



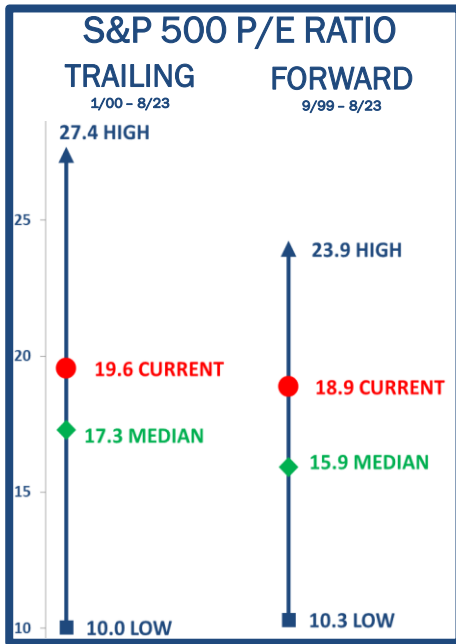
## Main Management Market Note: September 29, 2023



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# Executive Summary



Consumer Spending slowed to +0.4% M/M in August, right below forecasts. Incomes were also up +0.4% M/M, in line with expectations. Core PCE, the Fed's preferred inflation measure, came in at 0.14% M/M and 3.9% Y/Y, below expectations.

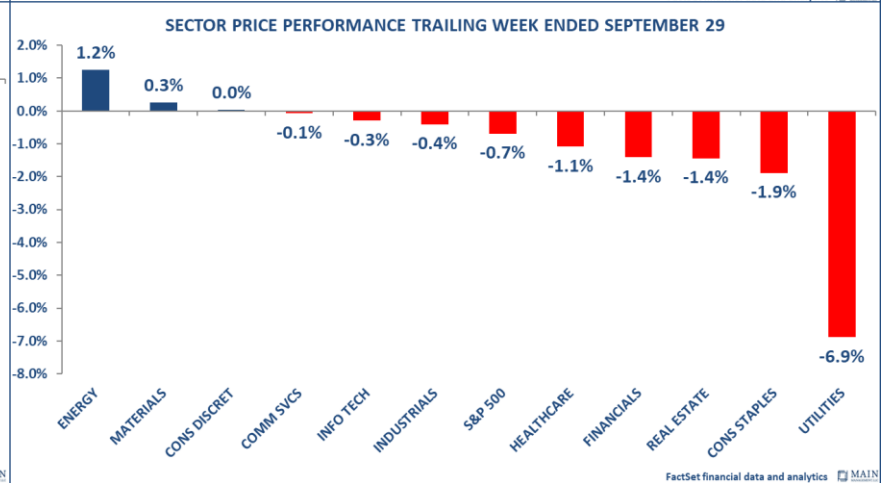
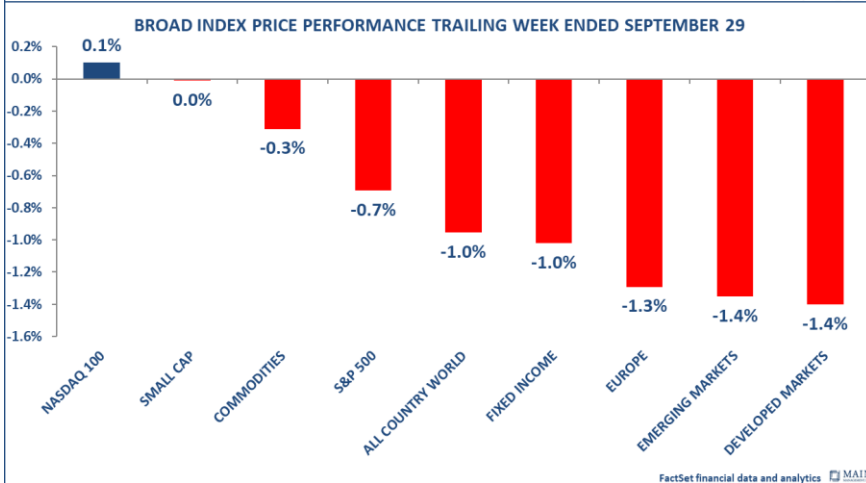
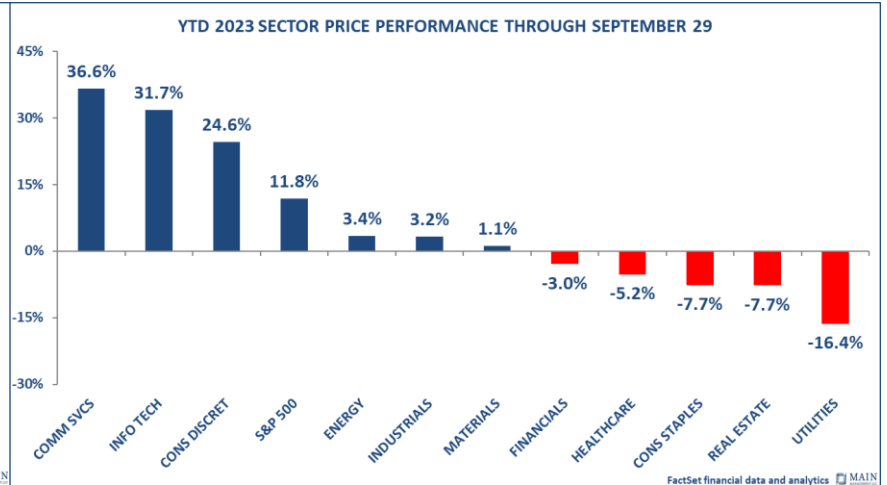
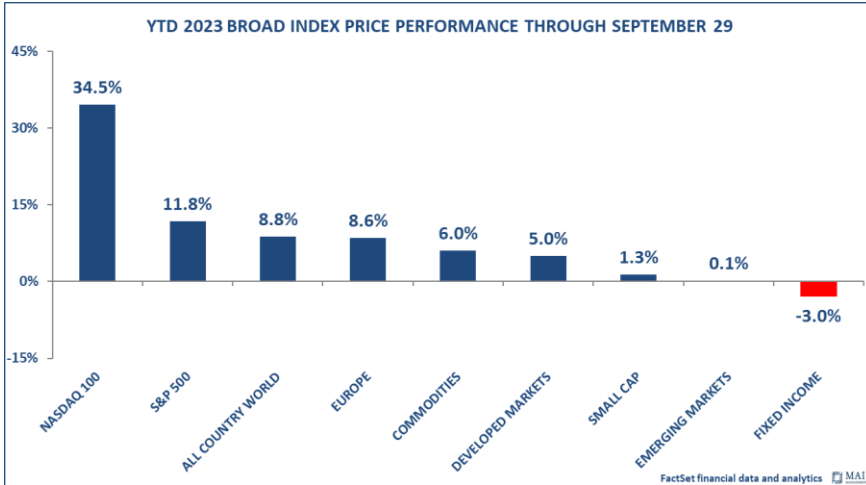
The final reading for Q2 2023 GDP was unchanged at 2.1%. Consumer Spending was revised down to just +0.8%, the smallest gain since Q1 2022. The GDP Deflator measure of inflation slowed to 1.7%, the smallest gain since Q2 2020.

Durable Goods Orders came in above expectations at +0.2% M/M. Core Capital Goods jumped +0.9% M/M, the biggest gain since August 2022. On an absolute basis, Durable Goods Orders are at historically elevated levels while Core Goods hit a new high!

