



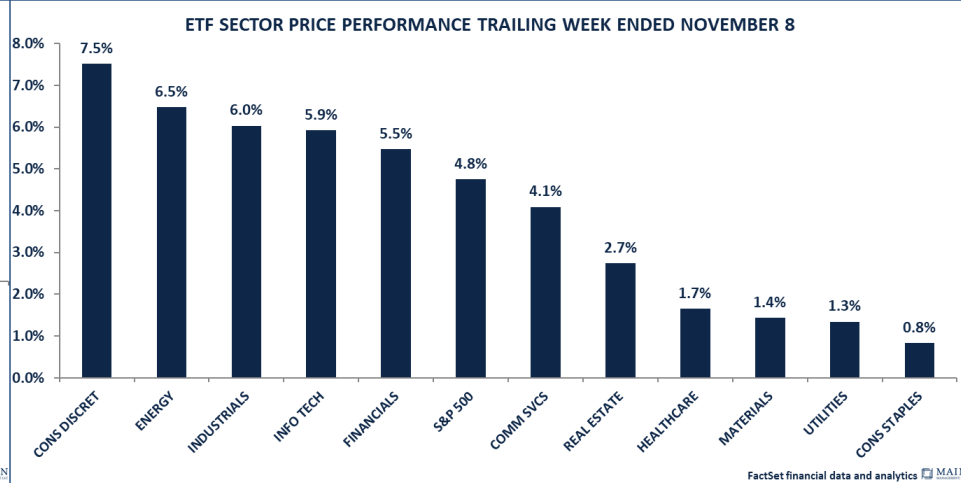
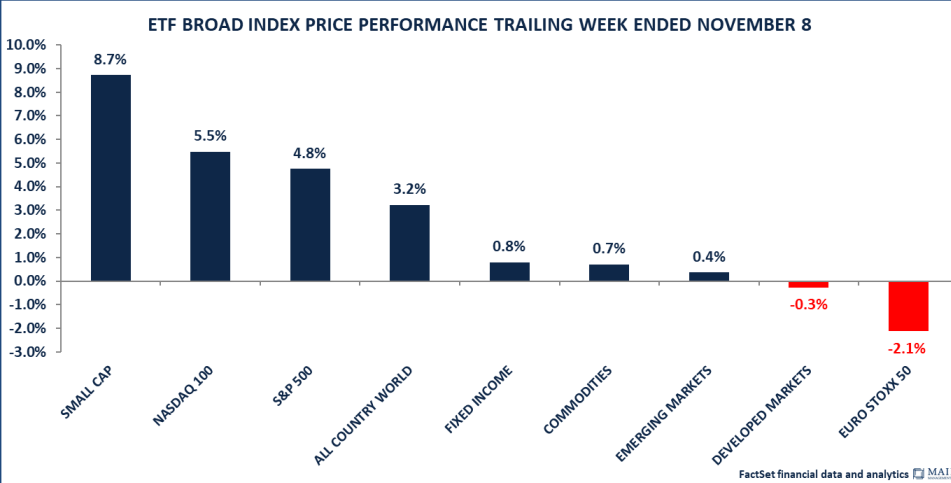
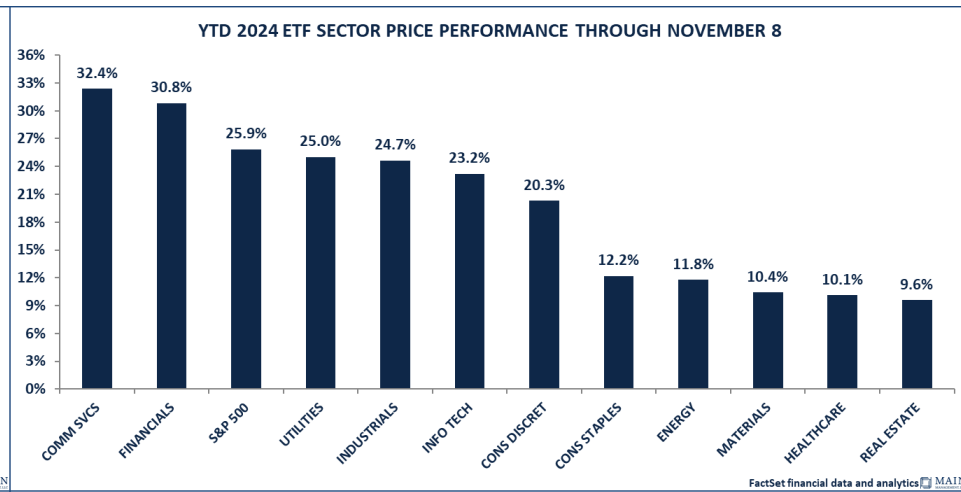
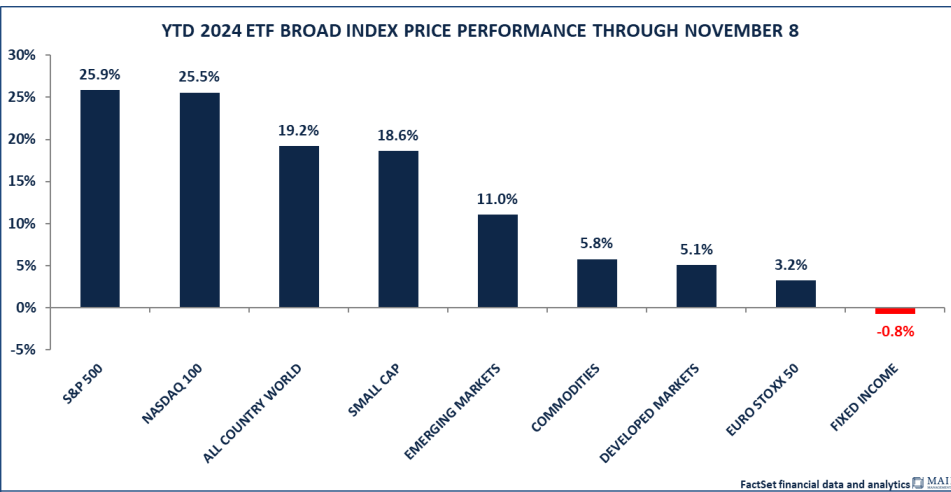
MAIN
MANAGEMENT, LLC

