MAIN MANAGEMENT MARKET NOTE:
May 9, 2025

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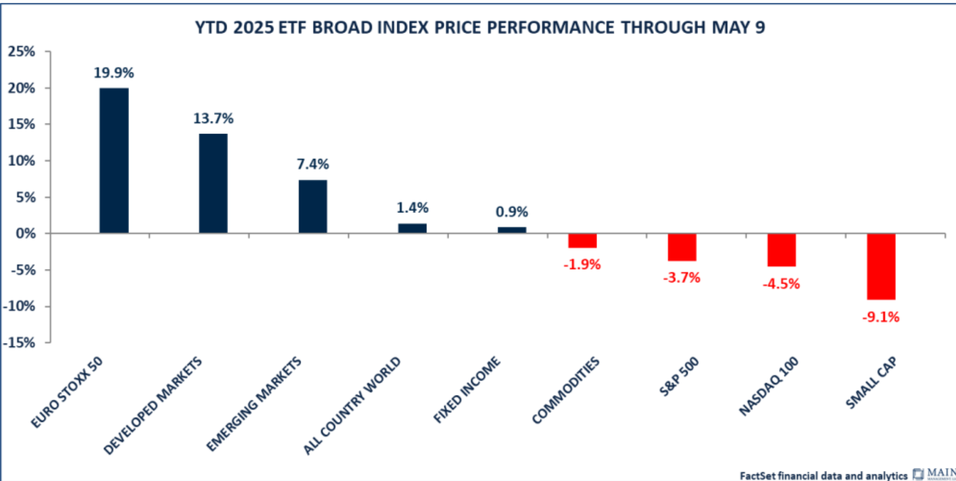
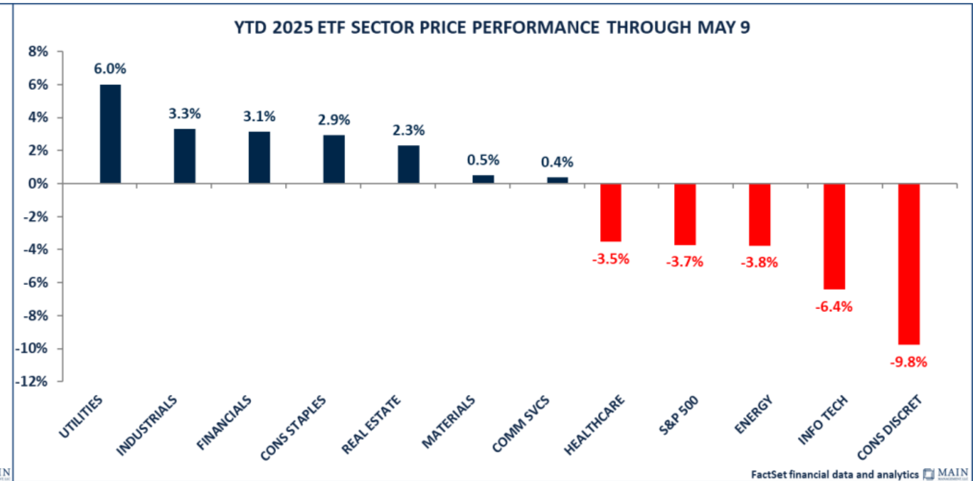
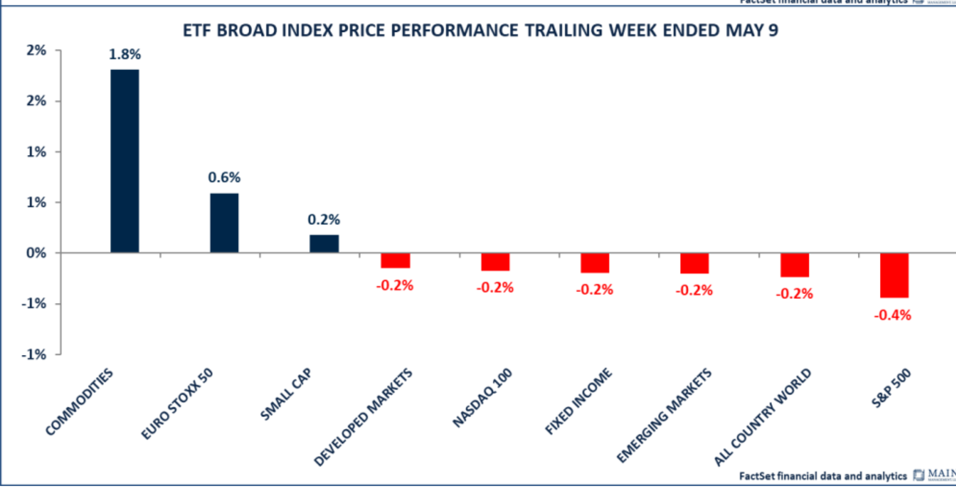
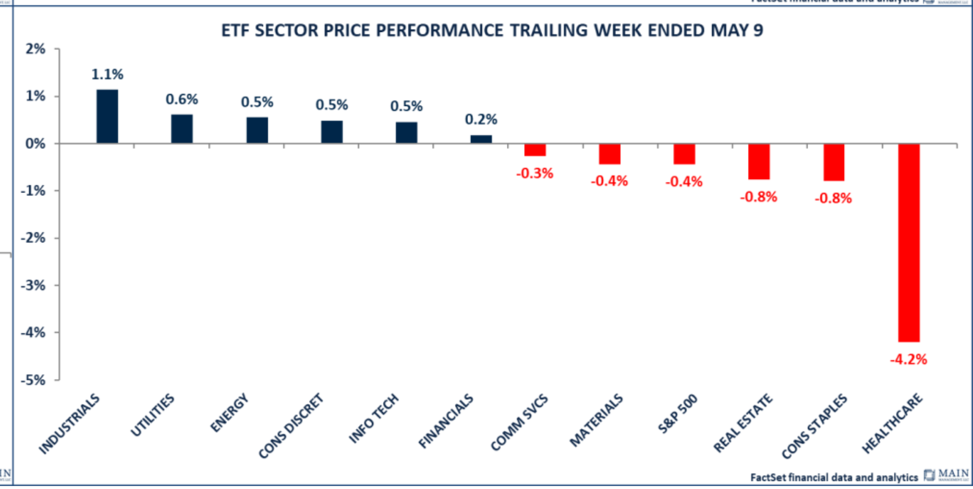
Performance