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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

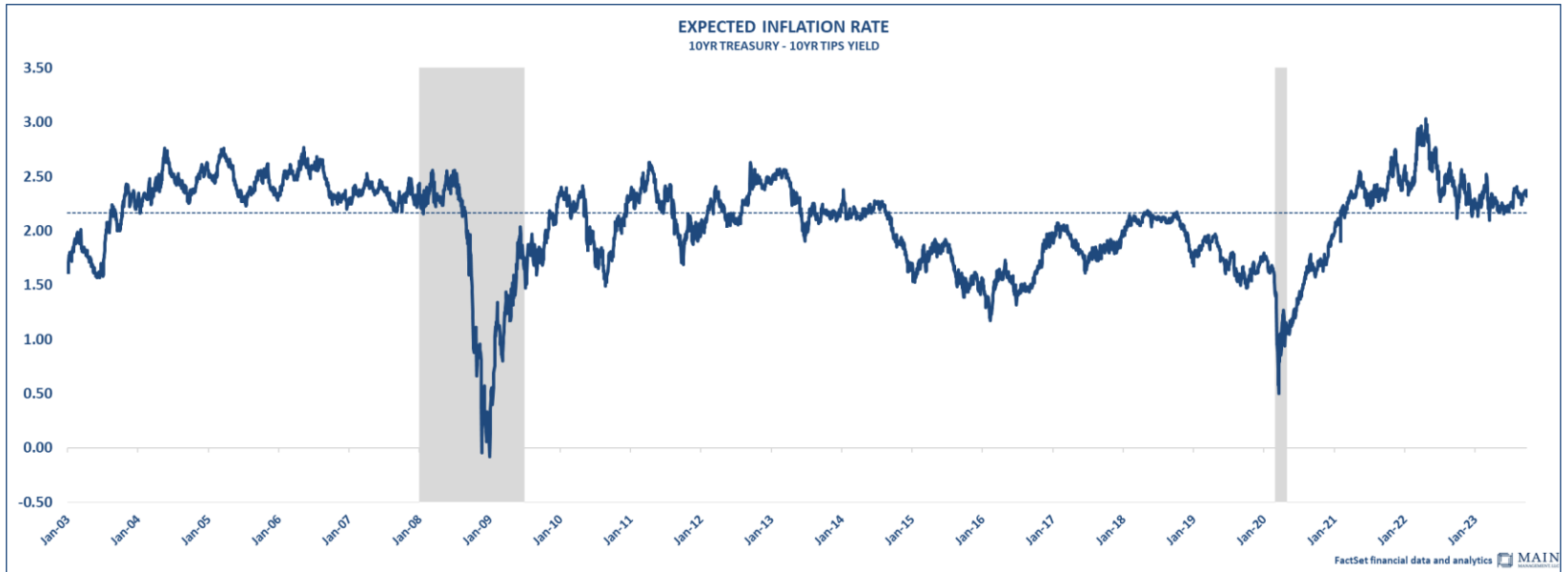
 Positive
  Neutral
  Negative



**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

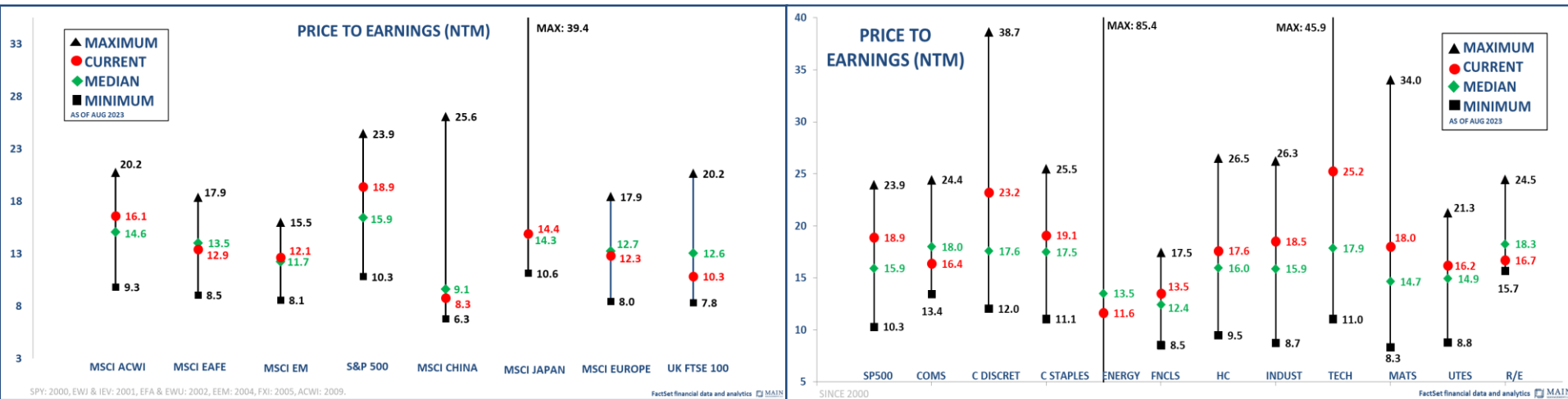


COMMODITY	1MO	3MO	YTD '23	1YR
BBG COMMODITY	0.2%	5.5%	-6.1%	-6.1%
S&P GSCI	6.3%	18.3%	8.3%	10.1%
LUMBER	0.0%	0.0%	-7.9%	-20.5%
GASOLINE	0.3%	8.4%	25.5%	6.1%
NATURAL GAS	13.3%	8.7%	-16.3%	-55.3%
WTI CRUDE	13.7%	31.9%	14.4%	11.0%
COTTON	1.9%	10.7%	6.4%	-1.9%
CORN	2.1%	-17.2%	-28.0%	-27.1%
COPPER	-1.6%	-0.7%	-2.9%	9.2%
SOYBEANS	-6.8%	-10.4%	-14.4%	-7.7%
SILVER	-6.6%	-0.5%	-5.6%	19.7%
COFFEE	-3.0%	-11.1%	-12.0%	-35.6%
GOLD	-2.9%	-2.2%	2.2%	12.3%
BITCOIN	3.9%	-9.9%	64.4%	38.6%
US DOLLAR DXY	2.1%	3.2%	2.6%	-5.7%

