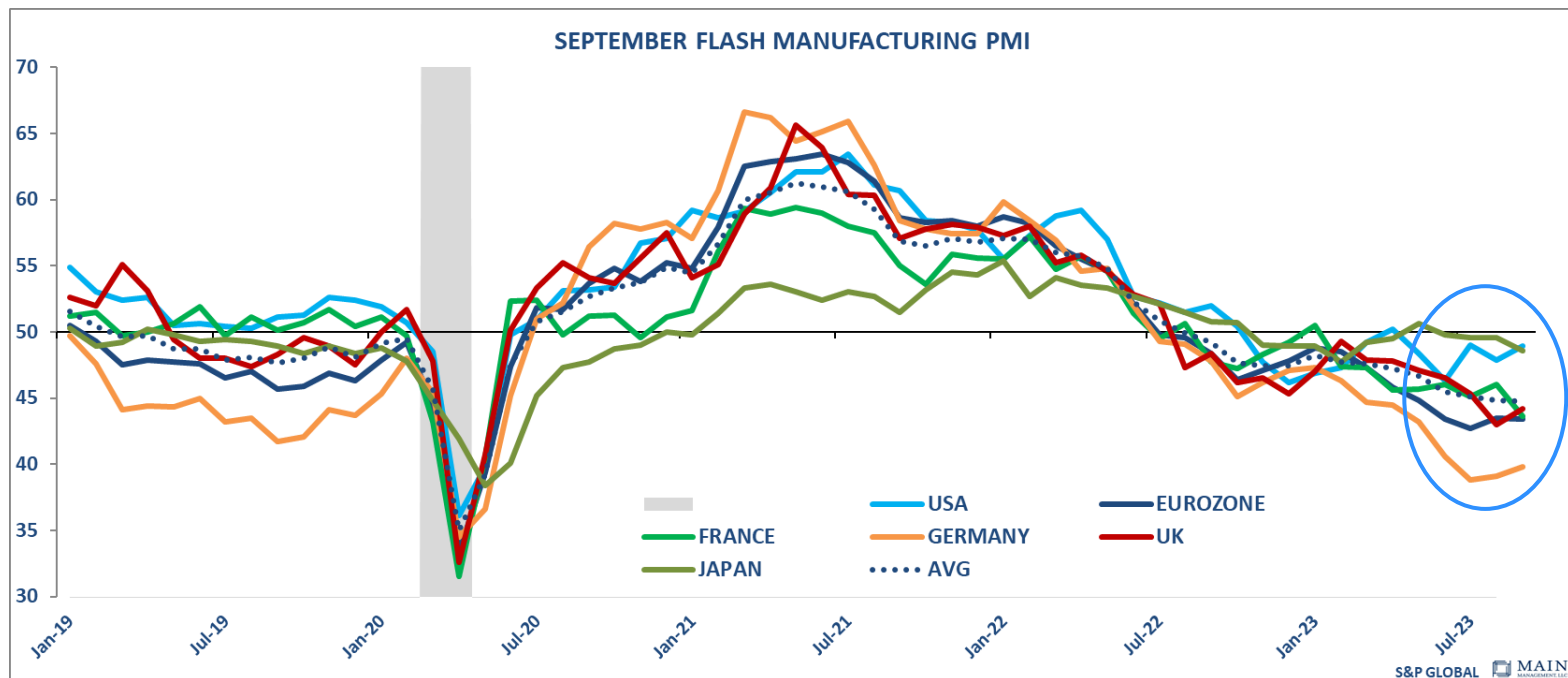
Cass Freight Indices

We also got the Linehaul and Inferred Freight Rates Indices for August. Linehaul continued lower, marking the 15th straight decline while Inferred Rates ticked up for the first time in 5 months. Relative to the last 5 years, Inferred Rates are holding up a bit better than Linehaul.