MAIN MANAGEMENT MARKET NOTE: **November 8, 2024**

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Performance



Recession Dashboard

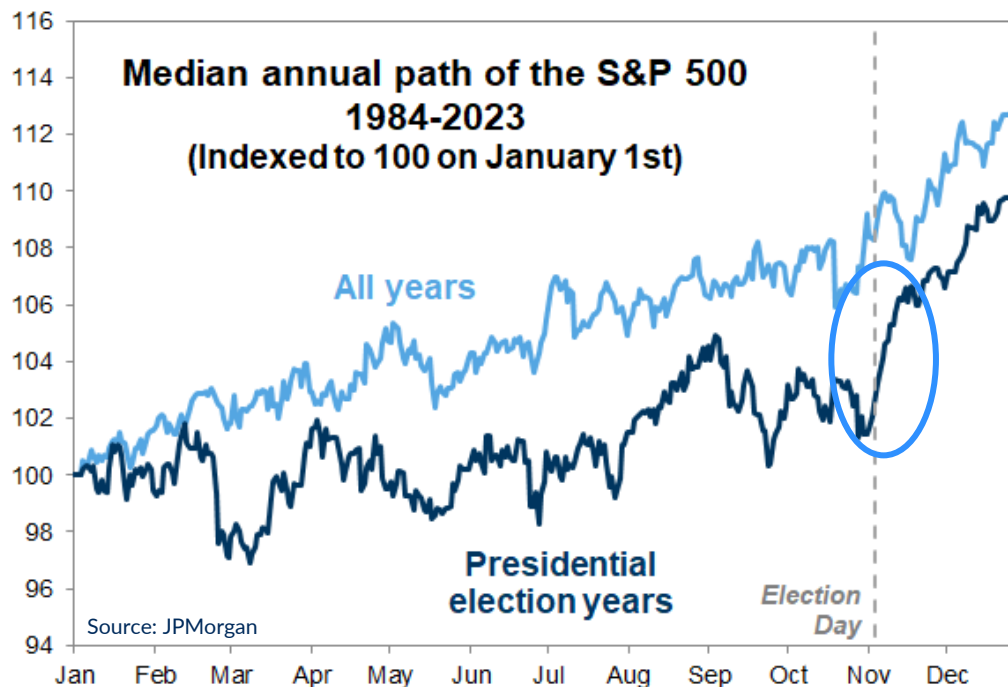
RECESSION START	INFLATION	CONSUMER	YIELD CURVE	HOUSING	SENTIMENT	AUTOS	EMPLOYMENT	PMI	RETAIL SALES
NOV 1973	↓	—	—	↓	—	—	↓	↓	—
JAN 1980	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1981	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1990	↓	↓	↓	↓	↔	↓	↓	↔	—
MAR 2001	↔	↓	↓	↔	↔	↔	↓	↓	↔
DEC 2007	↓	↓	↓	↓	↔	↓	↓	↓	↓
DEC 2019	↑	↑	↔	↔	↑	↔	↑	↔	↔
NOV 2024	↑	↔	↔*	↑	↔	↓	↓	↑	↔
LAST CHANGE	BLUE MAR '23	RED JAN '23	RED MAR '23	BLUE JUN '23	RED JUN '22	BLUE SEP '23	BLUE SEP '22	BLUE JUN '23	RED SEP '23

↑ 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.

Election

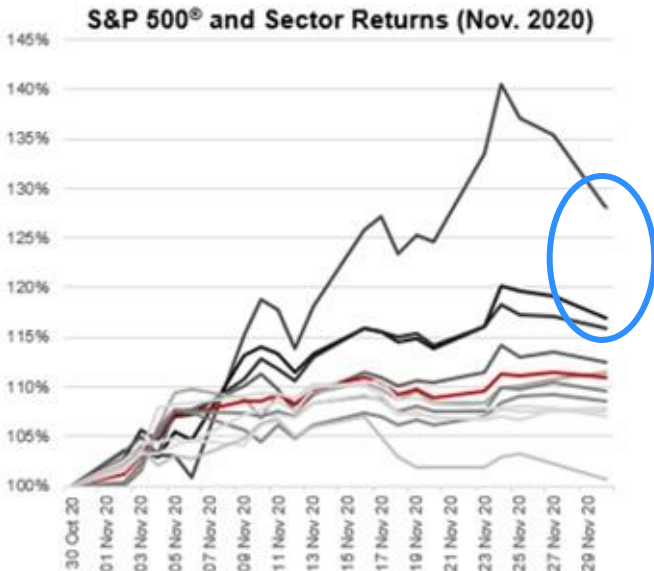
Donald Trump was elected President of the United States on Tuesday night in a decisive victory. It appears the Senate and the House will also see Republican majorities, resulting in a “Red Sweep,” which means that Republicans will be able to enact more sweeping legislation than they would in a gridlocked government. They may extend the 2017 tax cuts which are set to expire in 2025 and perhaps include reinstatement of some expired business investment incentives. Regardless of who you voted for, as you can see in the chart below, the S&P 500 usually rallies after presidential elections.



