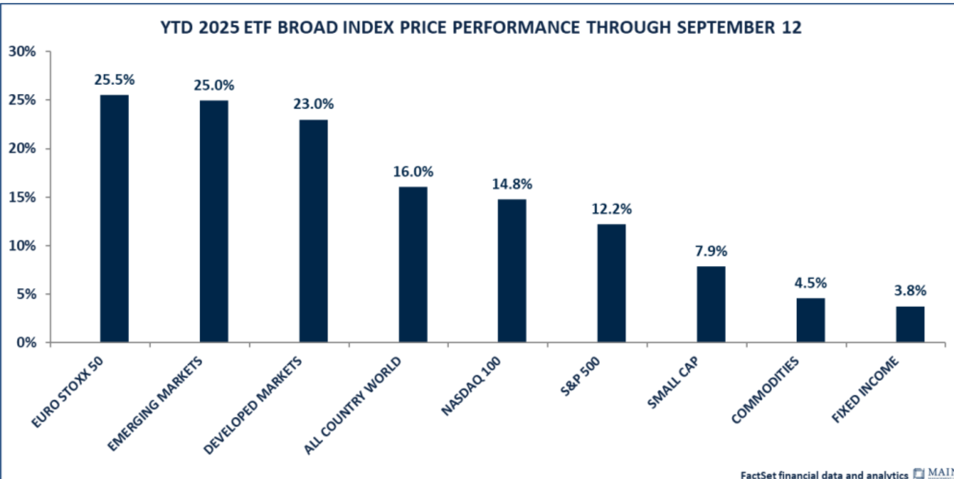
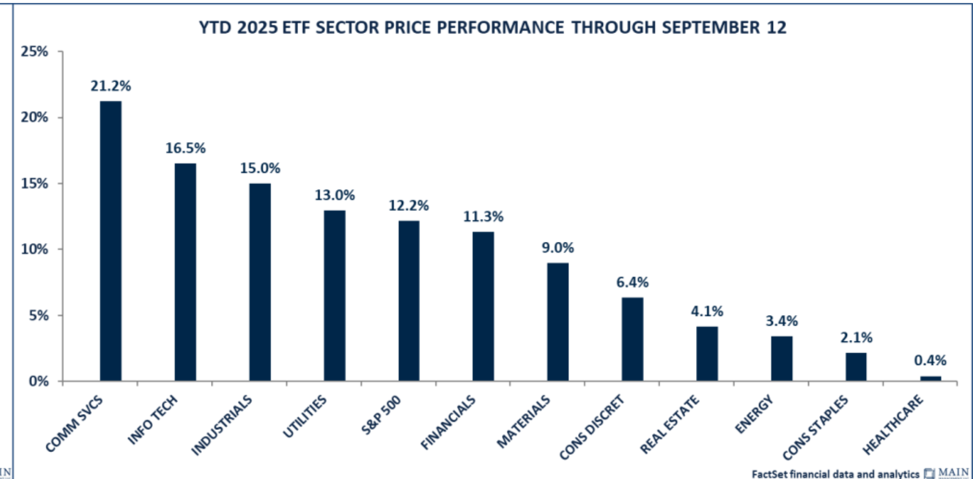
MAIN MANAGEMENT MARKET NOTE:
September 12, 2025