Data as of September 28, 2023

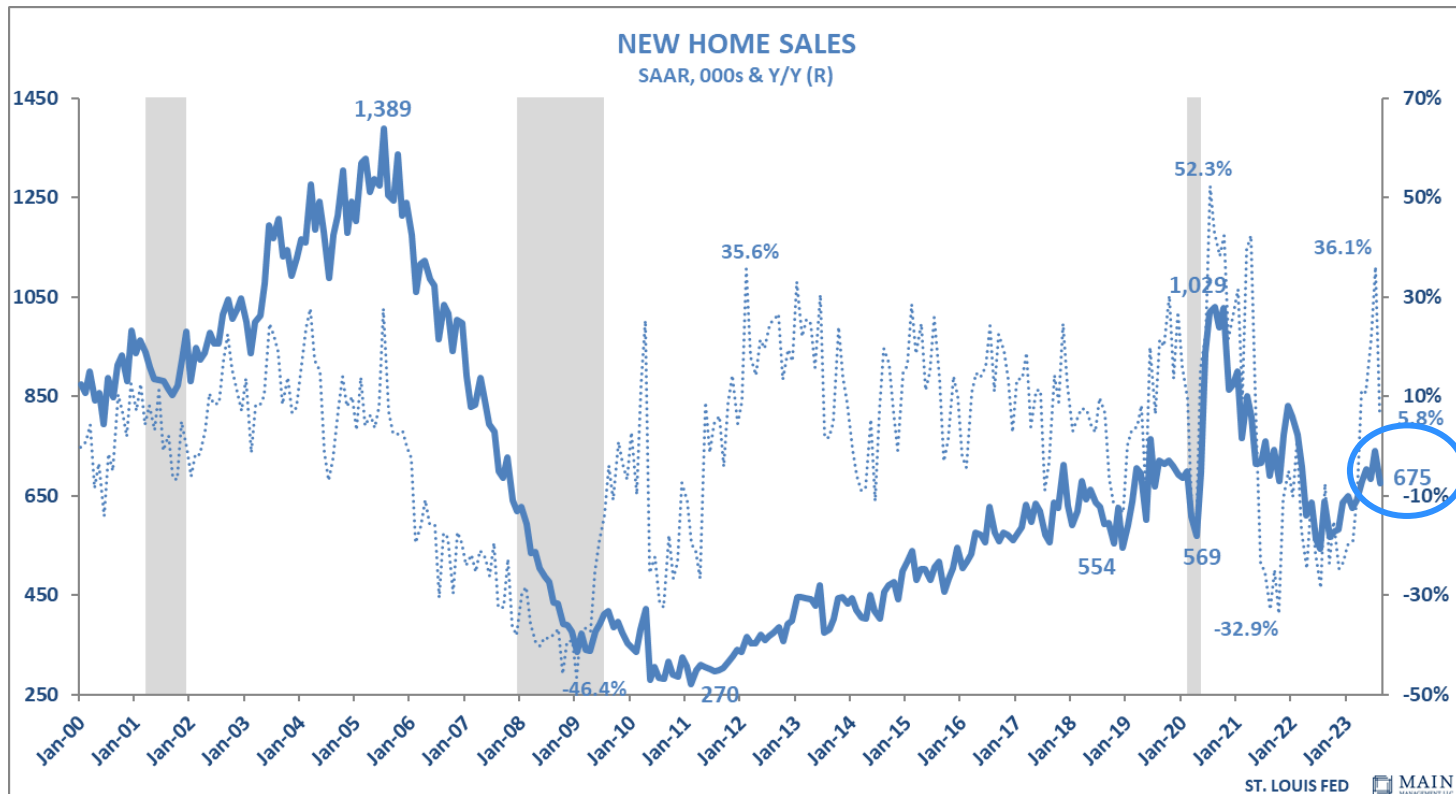
# Valuations

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

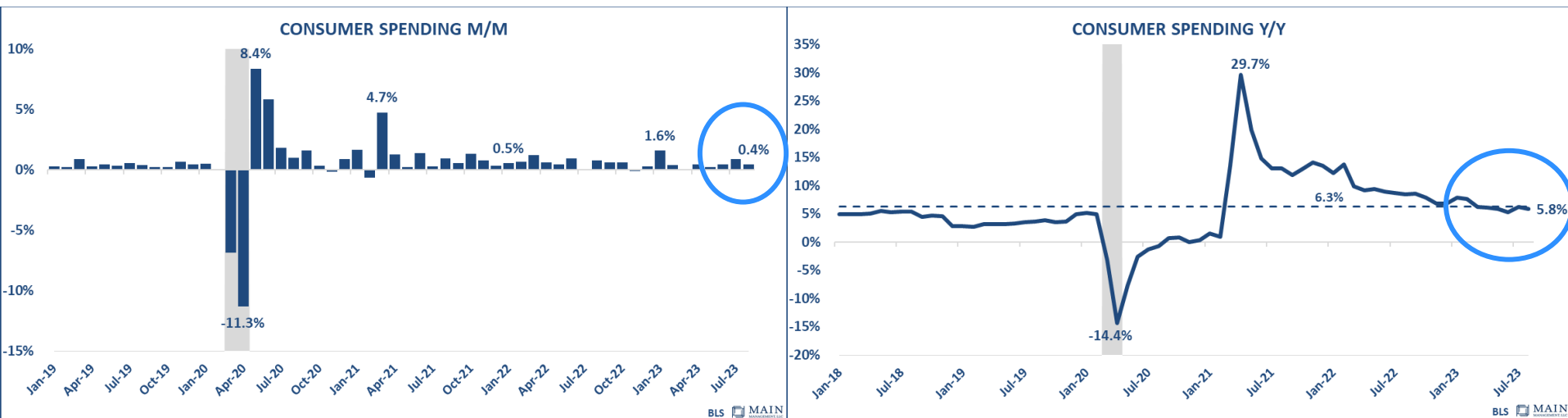
New Home Sales dropped -8.7% M/M in August, well below forecasts and the biggest decline in 11 months. They slowed to 675k units SAAR, the lowest since March, and decelerated to +5.8% Y/Y, down from 36.1% in July.





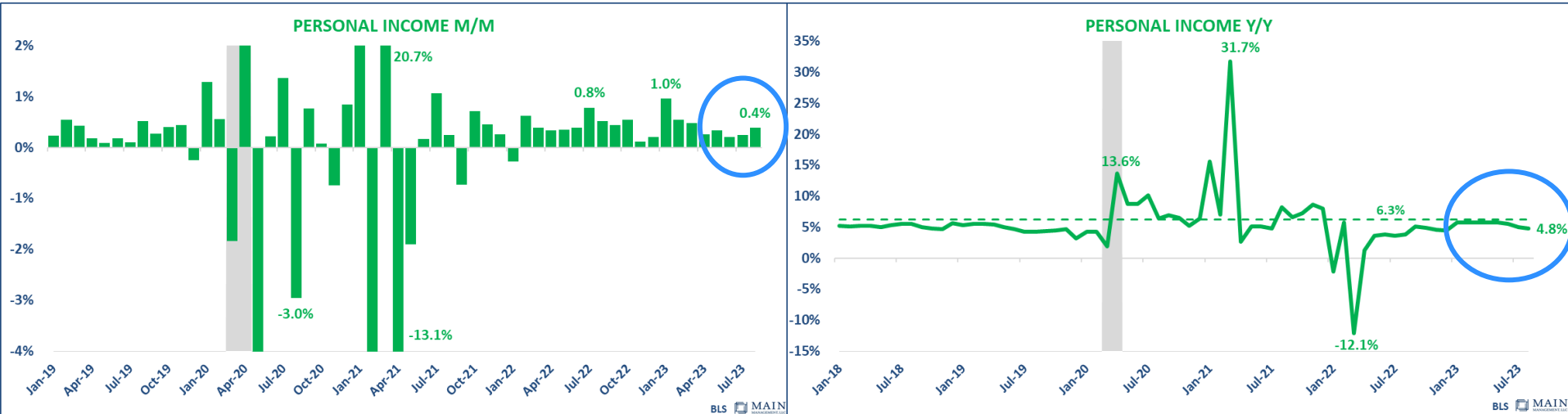
# Income & Spending

Consumer Spending came in at +0.4% M/M in August, right below forecasts of a 0.5% reading and below last month's 0.9%. Spending is now up +5.8% Y/Y, right below its long-term median of +6.3%. Hopefully, it will continue to stay steady in the coming months. Spending has now risen for 5 straight months.



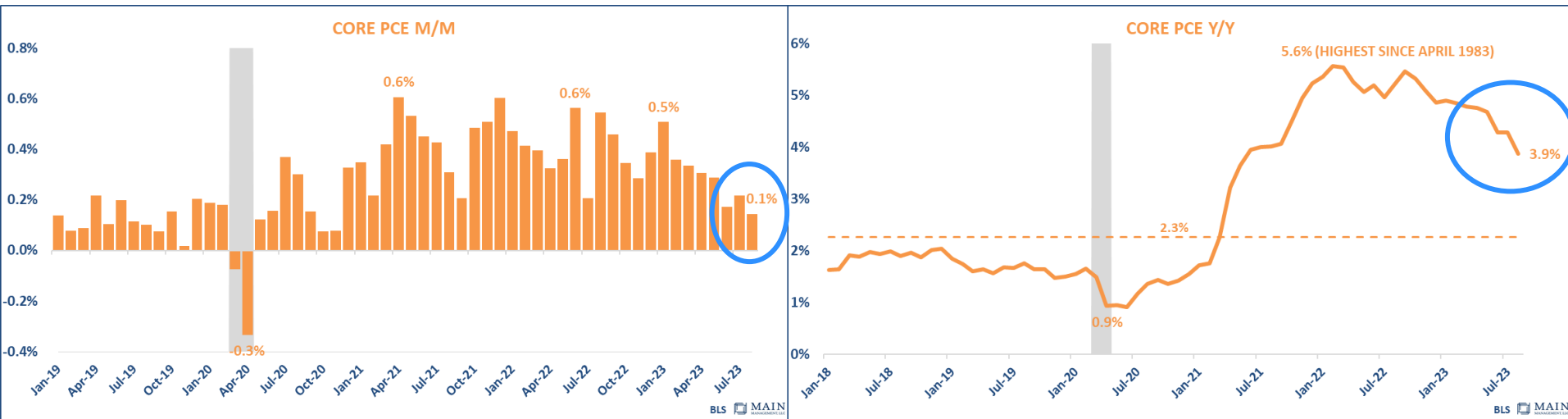
# Income & Spending

Personal Income also rose 0.4% m/m, in line with expectations and above last month's reading of 0.2%. On a Y/Y basis, Incomes slowed to 4.8%, the smallest increase since December 2022.