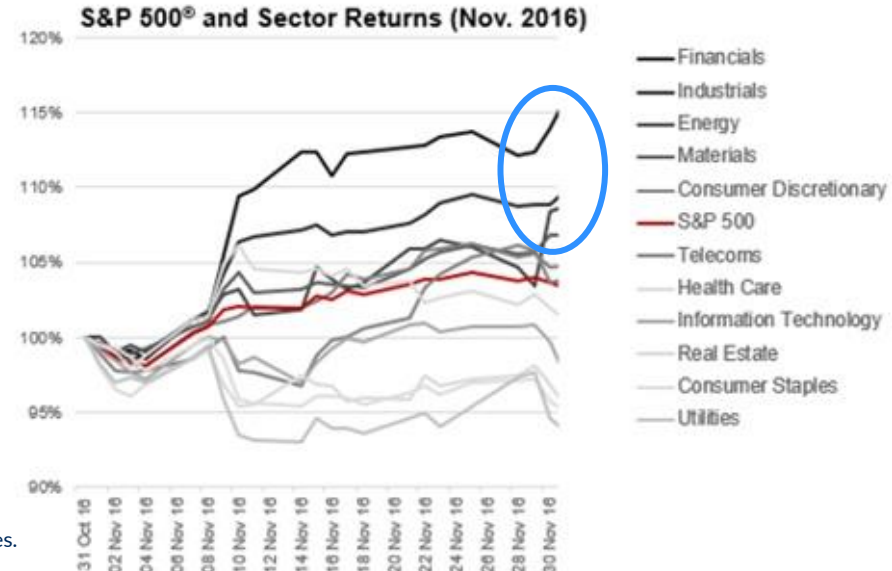
Sector Dispersion

Below we show S&P 500 sector returns in Nov. 2020 (left) and Nov. 2016 (right). There was considerable dispersion, with a 19% spread in 2020 and a 27% spread in 2016. Interestingly, despite Trump's victory in 2016 and Biden's in 2020, the top and bottom 3 sectors were the same (though not in the same order necessarily).

Top 3 in both years: Energy, Financials, and Industrials. Bottom 3: Consumer Staples, Real Estate, and Utilities. Notably, Utilities was the worst performing sector in both Novembers.



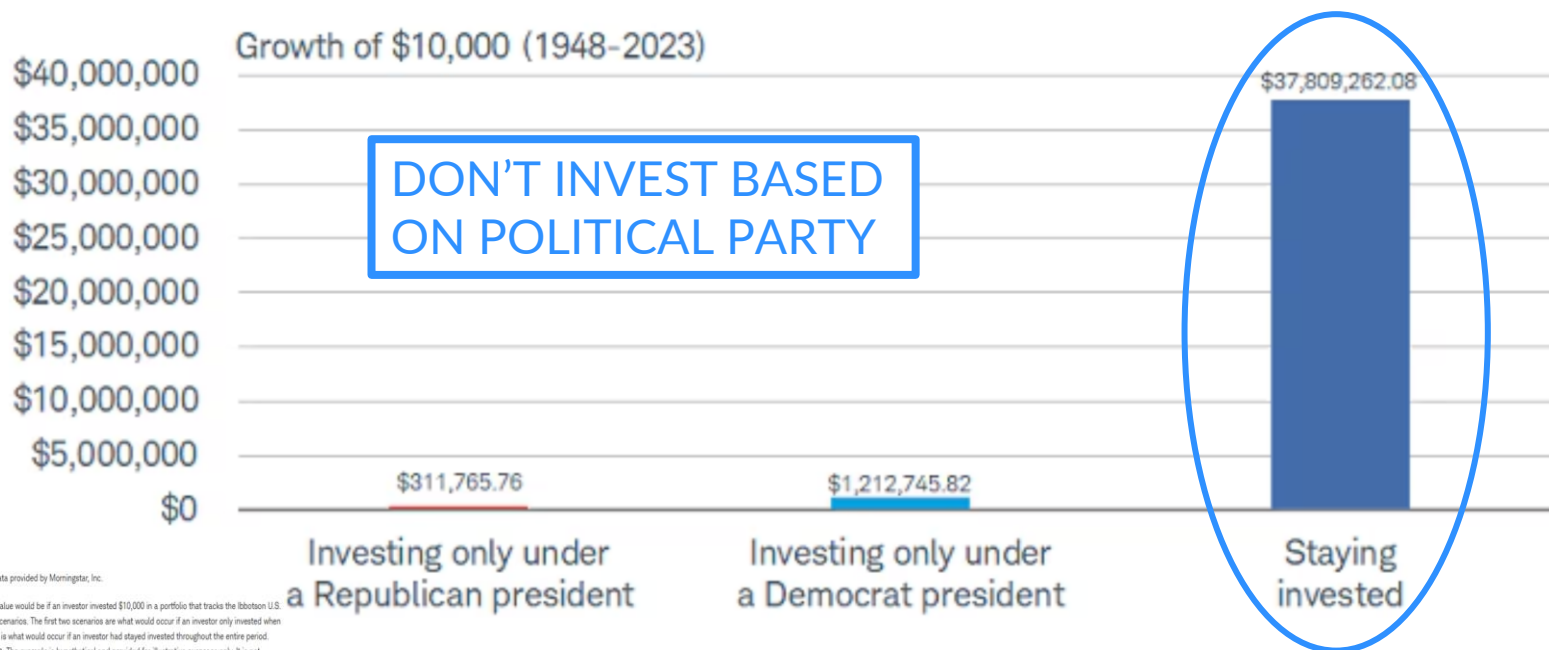
Source: S&P Dow Jones Industries.
Data as of Nov. 5, 2024



Time in the Markets

One of our core tenets here at Main Management is: “Time in the market, not timing the market.” The power of compounding can’t do its job when you are jumping in and out – you miss the best few days in a given year and your return is cut dramatically, which has ripple effects far down the line. Below we show that staying invested regardless of administration is clearly the best course of action.