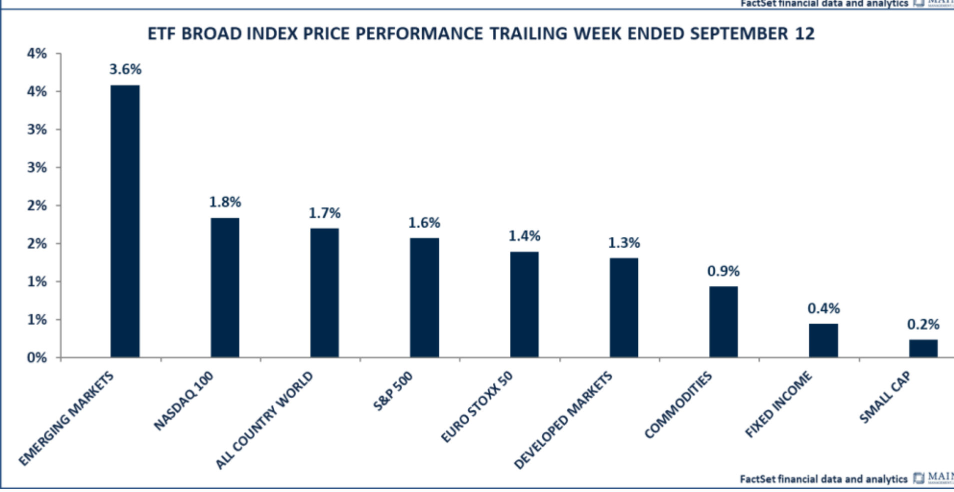
601 California Street, Suite 300, San Francisco, CA 94108

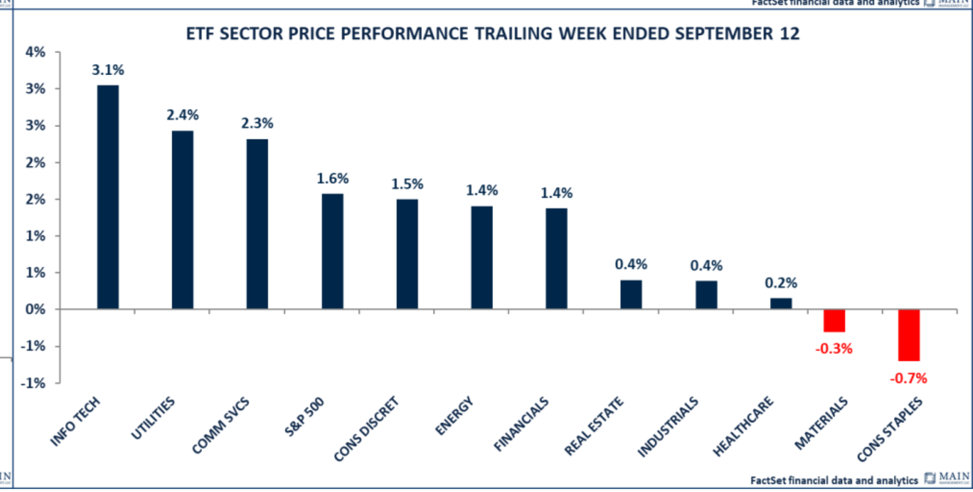
Phone: 415-217-5800 | Fax: 415-217-5809 | www.mainmgt.com

Performance









Recession Dashboard

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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	↑	↑	↔	↔	↑	↔	↑	↔	↔
SEPT 2025	↔	↔	↔ *	↔	↔	↔	↔	↑	↑
LAST CHANGE	GREEN DEC '24	GREEN APR '25	RED MAR '23	GREEN DEC '24	GREEN APR '25	RED JAN '25	RED JUL '25	BLUE JUL '25	BLUE DEC '24

↑ *Positive* ↔ *Neutral* ↓ *Negative*

Overall:

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.*

CPI

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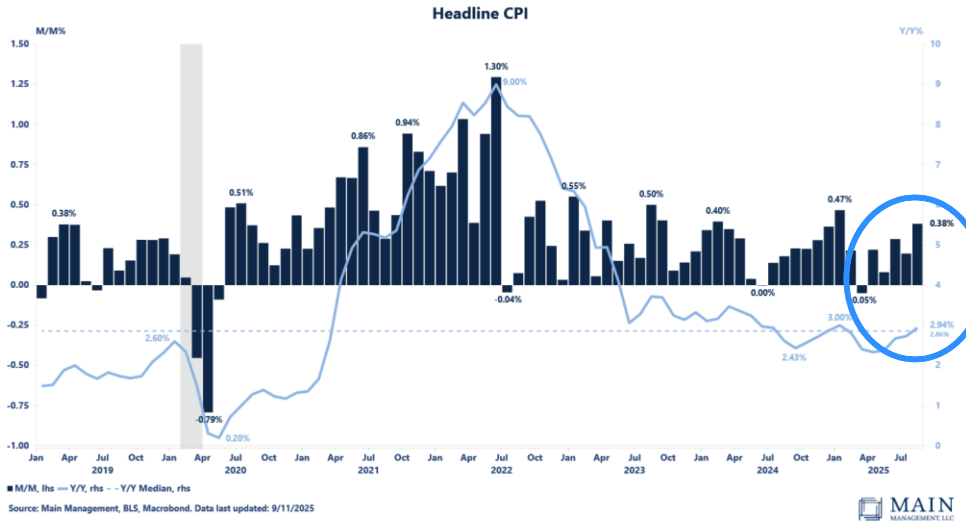
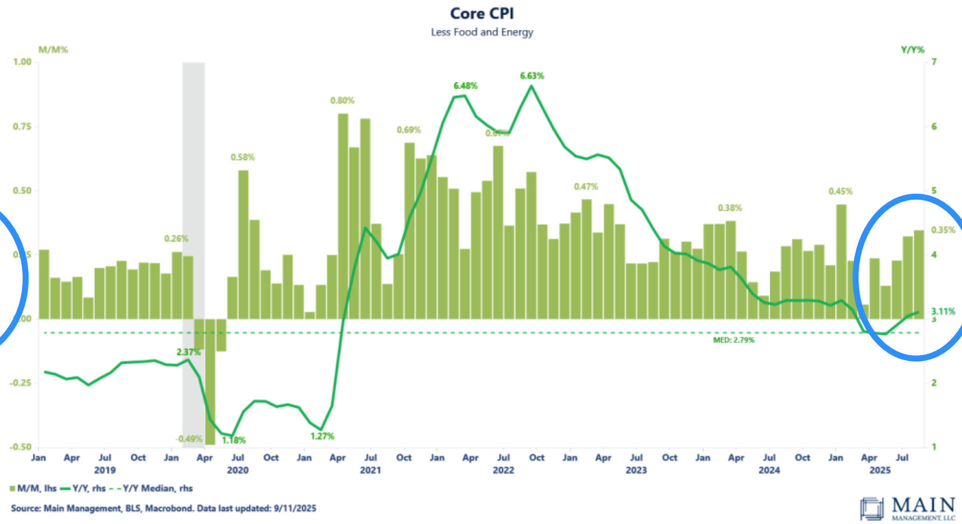
August CPI (left) posted a +0.38% M/M reading, above forecasts for a +0.3% gain. The Y/Y figure accelerated to +2.94% as both the M/M and Y/Y figures were the highest since Jan. 2025. Core CPI (right) was also a bit above expectations at +0.35% M/M, the highest monthly reading since Jan. 2025 as well. Core CPI is now up +3.11% from a year ago. These hotter-than-expected readings complicate the Fed's path a bit, as cutting rates is not how you fight inflation. Still, markets are pricing in a roughly 95% chance of one 25 basis point cut at the September FOMC meeting next week. For the time being, it seems the weak labor market figures are outweighing the inflation figures in the Fed's dual mandate.