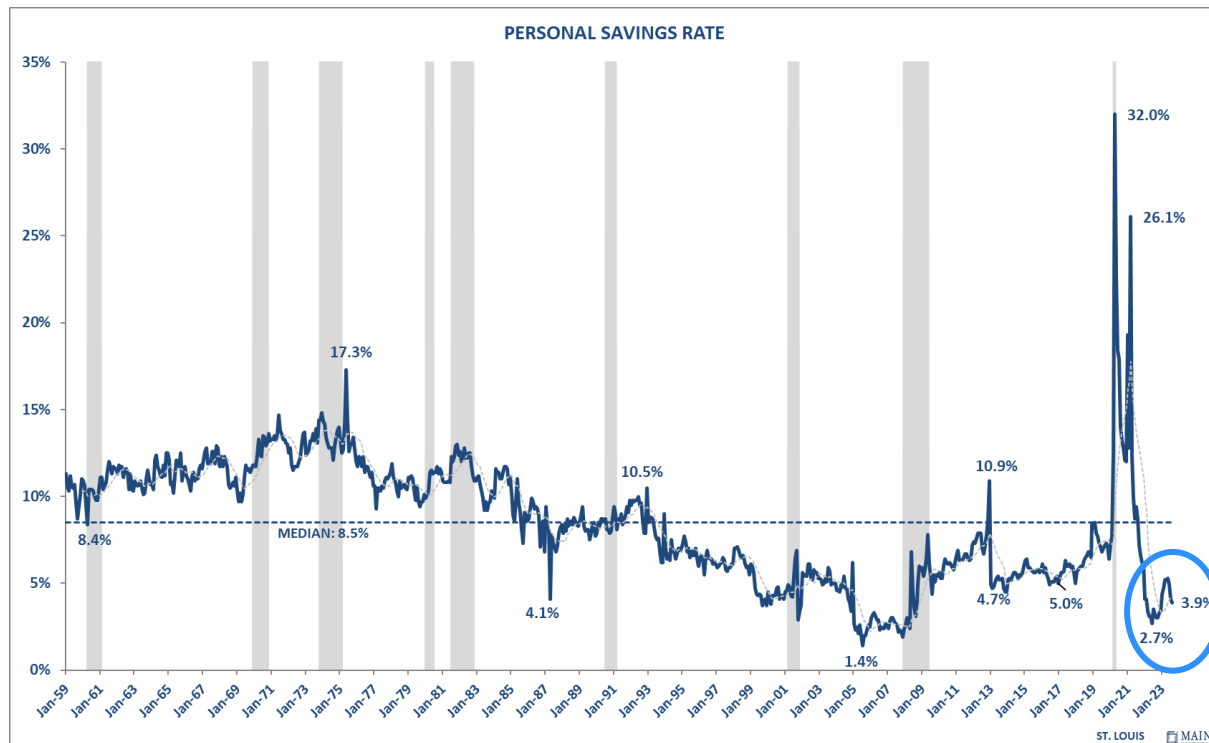
# Income & Spending

Core PCE, the Fed's preferred inflation measure, saw a 0.14% M/M increase in August, below expectations for a 0.2% reading and the lowest since November 2020. On a Y/Y basis, Core PCE fell to 3.9%, the lowest since May 2021. Revisions to the data had the peak in Feb 2022 move up to 5.6% (vs 5.4%) but also suggests that the disinflation since then has been dropping a bit faster than previously thought.



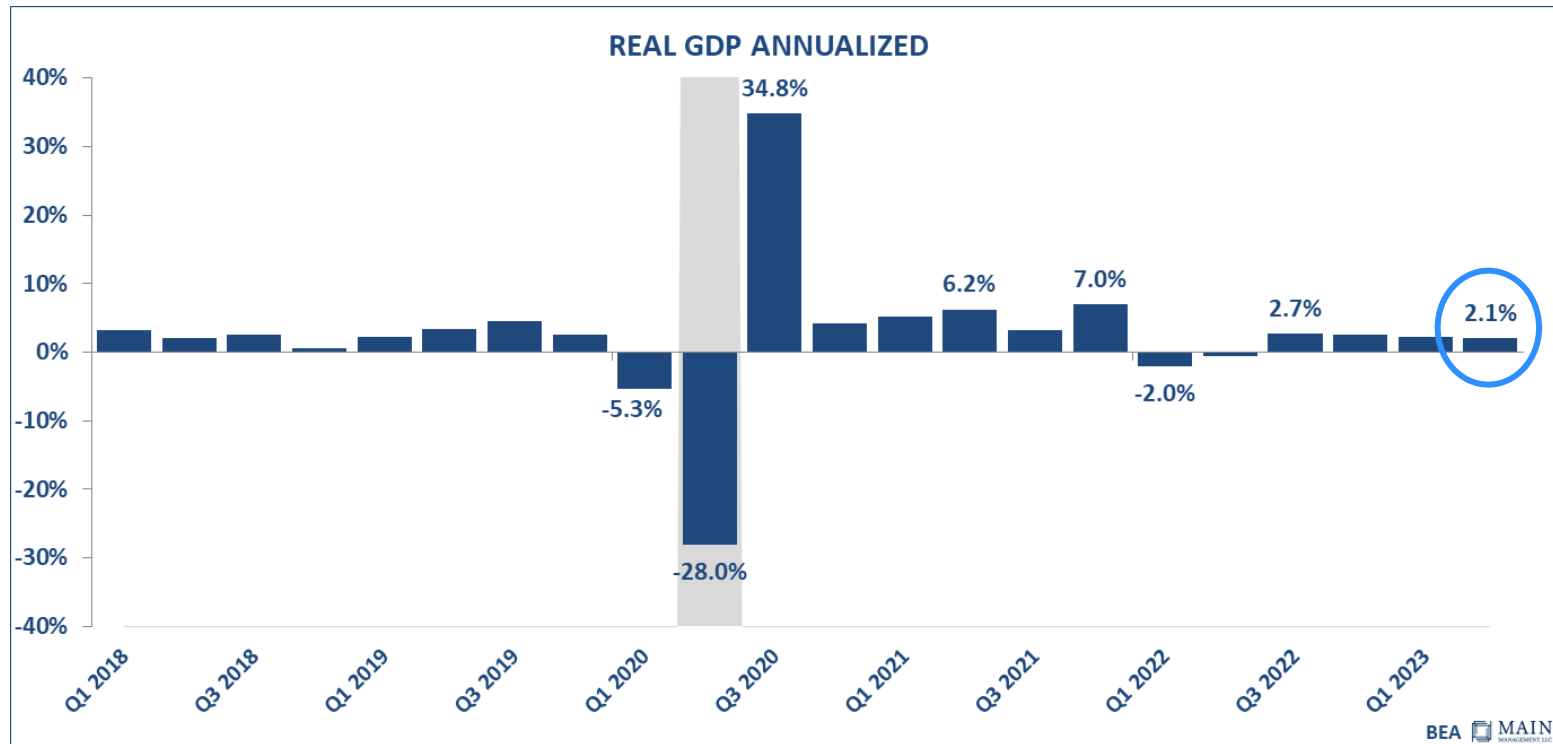
## Income & Spending

Also in the release was the Personal Savings Rate, which dropped to 3.9% from 4.1% in July. That's the lowest since December 2022 as it has continued to come down over the course of the year. The concern here is that people are eating into their savings to continue spending, which could result in a slowdown in spending in the coming months – so far, that effect hasn't really shown up.