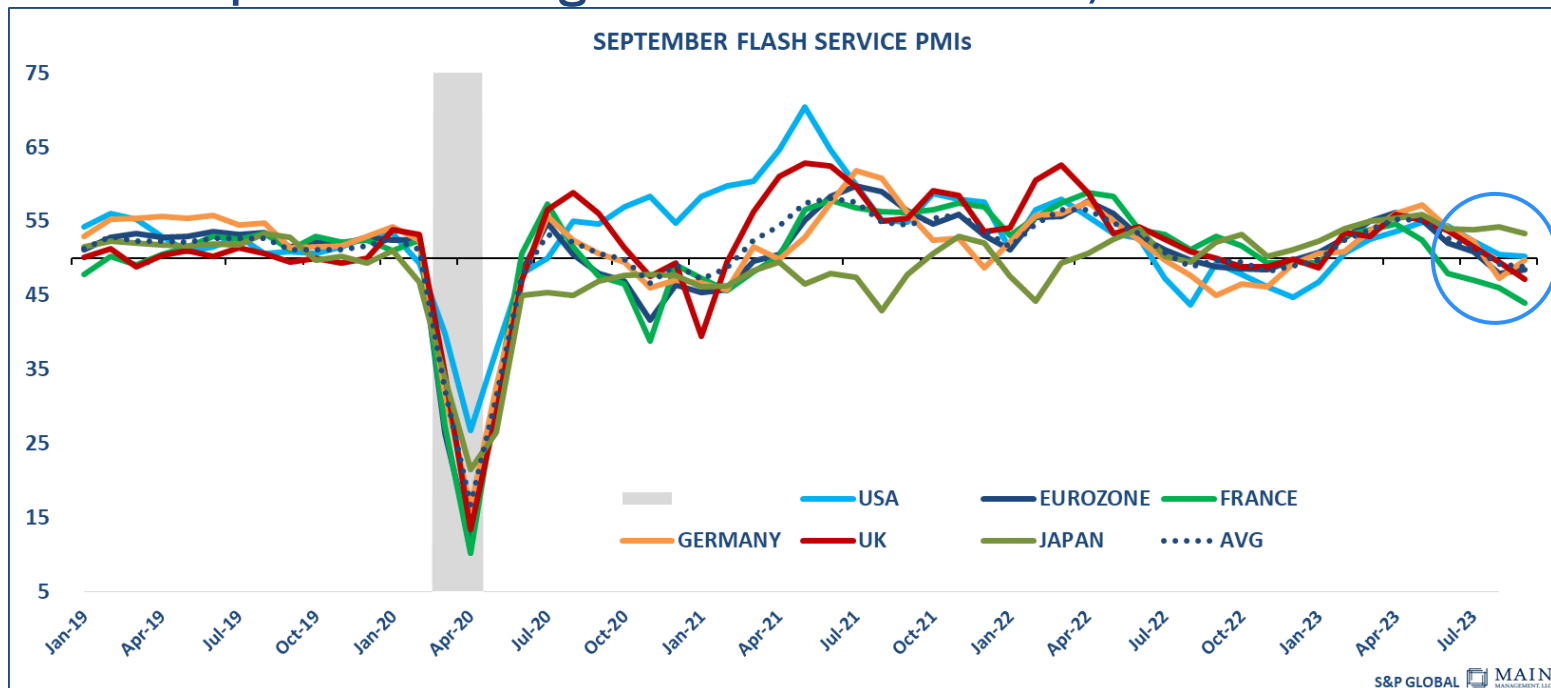
Flash PMIs

The flash Manufacturing PMIs all remained below 50 but appear to be showing signs of a bottom. The US rose to 48.9, ahead of forecasts for a 48 reading. Germany improved to 39.8 while France fell to 43.6, a 40mo low. The UK increased to 44.2 as the Eurozone inched down to 43.4. Japan moved down to 48.6, an 8mo low. The simple flash average ticked down to 44.8 from 44.9.