CPI: Shelter & Food

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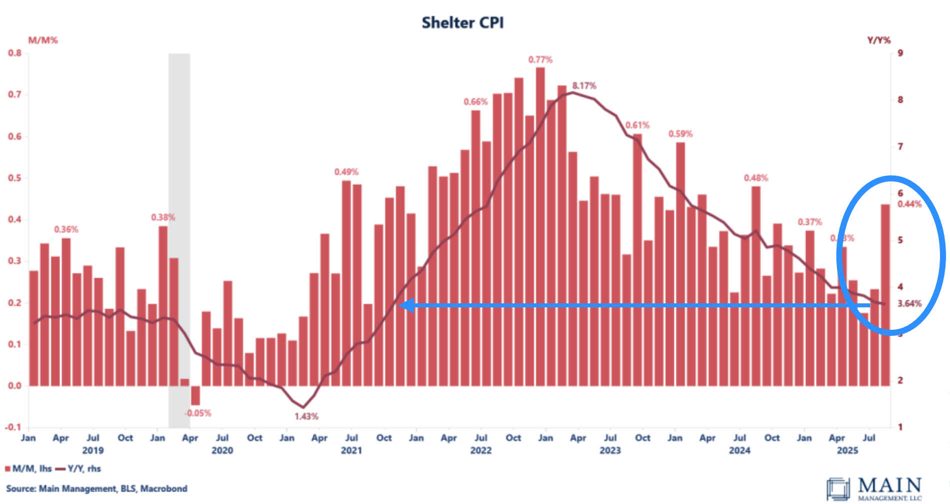
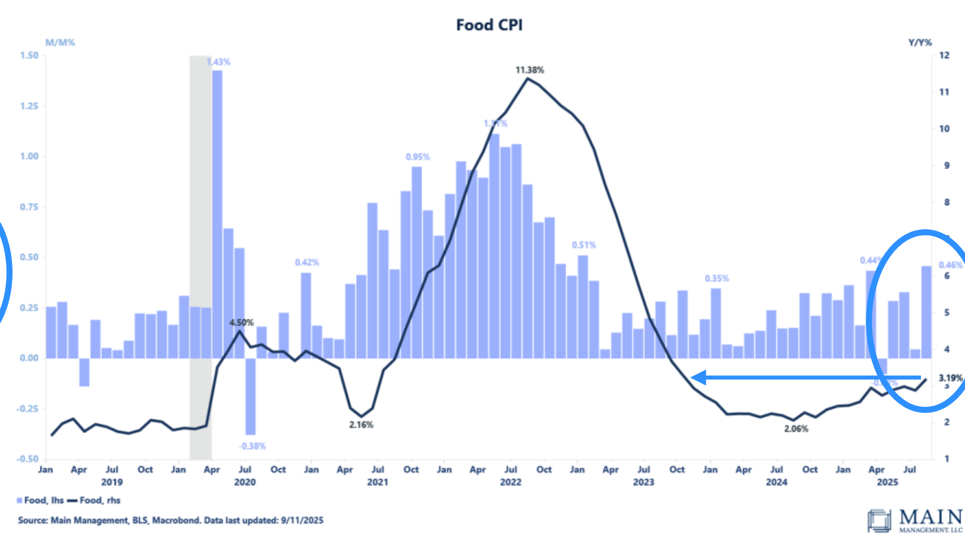
Both Shelter (left) and Food (right) posted multi-month highs in August with Shelter and Food surging +0.44% M/M and +0.46% M/M, respectively. Shelter benefitted from an easy comparison, though, which enabled the Y/Y figure to continue to decelerate to +3.64%, its lowest reading since October 2021! Food, on the other hand, accelerated further and is now up to +3.19% Y/Y, the biggest increase since October 2023!