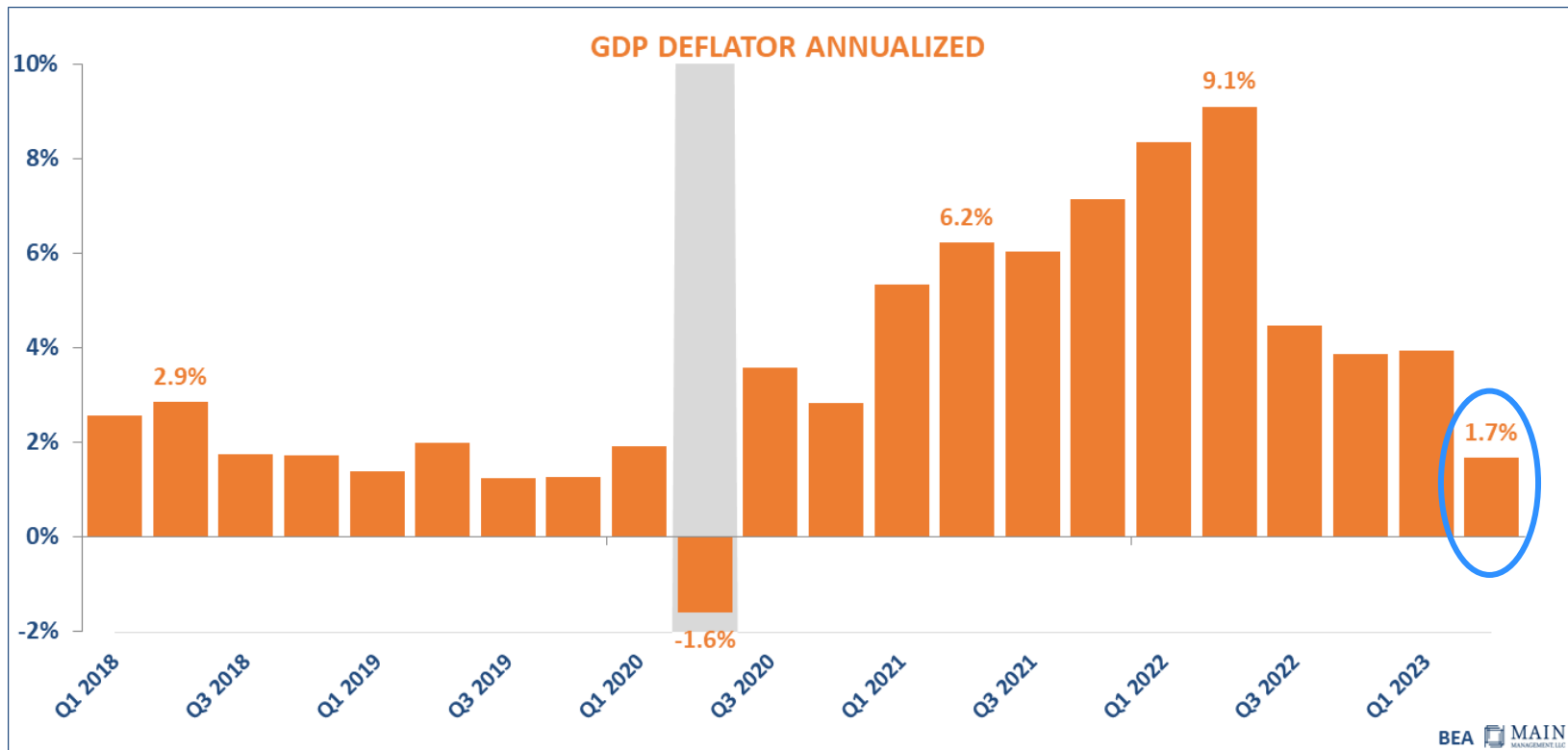
## Q2 2023 GDP

The final reading for Q2 2023 GDP is out at 2.1%, unchanged from the 2<sup>nd</sup> estimate and down a bit from the 1<sup>st</sup> estimate of 2.4%. That's the smallest gain since Q2 2022.



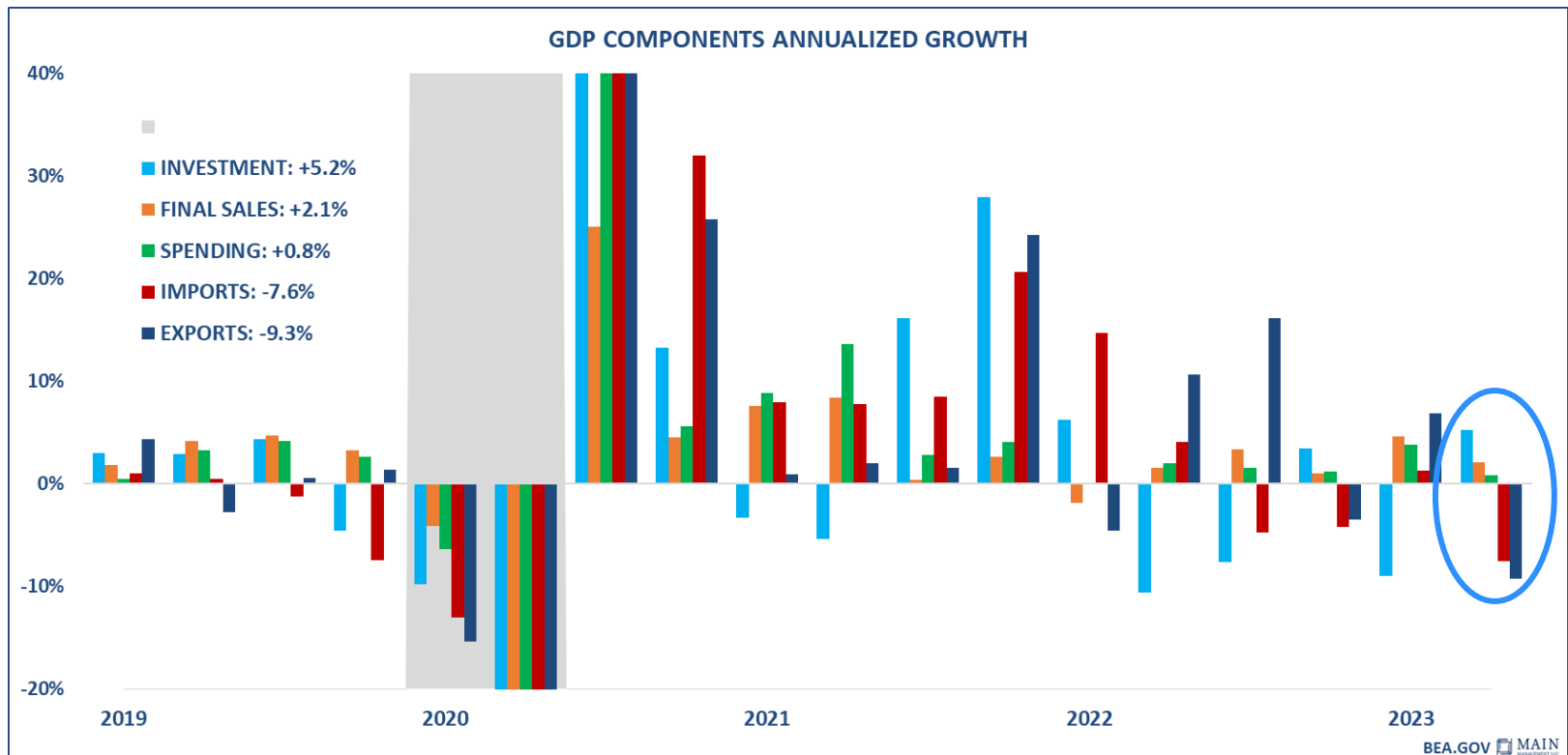
## Q2 2023 GDP

Inflation as measured by the GDP Deflator was revised lower to 1.7% from 2.0% in the 2<sup>nd</sup> estimate, the lowest since Q2 2020.