Recession Dashboard

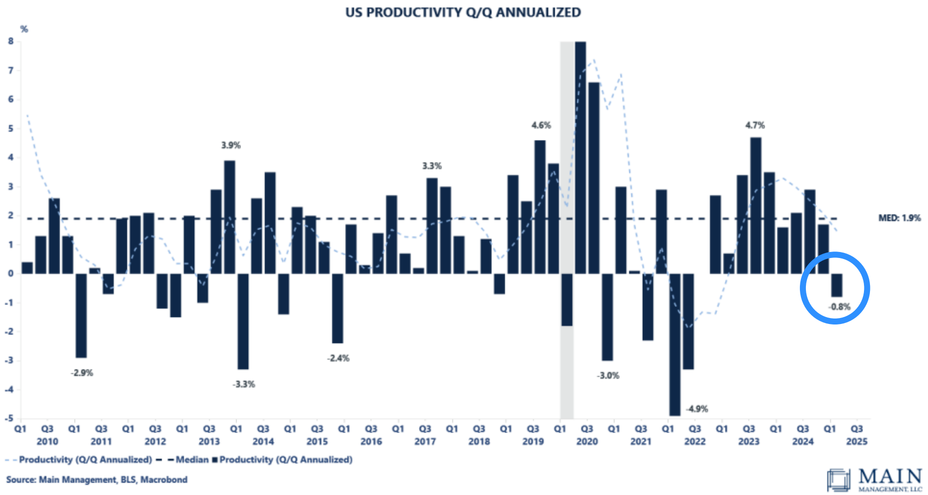
RECESSION START	INFLATION	CONSUMER	YIELD CURVE	HOUSING	SENTIMENT	AUTOS	EMPLOY-MENT	PMI	RETAIL SALES
NOV 1973	↓	—	—	↓	—	—	↓	↓	—
JAN 1980	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1981	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1990	↓	↓	↓	↓	↔	↓	↓	↔	—
MAR 2001	↔	↓	↓	↔	↔	↔	↓	↓	↔
DEC 2007	↓	↓	↓	↓	↔	↓	↓	↓	↓
DEC 2019	↑	↑	↔	↔	↑	↔	↑	↔	↔
MAY 2025	↔	↔	↔*	↔	↔	↔	↓	↔	↑
LAST CHANGE	GREEN DEC '24	GREEN APR '25	RED MAR '23	GREEN DEC '24	GREEN APR '25	RED JAN '25	BLUE SEP '22	GREEN APR '25	BLUE DEC '24