Time IN the market



Source: Schwab Center for Financial Research with data provided by Morningstar, Inc.

The above chart shows what a hypothetical portfolio value would be if an investor invested \$10,000 in a portfolio that tracks the Ibbotson U.S. Large Stock Index on 1/1/1948 under three different scenarios. The first two scenarios are what would occur if an investor only invested when one particular party was president. The third scenario is what would occur if an investor had stayed invested throughout the entire period. Returns include reinvestment of dividends and interest. The example is hypothetical and provided for illustrative purposes only. It is not intended to represent a specific investment product. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. **Past performance is no guarantee of future results.**

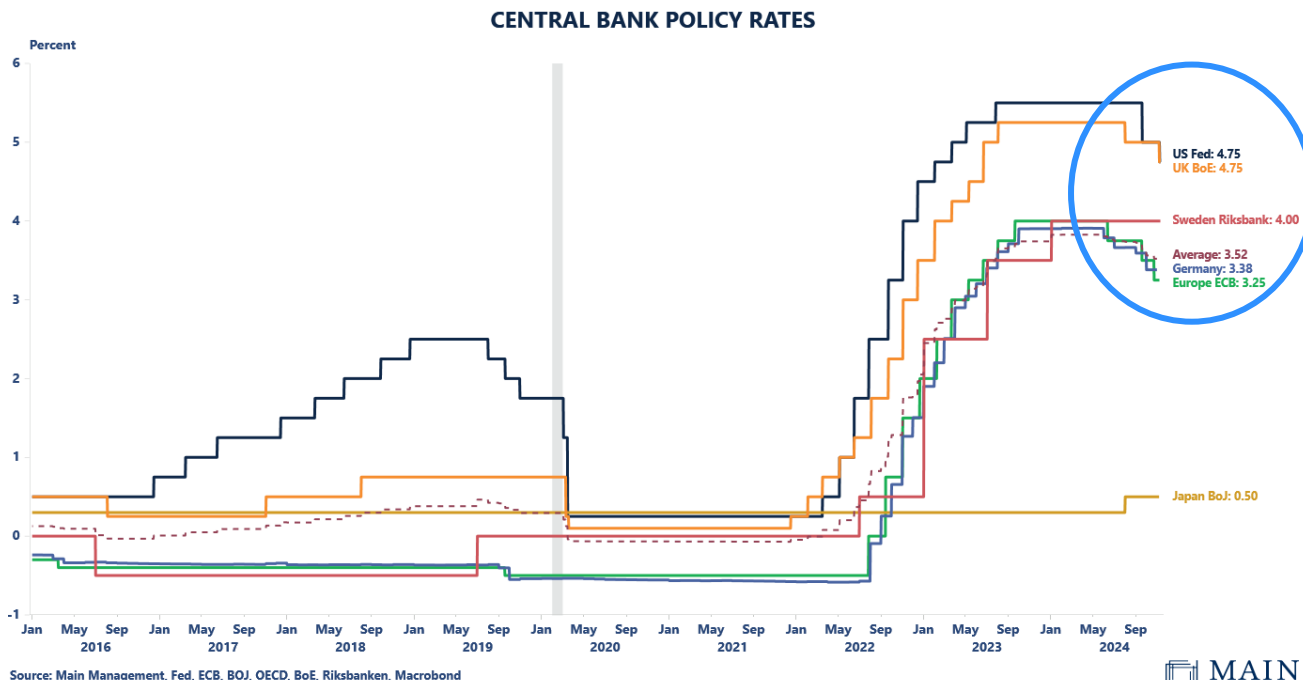
Markets' Reaction

The immediate market reactions were pronounced, both on election day and the day after. Small caps outperformed large caps. The VIX plummeted over -20%. In line with slide 5, the top performing sectors were Financials, Industrials, and Energy. The worst performers were Utilities, Consumer Staples, and Real Estate. Fixed income was mostly negative as yields rose. The Dollar strengthened. Commodities declined.