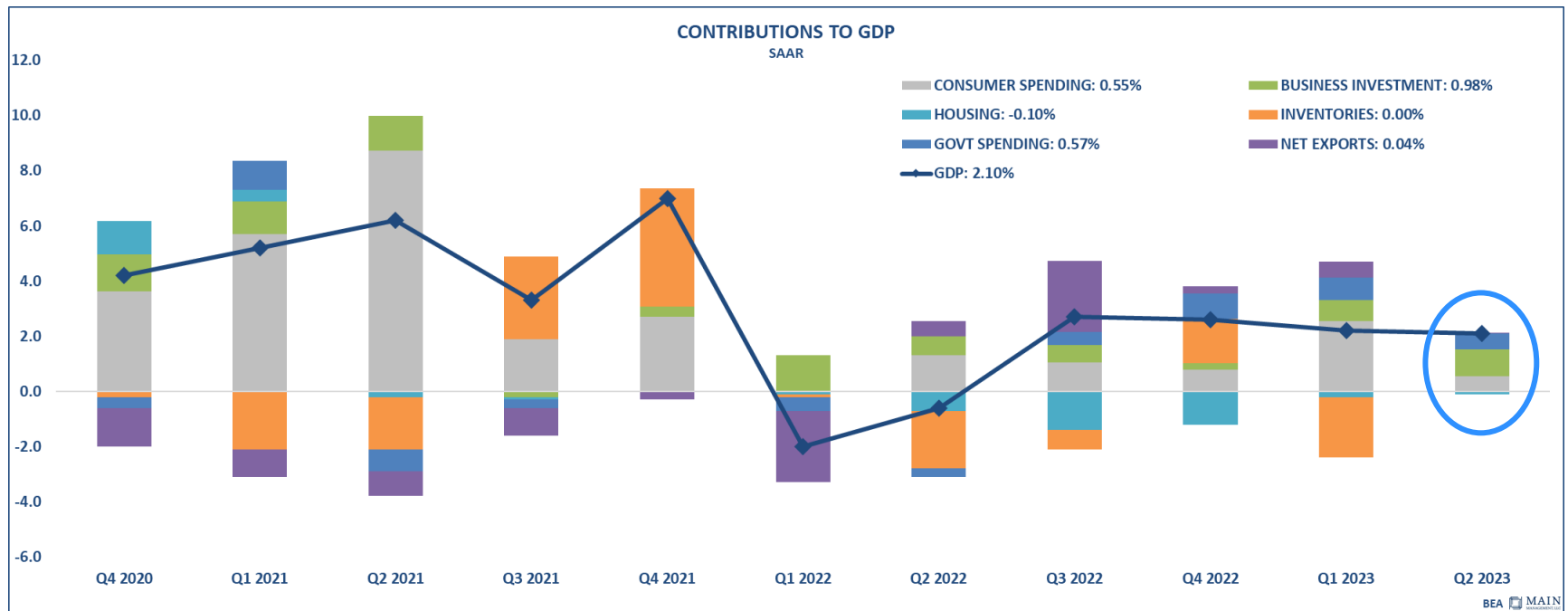
## Q2 2023 GDP

Looking through to the components, it was not great to see Consumer Spending revised down to 0.8% from 1.7% in the 2<sup>nd</sup> estimate. Investment rose to +5.2%, though, after being revised down in the 2<sup>nd</sup> reading, and Exports were revised up to -9.3% from -10.6% in the 2<sup>nd</sup> estimate.



# Q2 2023 GDP

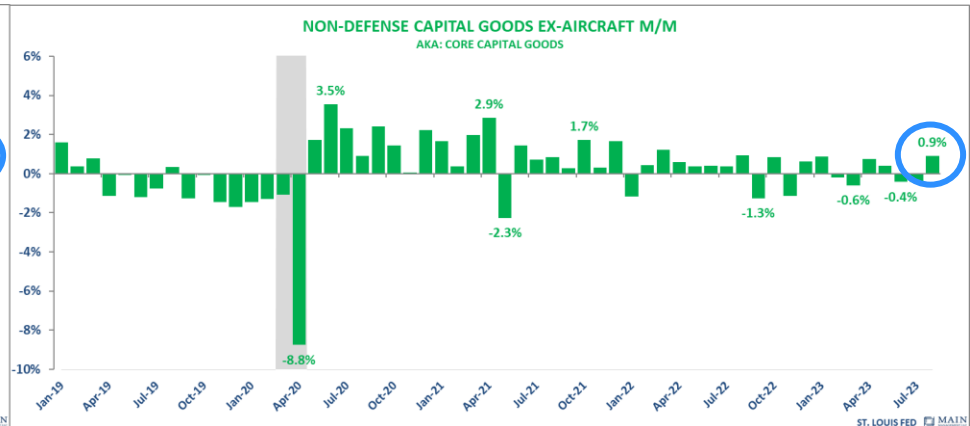
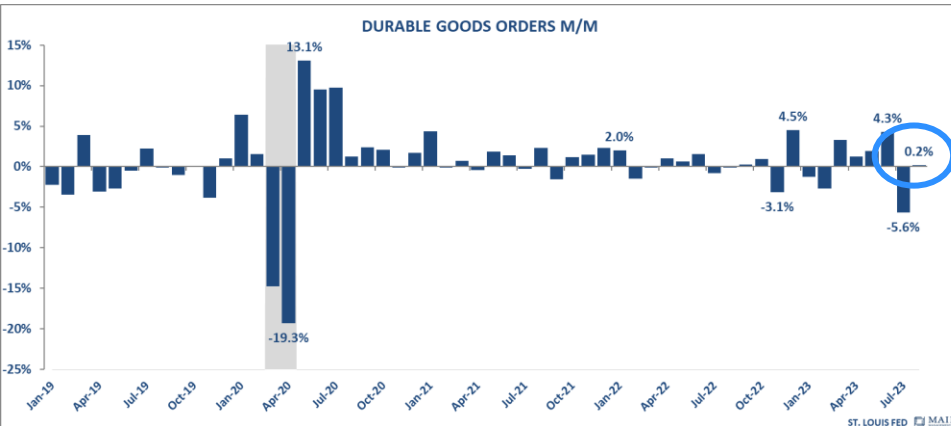
Here are the contributions since Q4 2020. The biggest contributor in Q2 2023 was Investment at 0.98% and then Government Spending at 0.57%. Housing was a drag at -0.1%.