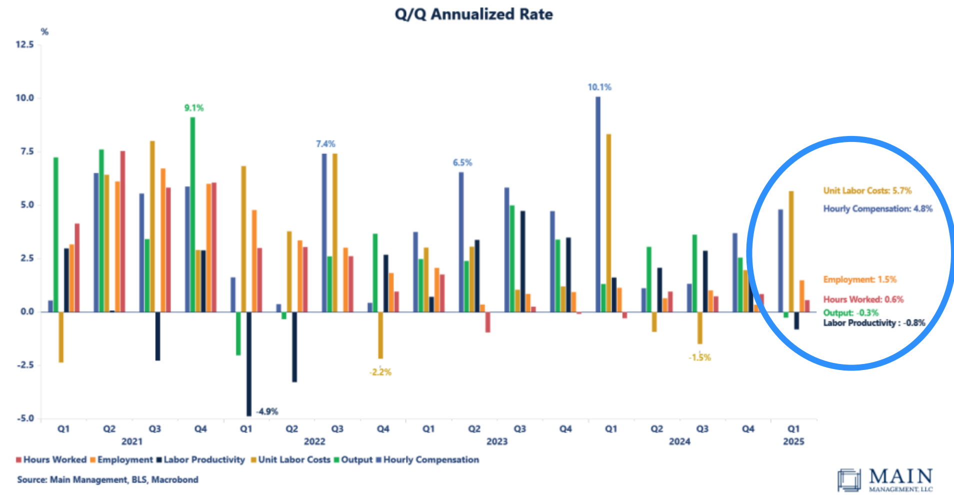
↑ Positive ↔ Neutral ↓ Negative

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, AAII* **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.*

Q1 Productivity

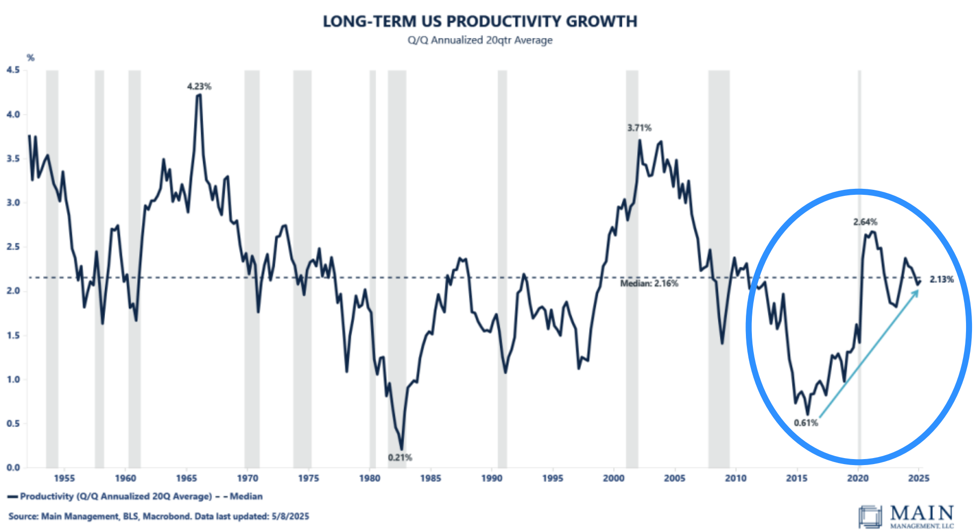
Q1 2025 Productivity (left) fell -0.8% Q/Q annualized, below forecasts for a -0.7% decline and the first drop since Q2 2022. The negative reading was driven by a drop in Output (-0.3%) and an increase in Hours Worked (+0.6%). Hourly Compensation jumped +4.8% which drove Unit Labor Costs up +5.7%, both the biggest increases in a year. We'll have to wait and see if the coming readings for ULCs bear out the recent rises in inflation expectations (more on that later).