CPI: Goods & Services

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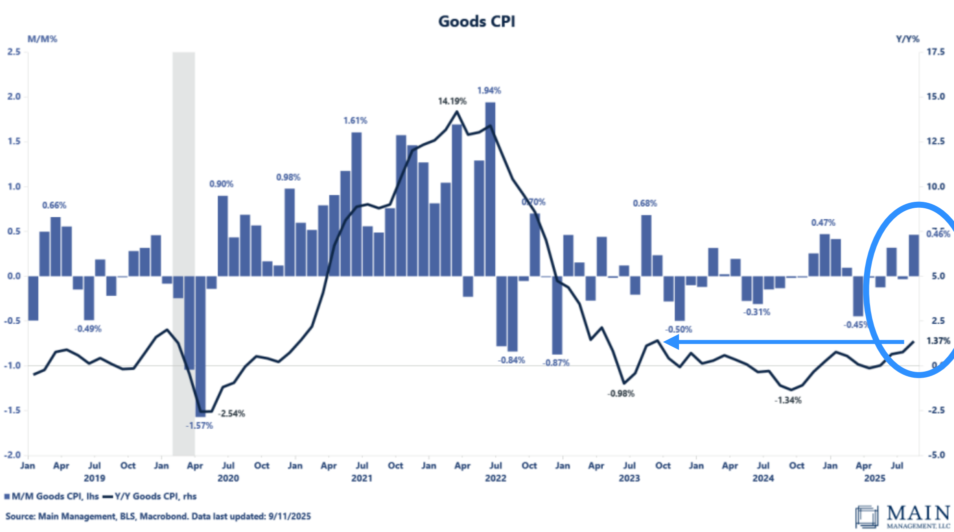
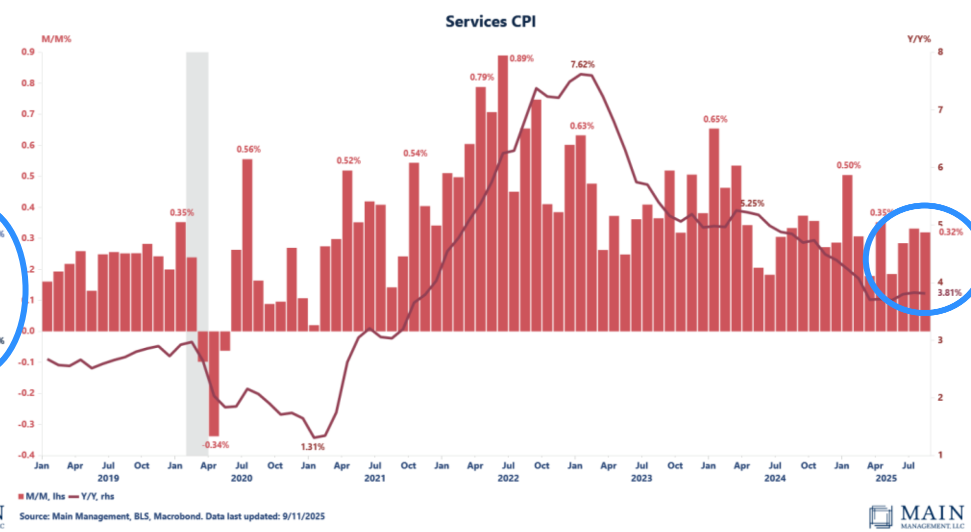
Tariffs remain a large concern for these inflation figures and were more obvious in the August Goods reading (left) than in Services (right). Goods jumped +0.46% M/M, one of the biggest monthly gains in the last couple years. That lifted the Y/Y reading to +1.37%, the highest since September 2023! Services rose +0.32% M/M, a slight deceleration from July's reading, and were basically unchanged on a Y/Y basis at +3.81%.