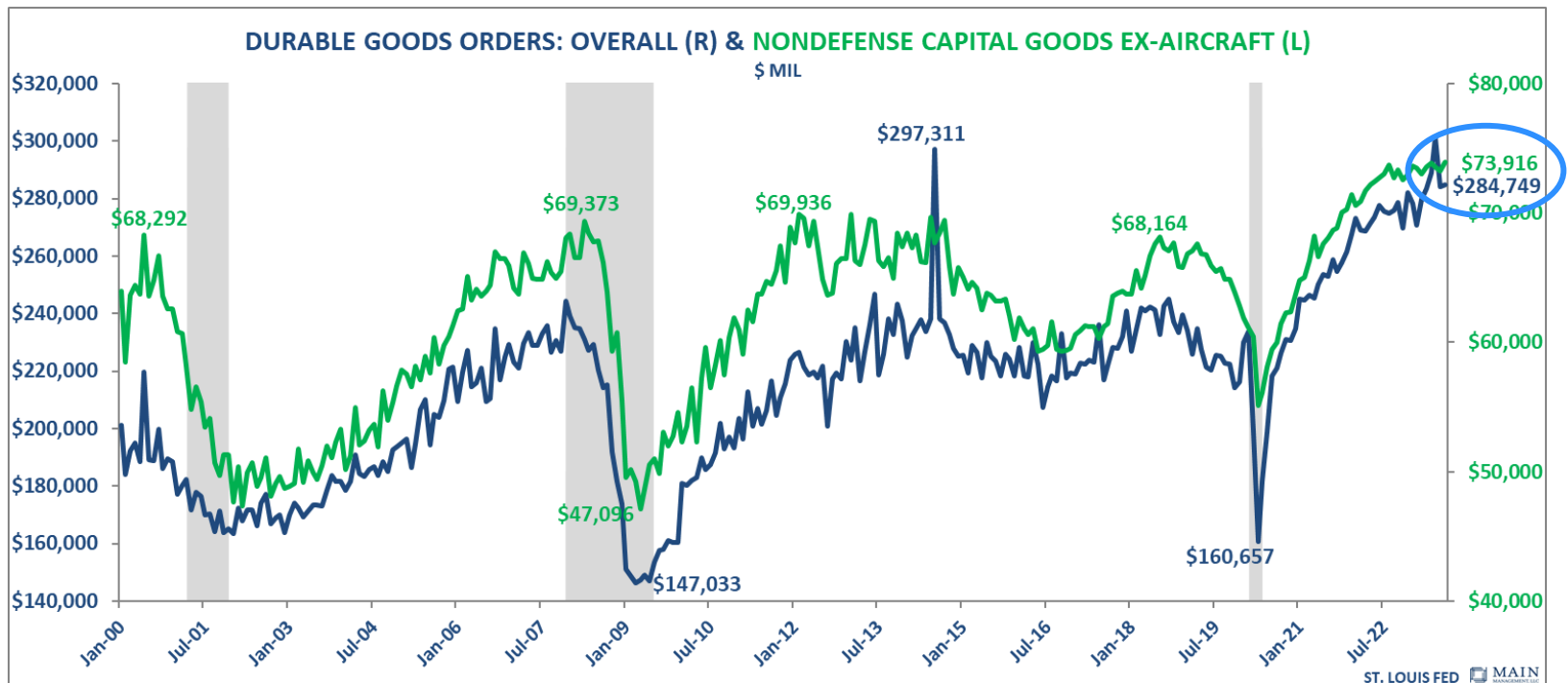
# Durable Goods Orders

August Durable Goods Orders were up +0.2% M/M, solidly ahead of forecasts for a -0.5% decline. Orders for Core Capital Goods, a closely watched proxy for business spending, jumped +0.9% M/M, the biggest gain since August 2022! Expectations were for a flat reading, so this is a sizeable beat.



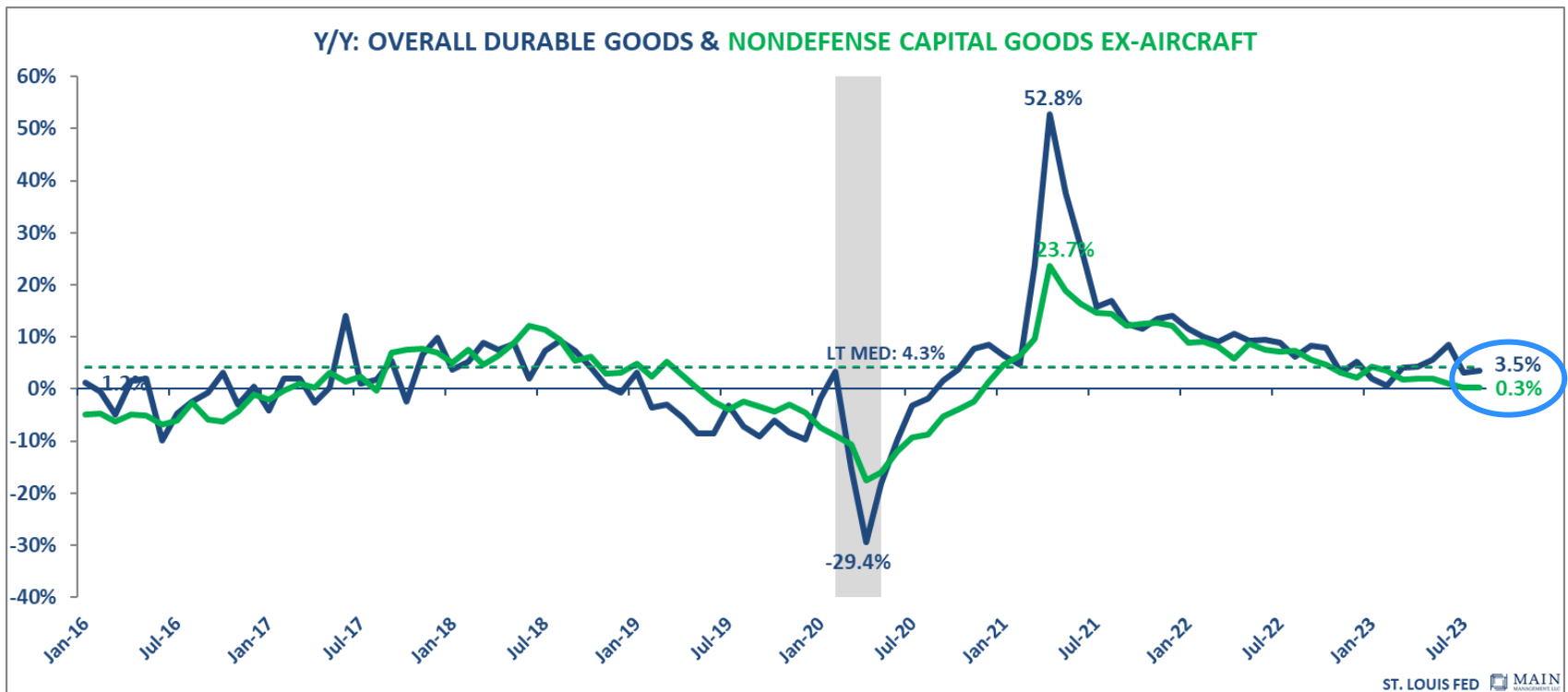
# Durable Goods Orders

On an absolute basis, broad Durable Goods Orders are at historically elevated levels while Core Capital Goods hit a new all-time high!



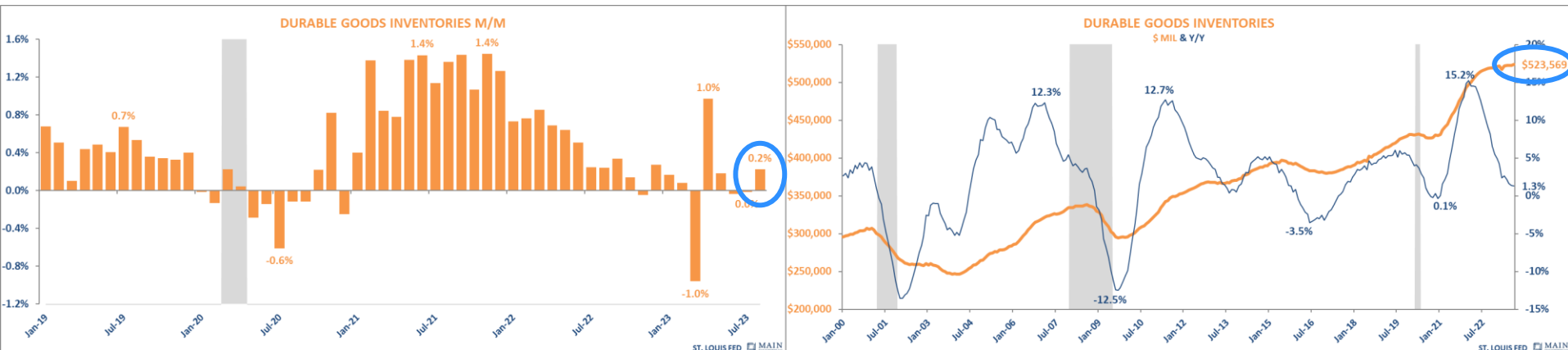
# Durable Goods Orders

The Y/Y comps are tough as you can see. Broad Durable Goods Orders are up +3.5% while Core Capital Goods slowed to +0.3%, the smallest gain since November 2020!