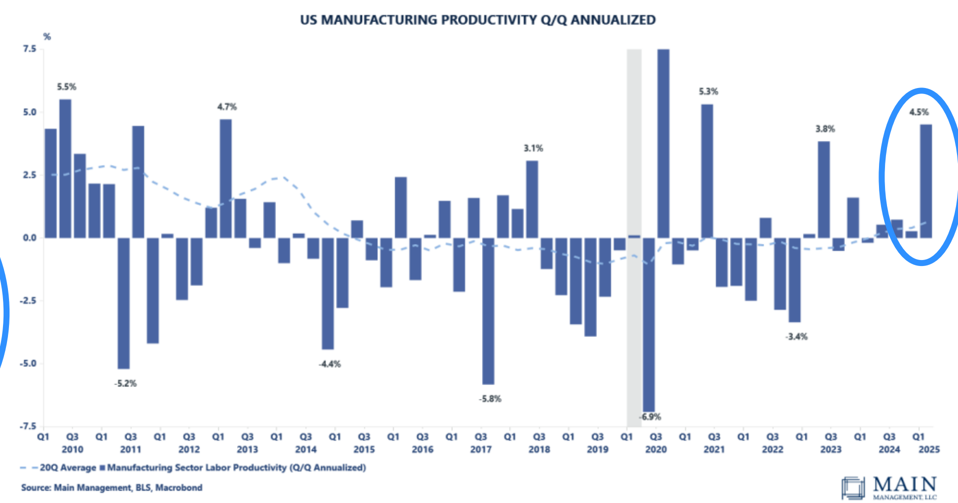




20q Average & Manufacturing

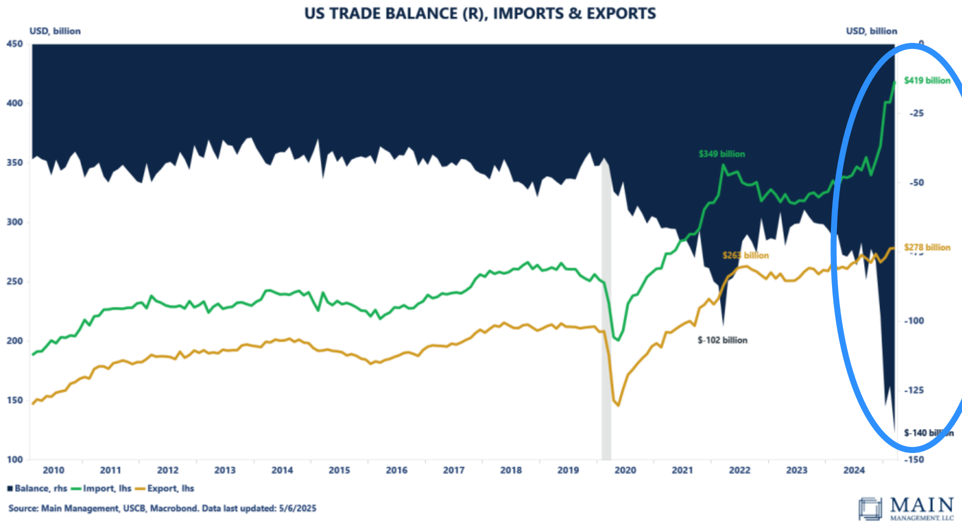
The 20-quarter rolling average for Productivity (left) ticked up despite the negative Q1 reading as the Q1 2020 drop rolled off. However, the next 2 readings to roll off were very positive due to covid distortions, so we might see the 20q figure decline. Still, for the time being, we remain in the uptrend that began about a decade ago. Manufacturing Productivity (right) was a bright spot in the report, jumping +4.5% Q/Q annualized, its biggest gain since Q2 2021. The 20q rolling average there is at its highest level since Q3 2014!

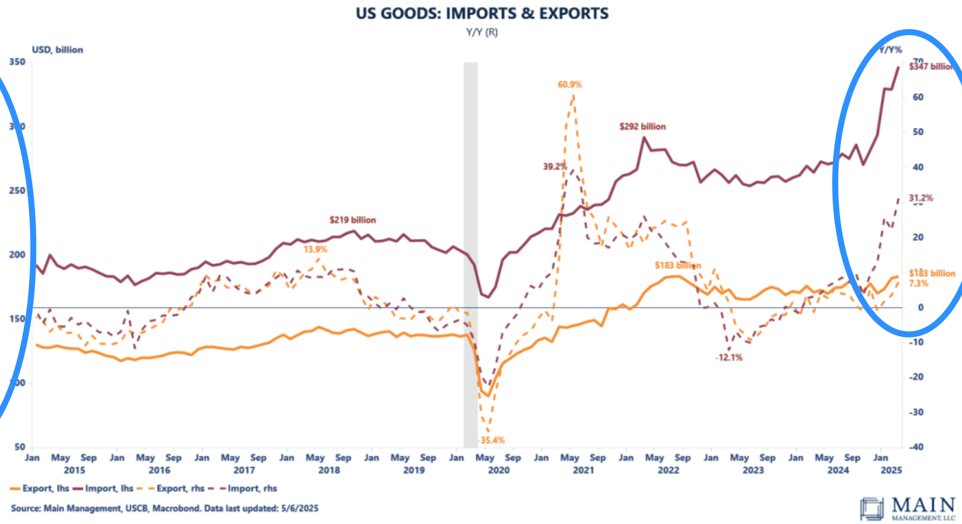




Trade Balance

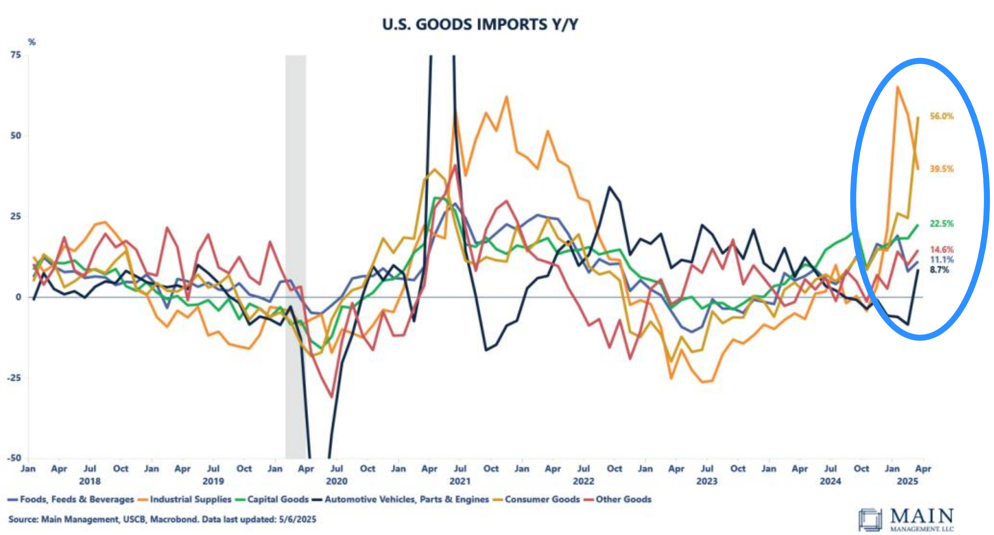
March saw the U.S. Trade Deficit (left) blow out to -$140bil, the widest on record. Imports surged to $419b, another all-time high, while Exports inched up to $278b, also a new ATH. The surge in Imports was driven by Goods Imports (right), which hit $347b and are up +31.2% Y/Y, and more specifically, a spike in pharmaceuticals, which jumped +$20.9b. Some drug ingredients can be frozen for a few years, so it's possible to bring in multiple years of inventory at once, which appears to be the case here. This dynamic also means that the headline figure is a bit misleading with respect to the level of inventory build that is available to meet near-term consumption needs which could lead to goods shortages.