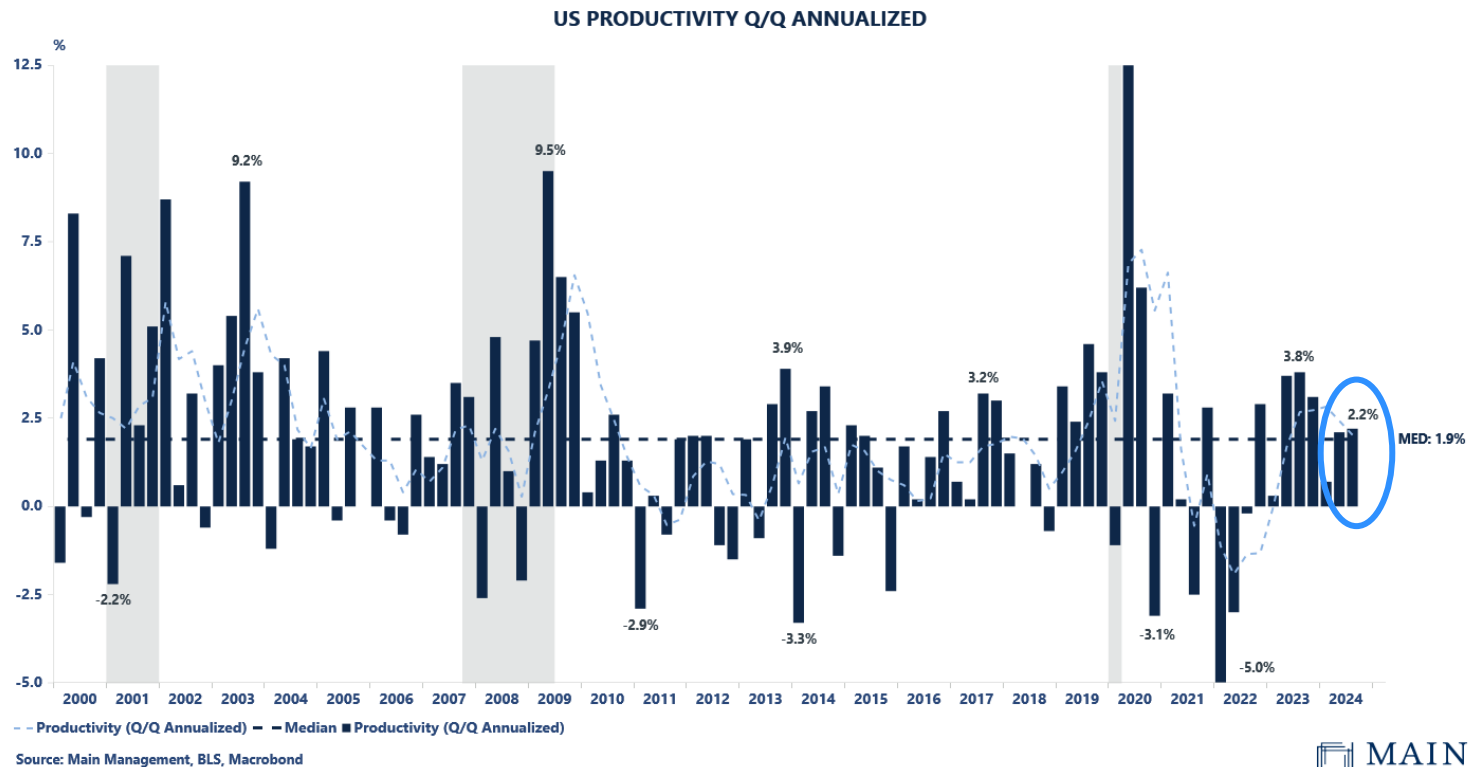
Fed Cut

The FOMC decision to cut rates by another 25 basis points this week was overshadowed by the election, but nonetheless represents the 2nd move in the current cutting cycle. The target rate now stands at 4.50% - 4.75% with one more cut of 25bps in December deemed likely by markets. Below we show the policy rates of several global central banks, which are also in the process of cutting rates, other than Japan which is battling inflation.



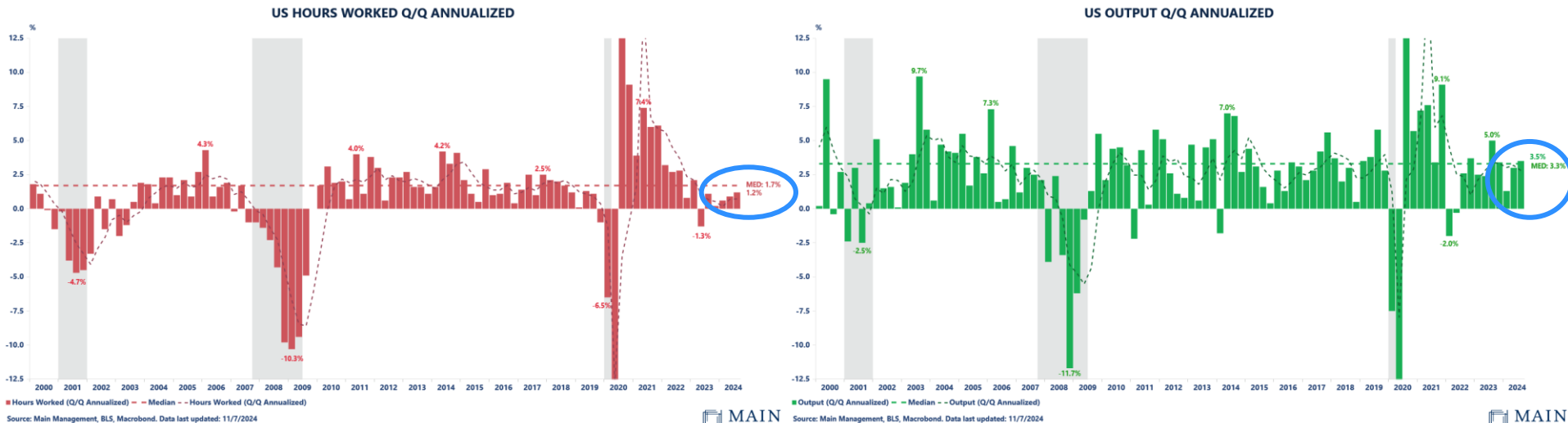
Productivity

The preliminary reading for Q3 2024 U.S. Productivity came in at 2.2% Q/Q, missing forecasts for a 2.3% reading. The Q2 figure was also revised down to 2.1% from 2.5%. Despite missing forecasts, we've had 4 of the last 5 readings above the long-term median of 1.9%.