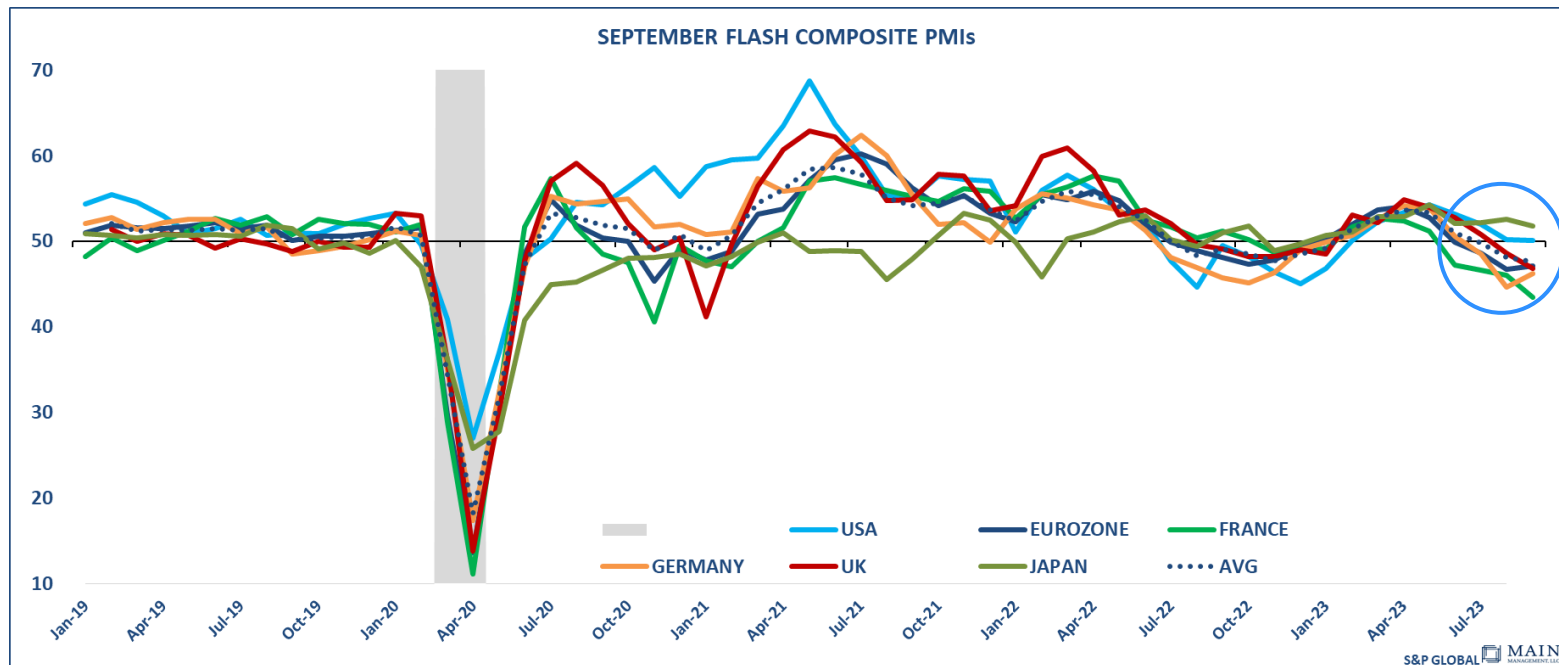
Flash PMIs

The Service readings are trending lower, but Germany and the Eurozone improved. The US moved down to 50.2, an 8mo low and below expectations for a 50.6 reading. Germany rose to 49.8. France fell to 43.9, a 34mo low. The UK declined to 47.2, a 32mo low, while the Eurozone moved up to 48.4. Japan declined to 53.3, a 9mo low. The simple flash average inched down to 48.8, an 11mo low.