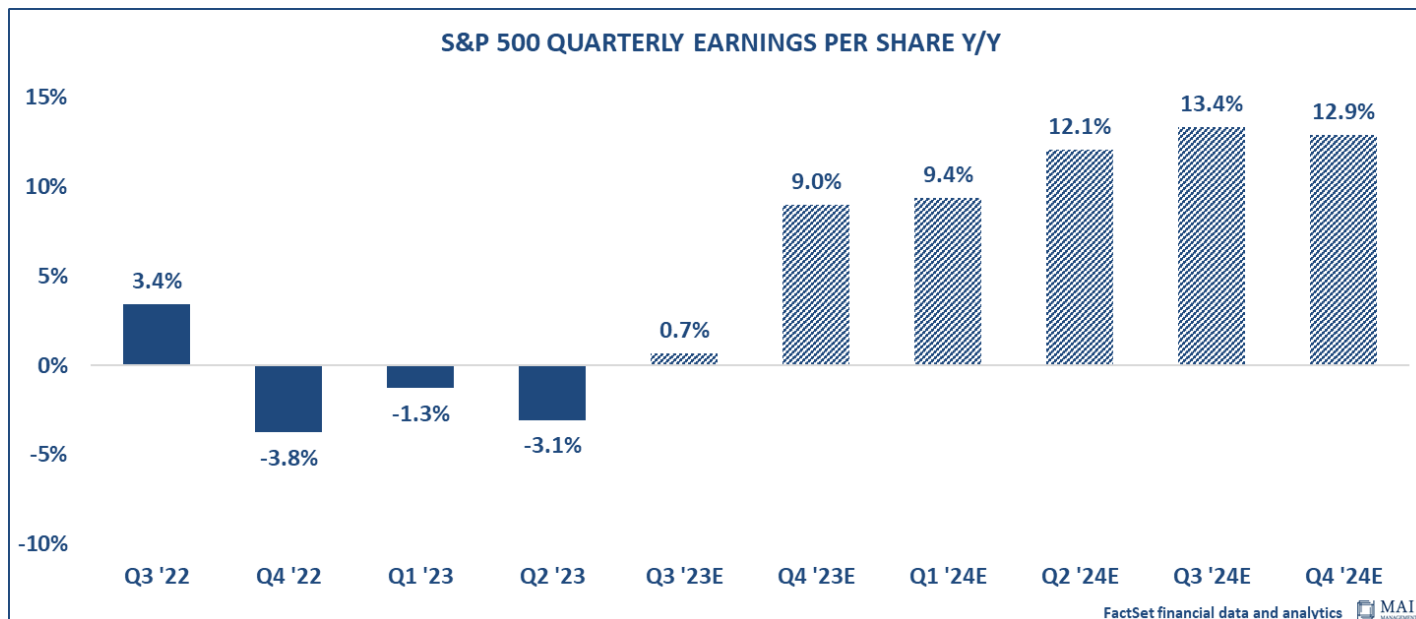


# Durable Goods Orders

Durable Goods Inventories rose +0.2% M/M, the biggest gain since April. On an absolute basis, inventories are at a new all-time high but slowed to +1.3% Y/Y, the smallest rise since January 2021.

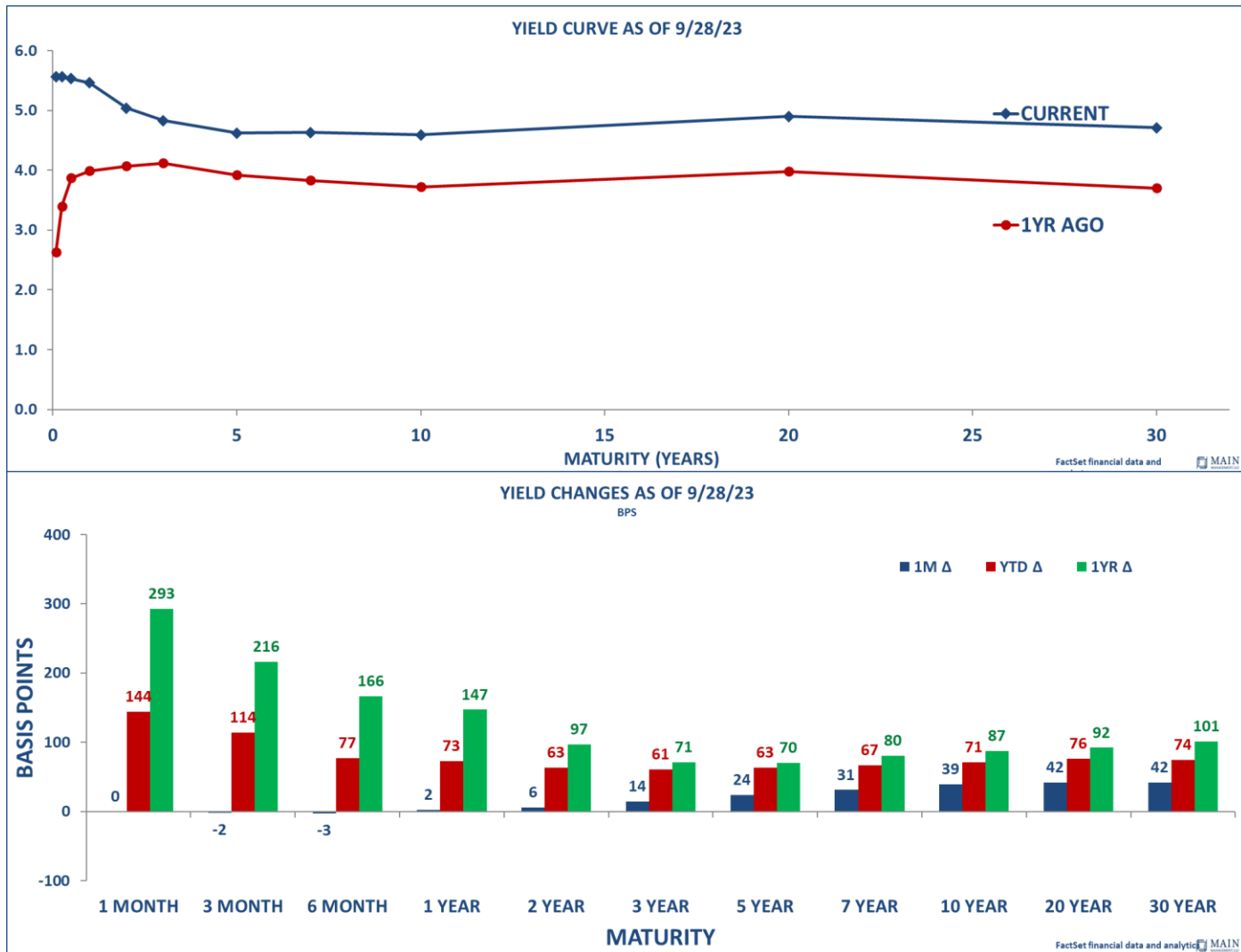


# S&P 500 Earnings Estimates



S&P 500 EARNINGS ESTIMATES				CHANGE			
PERIOD	9/29/23	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	\$55.34	\$55.28	\$55.59	0.11%	\$0.06	-0.45%	-\$0.25
4Q23E	\$57.62	\$57.53	\$57.60	0.16%	\$0.09	0.03%	\$0.02
1Q24E	\$57.57	\$57.53	\$57.69	0.07%	\$0.04	-0.21%	-\$0.12
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	\$219.96	\$219.69	\$220.18	0.12%	\$0.27	-0.10%	-\$0.22
2024E	\$246.52	\$246.50	\$246.56	0.01%	\$0.02	-0.02%	-\$0.04

# Yields



## Disclosures

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