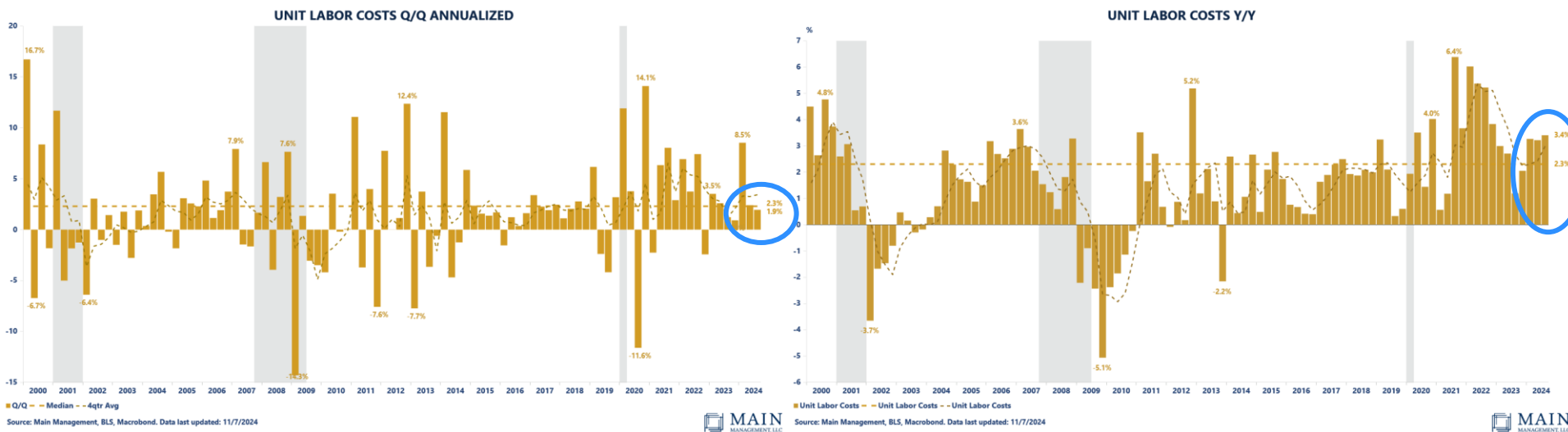
Productivity

Productivity is Output per Unit of Time, so seeing both Output and Hours Worked accelerate in Q3 is good. Hours Worked were up +1.2% Q/Q, the biggest gain since Q1 2023. Output ticked up to +3.5%, back above its long-term median of 3.3%.

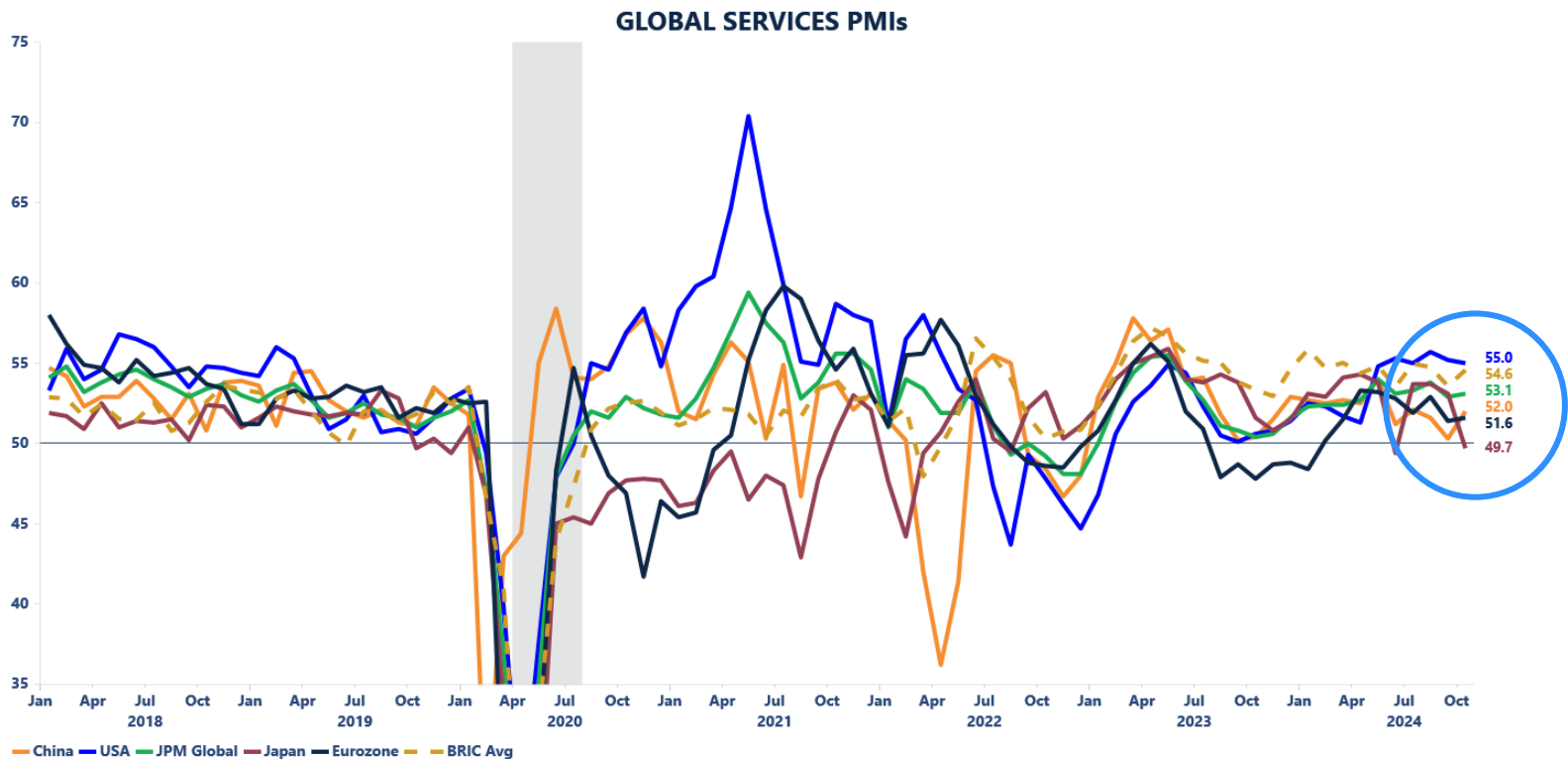


Unit Labor Costs

However, Unit Labor Costs rose +1.9% Q/Q (left), nearly double forecasts for a 1% rise. This increase was due to a 4.2% gain in Compensation versus the 2.2% gain in Productivity. On the right, you can see that Unit Labor Costs accelerated to +3.4% Y/Y, the biggest rise since Q4 2022, which is not great for the disinflation narrative.