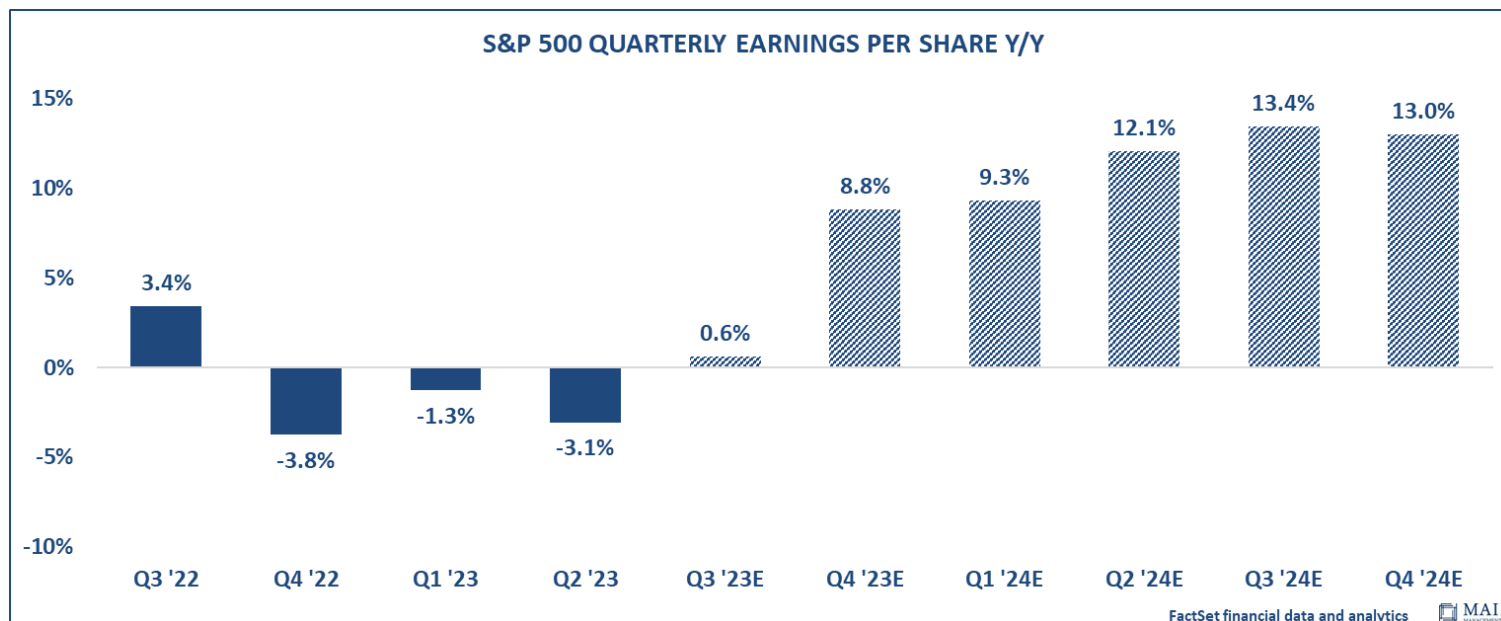


Flash PMIs

On the Composite site, things are a bit more mixed but still largely negative. The US moved down to 50.1, a 7mo low. Germany rose to 46.2 as France fell to 43.5, a 34mo low. The UK declined to 46.8, a 32mo low, while the Eurozone improved to 47.1. Japan declined to 51.8, an 8mo low. The simple flash avg ticked down to 47.6, a 40mo low.