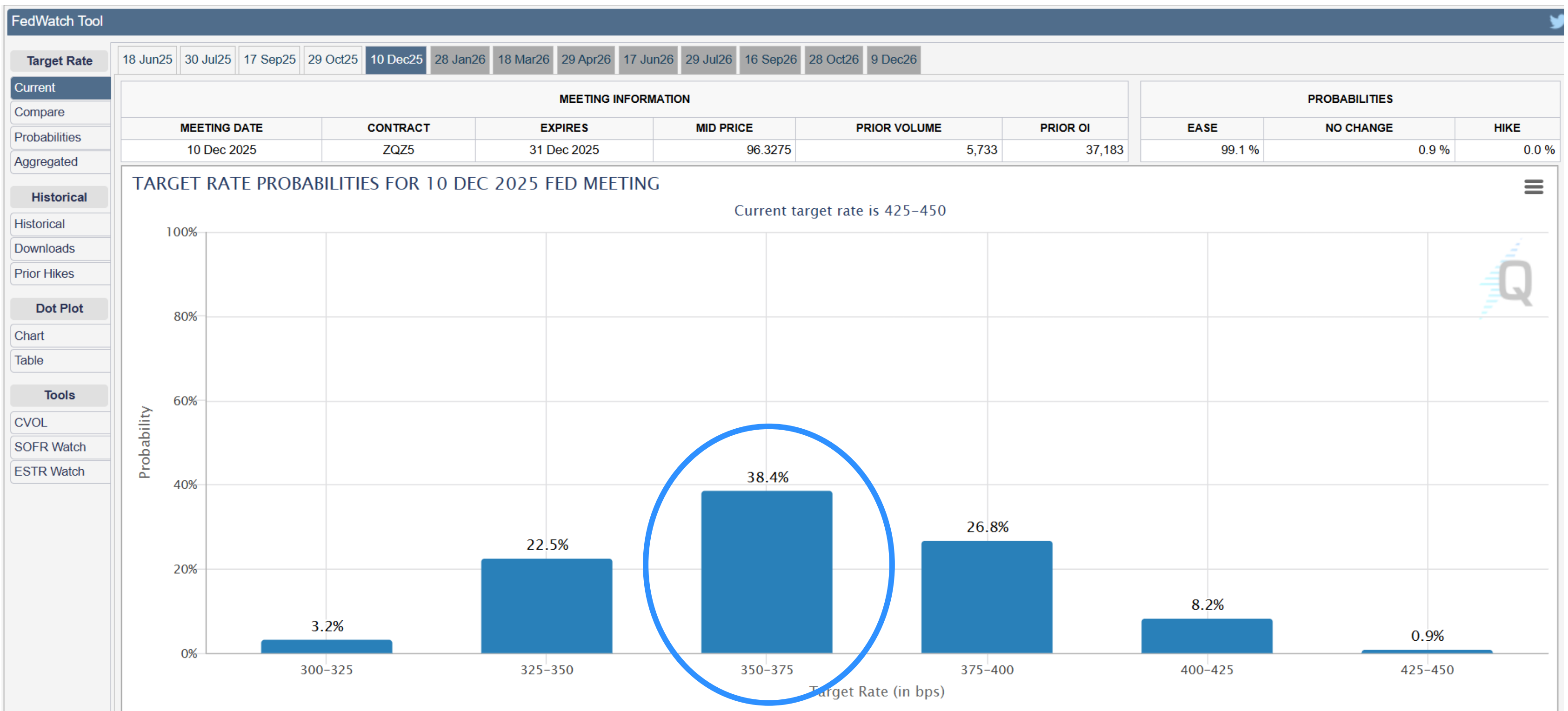
Goods Imports & Partners

On the left we show Goods Imports by end-use category on a Y/Y basis. Consumer Goods surged on the back of those pharma imports and are now up +56.0% from a year ago. Only Industrial Supplies decelerated but are still up +39.5%. It's worth noting that no category is in the red, with Auto-related goods jumping to +8.7%. We might see these Y/Y figures start to decelerate as tariffs take hold in the coming months. On the right, we show our trade partners on a $ basis for some perspective, given the ongoing trade negotiations with various countries.