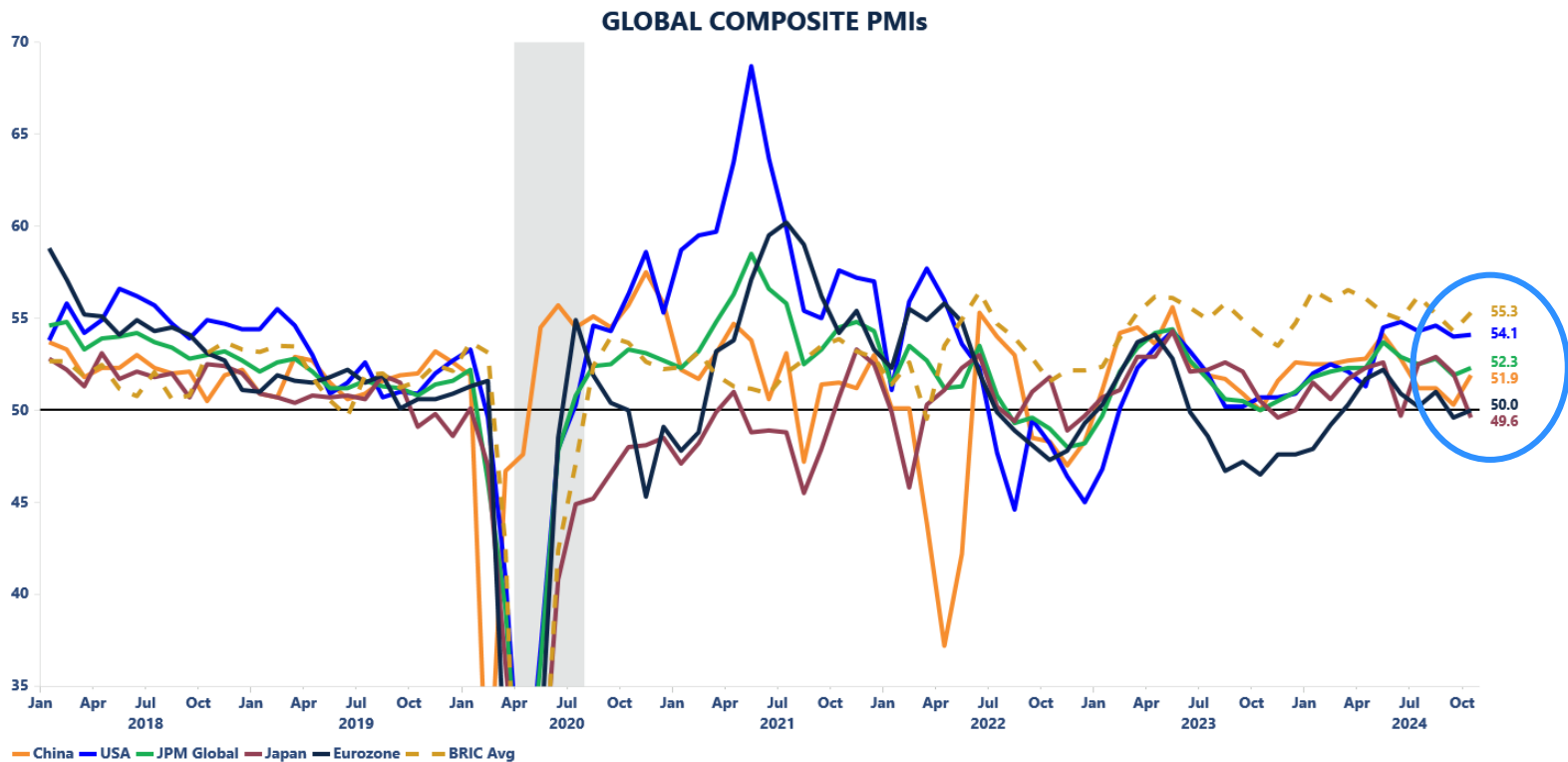


The final Service & Composite PMI readings for October showed modest improvement in most major areas while Japan was considerably weaker. On the Services side, Japan fell into contraction at 49.7 and the U.S. ticked down to 55.0. The other regions moved higher.



PMIs

The picture looked similar for the Composite figures, except that the U.S. ticked up to 54.1, driven by its gain in the manufacturing sector. Japan was the only major player shown below to decline, falling back into contraction at 49.6, the lowest since November 2022.