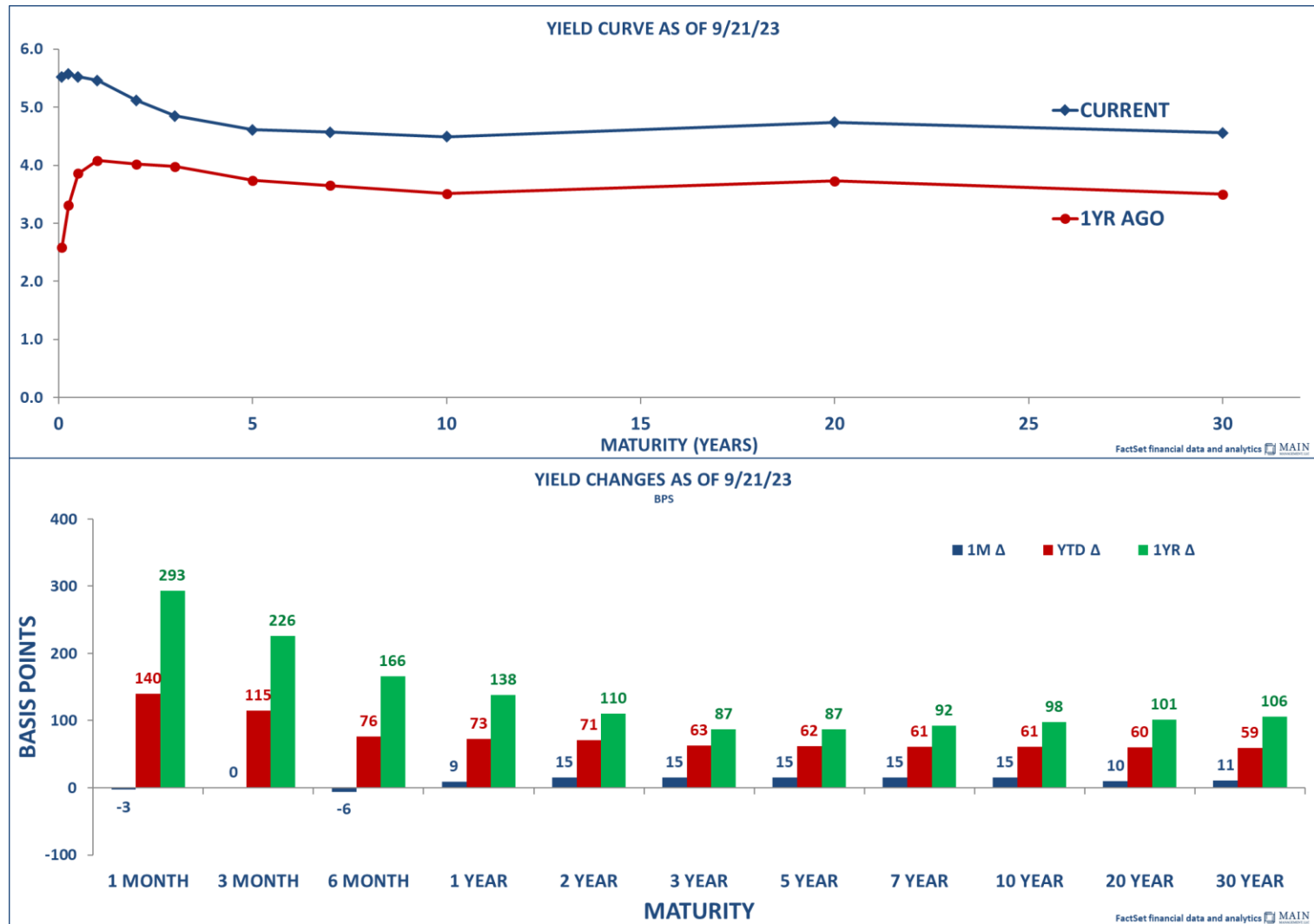
S&P 500 Earnings Estimates



S&P 500 EARNINGS ESTIMATES				CHANGE			
PERIOD	9/22/23	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	\$55.32	\$55.28	\$55.59	0.07%	\$0.04	-0.49%	-\$0.27
4Q23E	\$57.54	\$57.53	\$57.60	0.02%	\$0.01	-0.10%	-\$0.06
1Q24E	\$57.55	\$57.52	\$57.69	0.05%	\$0.03	-0.24%	-\$0.14
2Q24E	\$60.61	\$60.58	\$60.69	0.05%	\$0.03	-0.13%	-\$0.08
2022	\$216.44	\$216.44	\$216.44	0.00%	\$0.00	0.00%	\$0.00
2023E	\$219.83	\$219.69	\$220.18	0.06%	\$0.14	-0.16%	-\$0.35
2024E	\$246.58	\$246.50	\$246.56	0.03%	\$0.08	0.01%	\$0.02

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Yields



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