FOMC

As expected, the FOMC kept rates unchanged at its meeting this week. Powell stayed right down the middle of the fairway and reiterated that the committee is data dependent. Markets are pricing in 3ish cuts for the remainder of the year, starting later in the summer. The FedWatch Tool is currently showing the highest probability for a target rate of 350-375bps in December, which would be 3 cuts.



Inflation Expectations

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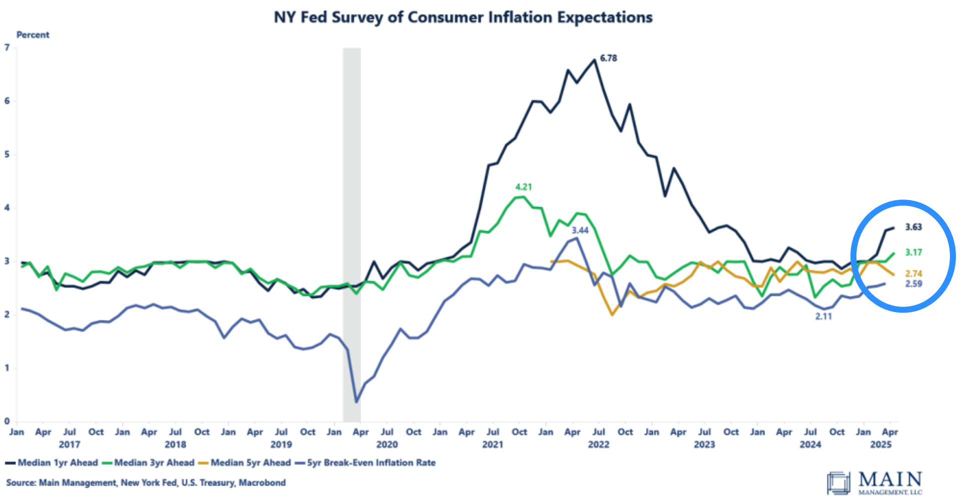
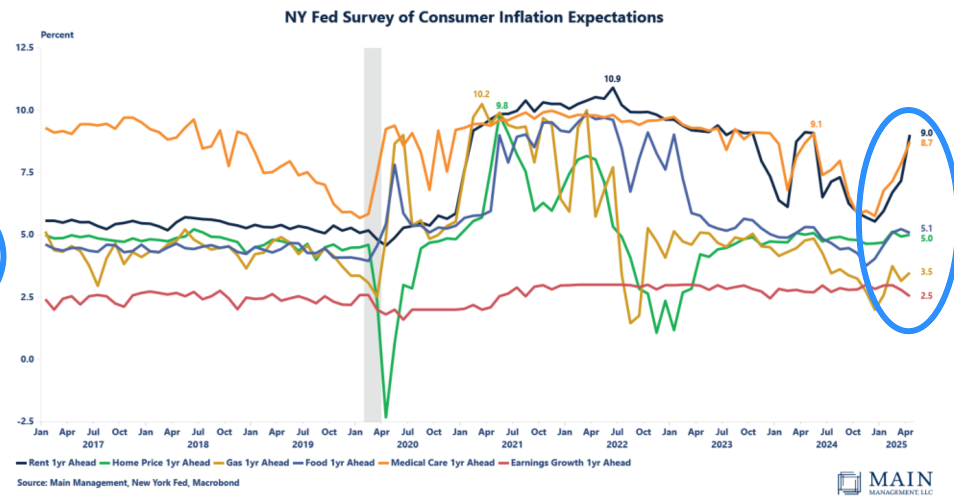
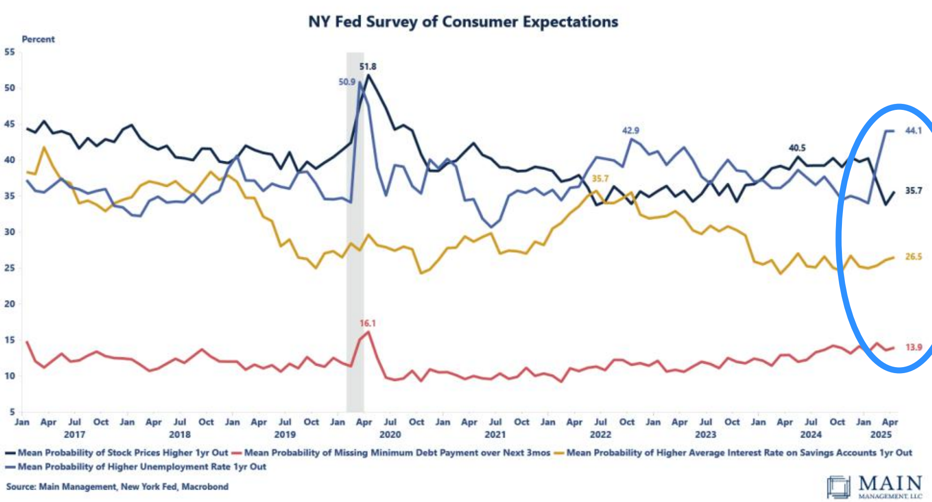
The NY Fed's Survey of Consumer Expectations is out for April and showed that 1yr inflation expectations (left) ticked up to 3.63%, the highest since Sept. 2023. 3yr expectations hit 3.17%, the highest since July 2022, while the 5yr figure ticked down to 2.74%. Expectations for Rent and Medical Care jumped to around 9% while Food (5.1%) and Earnings (2.5%) ticked lower. Gas and Home Price expectations increased as well, to 3.5% and 5.0%, respectively.