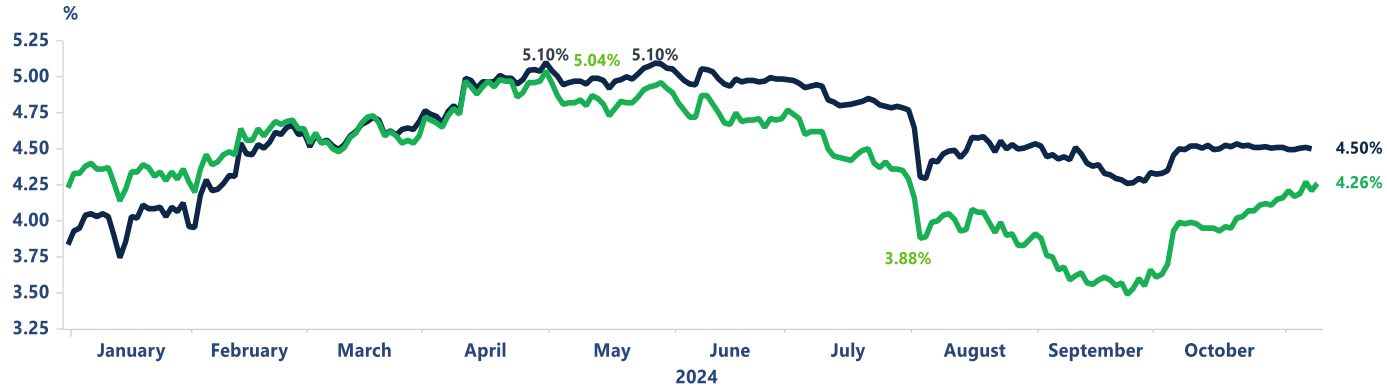
SUMMARY

- Donald Trump was elected President on Tuesday in a decisive victory. While we are waiting the final results for the House, the Senate was won by Republicans. It looks highly likely that the House will also be controlled by Republicans, resulting in a Red Sweep.
- The FOMC cut rates by 25 basis points this week, bringing the target rate to 4.50% - 4.75%. Markets are expecting one more 25 basis point cut in December.
- The preliminary reading for Q3 2024 U.S. Productivity came in at 2.2% Q/Q, slightly below forecasts for a 2.3% reading. Notably, Unit Labor Costs rose +1.9% Q/Q, nearly double forecasts, and are up +3.4% Y/Y, the most since Q4 2022.
- The final readings for Service and Composite PMIs showed modest improvement. Japan showed notable weakness, however, falling back into contraction in both categories.
- Upcoming key data to watch:
 - CPI (Wednesday)
 - PPI (Thursday)
 - Retail Sales & Industrial Production (Friday)

APPENDIX

YIELDS & FUTURES

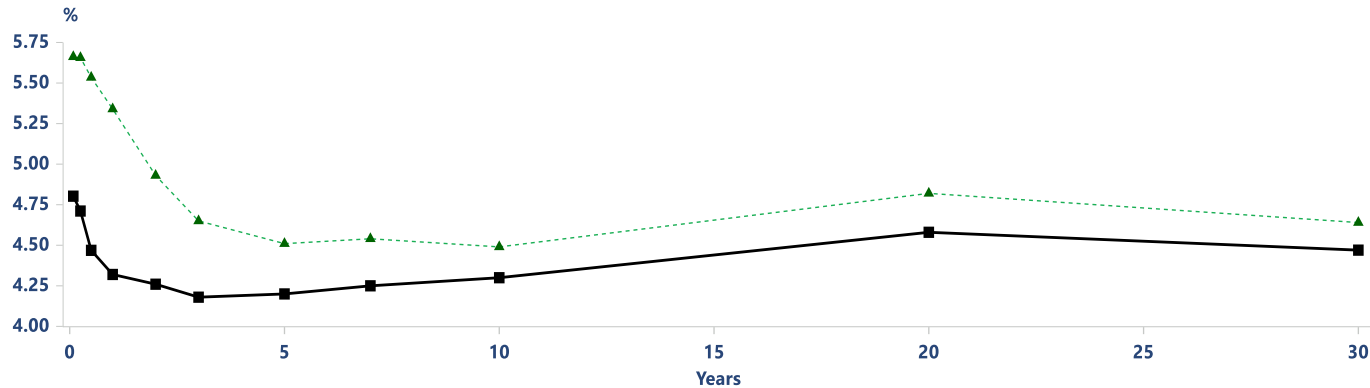
FED FUNDS FUTURES & 2-YEAR TREASURY YIELD



— Fed Funds Futures Dec '24 — 2yr Treasury Yield

Source: Main Management, CME Group, U.S. Treasury, Macrobond. Data last updated: 11/8/2024

US TREASURY YIELD CURVE



■ Now ▲ 12 months ago

Source: Main Management, U.S. Treasury, Macrobond. Data last updated: 11/8/2024

INFLATION WATCH

MAJOR COMMODITY INDICES Y/Y



Source: Main Management, S&P Global, CoreCommodity Management, LME, EIA, LBMA, Macrobond, LPPM, NRCAN, ICCO, ICO, USDA, MIA, TREA, TMX, Macrobond. Data last updated: 11/8/2024

Commodity	1 Month	3 Months	YTD ↓	1 Year
Bitcoin	22.3%	35.5%	80.3%	116.6%
Coffee	1.2	10.4	38.3	49.9
Silver	-1.1	17.2	33.2	37.2
Gold	2.0	13.3	31.2	36.9
Copper	-2.8	8.1	12.4	16.8
S&P GSCI	-1.7	4.9	8.3	0.5
Natural Gas	-5.6	34.0	7.1	-17.5
Lumber	7.7	9.7	4.0	8.4
US Dollar (DXY)	1.9	1.5	3.1	-0.7
BBG Commodity Index	-2.7	5.5	0.7	-5.4
Crude Oil	-2.2	-1.8	0.4	-11.0
Gasoline	-2.0	-11.7	-2.3	-8.2
Corn	0.7	10.0	-9.3	-10.4
Cotton	-2.7	7.3	-12.3	-8.9
Soybeans	-2.1	-1.3	-21.5	-24.2

Source: Main Management, S&P Global, CME Group, ICE, LME, Macrobond. Data last updated: 11/7/2024

DISCLOSURES

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