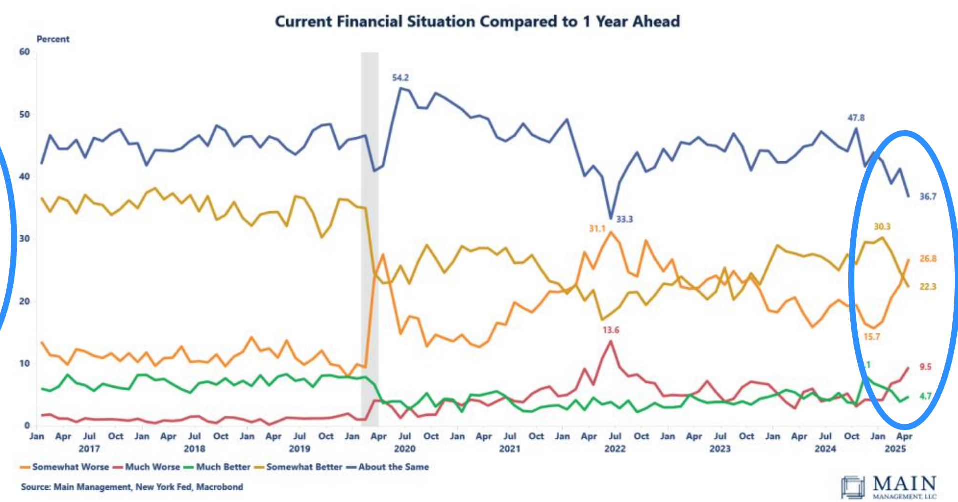




Financial Situation

35.7% of respondents are predicting higher stock prices and 26.5% are forecasting higher interest rates in 1 year (left). But 44.1% are expecting a higher unemployment rate, the most since April 2020. Delinquency inched up to 13.9%, basically in line with pre-covid levels. On the right, financial situation expectations for 1 year out deteriorated, with Somewhat Worse hitting 26.8%, the highest since Nov. 2022, and Much Worse rising to 9.5%, the highest since June 2022. About the Same fell to 36.7%, the lowest since June 2022 as well.





Summary

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- Q1 Productivity dropped -0.8% Q/Q annualized, slightly worse than forecasts. Unit Labor Costs jumped +5.7% Q/Q, the highest in 1 year.

- The Trade Balance blew out to -$140bil in March as Imports surged ahead of tariff implementation. Pharmaceutical imports were the main driver.

- The FOMC kept rates unchanged at their meeting this week. Markets are forecasting 3ish cuts for the remainder of the year.

- The NY Fed's SCE showed that inflation expectations are increasing while consumer confidence in their financial situation is waning.

- Upcoming key data to watch:
  - NFIB Small Business Optimism (Tues)
  - CPI Inflation (Tues)
  - PPI Inflation & Retail Sales (Thurs)

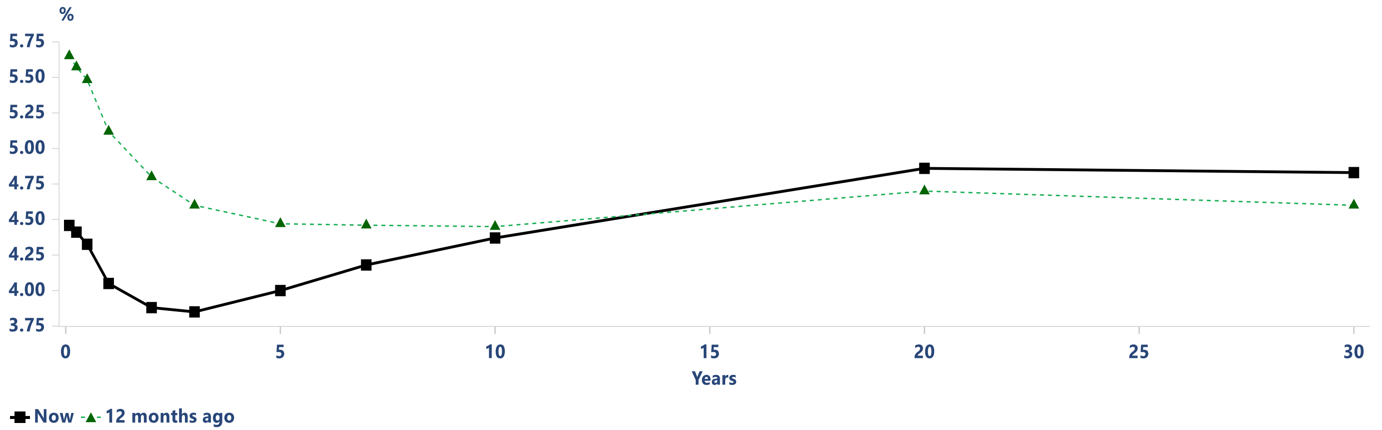
Appendix

Yields & Futures

FED FUNDS FUTURES & 2-YEAR TREASURY YIELD

Source: Main Management, CME Group, U.S. Treasury, Macrobond. Data last updated: 5/9/2025

US TREASURY YIELD CURVE



Source: Main Management, U.S. Treasury, Macrobond. Data last updated: 5/9/2025

Inflation Watch

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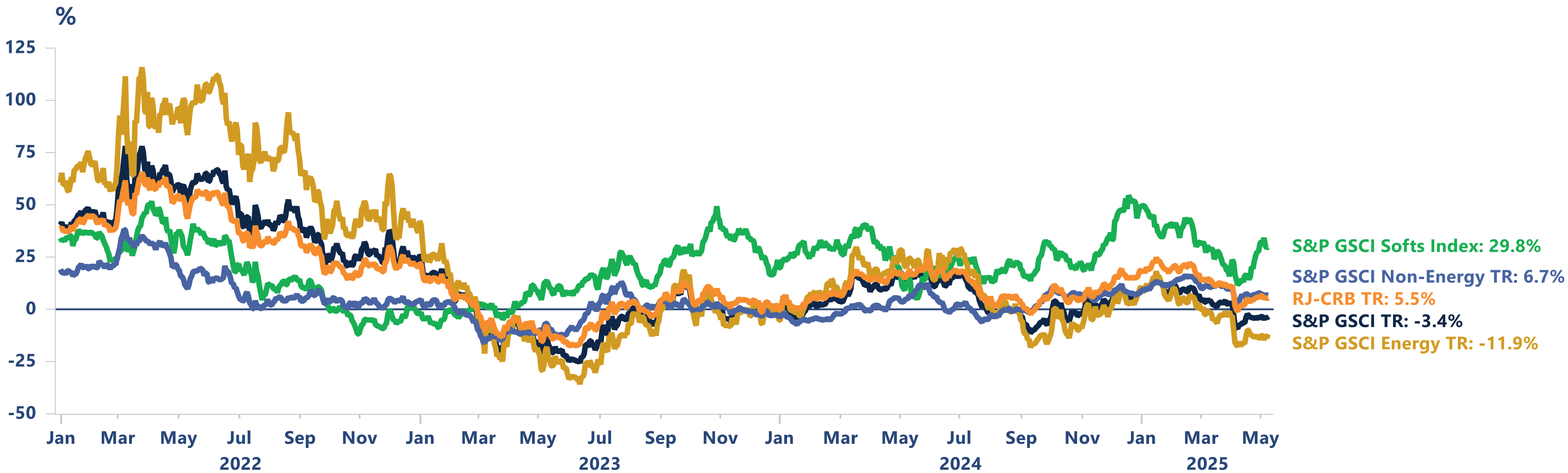
MAJOR COMMODITY INDICES Y/Y



Source: Main Management, S&P Global, CoreCommodity Management, LME, EIA, LBMA, Macrobond, LPPM, NRCan, ICCO, ICO, USDA, MIAX, TREA, TMX, Macrobond. Data last updated: 5/9/2025

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Commodity	1 Month	3 Months	YTD ↓	1 Year
Gold	10.8	15.8	26.9	42.9
Coffee	15.4	-1.5	24.4	99.9
Silver	9.7	-0.4	11.9	18.6
Bitcoin	30.3%	6.9%	10.5%	65.6%
Copper	9.0	3.4	9.3	-4.3
Gasoline	3.2	0.5	4.2	-18.0
Soybeans	5.5	-2.2	3.9	-15.9
BBG Commodity Index	3.6	-2.6	2.9	-0.9
Lumber	-2.9	-5.1	1.0	11.6
Natural Gas	-1.7	5.4	-1.1	62.8
Cotton	1.1	1.0	-2.5	-13.4
S&P GSCI	2.5	-5.7	-2.5	-3.3
Corn	-5.5	-11.3	-4.3	-3.2
US Dollar (DXY)	-2.5	-6.5	-7.2	-4.5
Crude Oil	-2.0	-15.0	-16.4	-23.8

Source: Main Management, S&P Global, CME Group, ICE, LME, Macrobond. Data last updated: 5/8/2025

Disclosures

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