CPI: Durables & NonDurables

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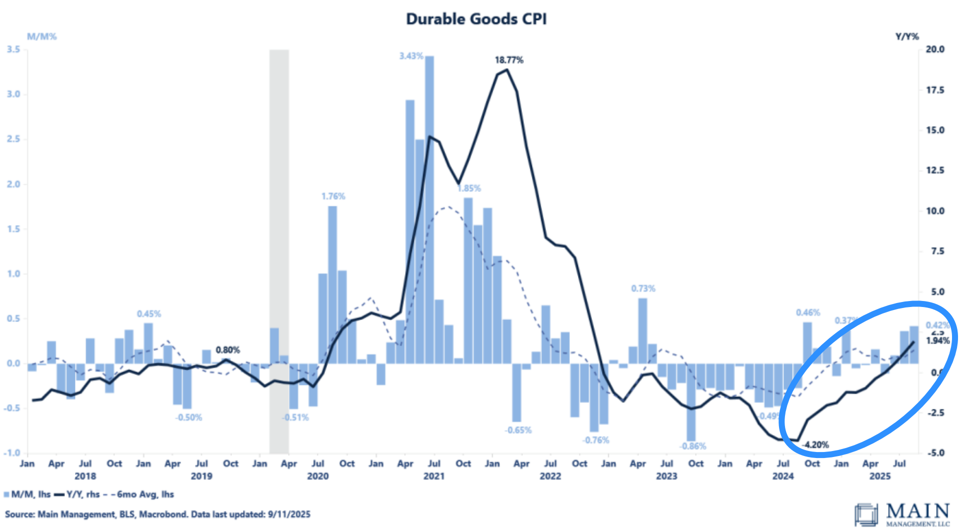
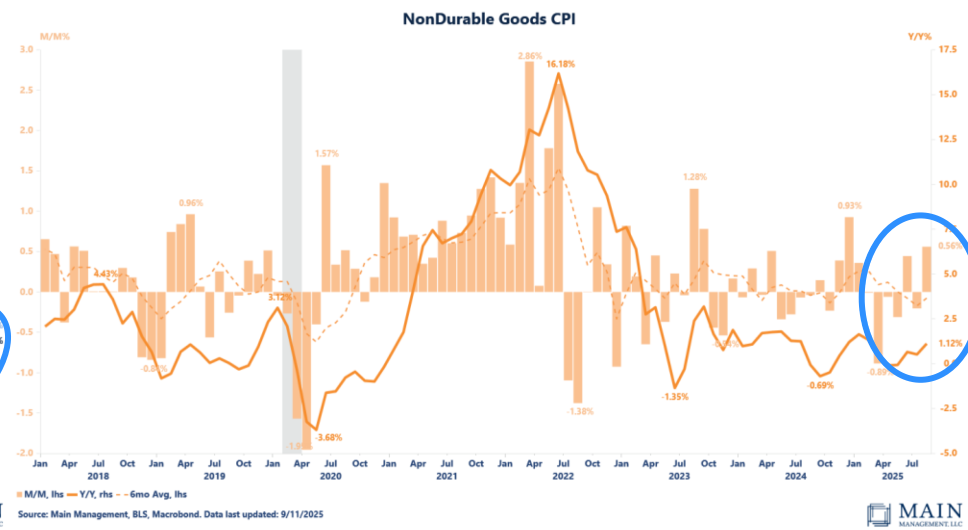
Within the Goods category, both Durable (left) and NonDurable (right) Goods also posted large monthly increases in August. Durable Goods rose +0.42% M/M, the most since September 2024, accelerating to +1.94% Y/Y, the highest since November 2022! NonDurable Goods rose +0.56% M/M, the biggest since December 2024, and have now accelerated to +1.12% Y/Y, the highest since February 2025. The tariffs appear to be starting to bite…





PPI

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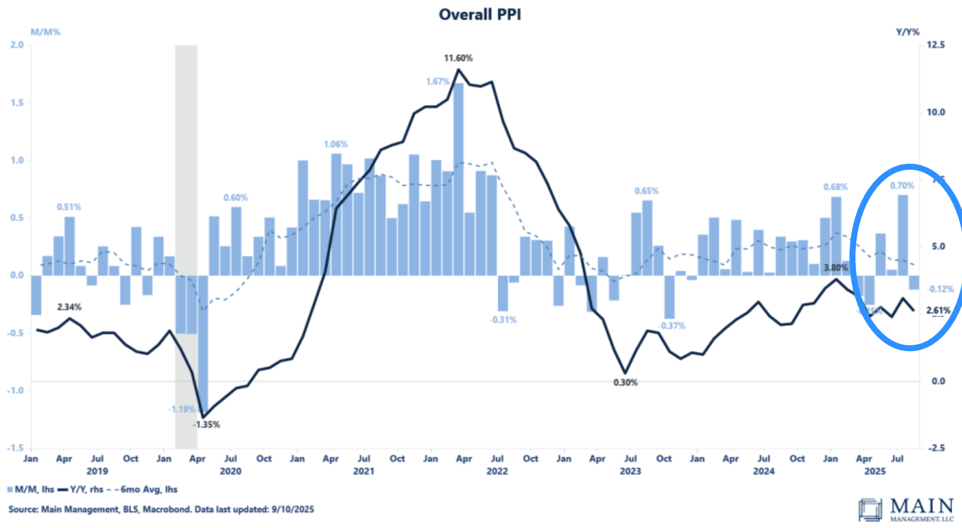
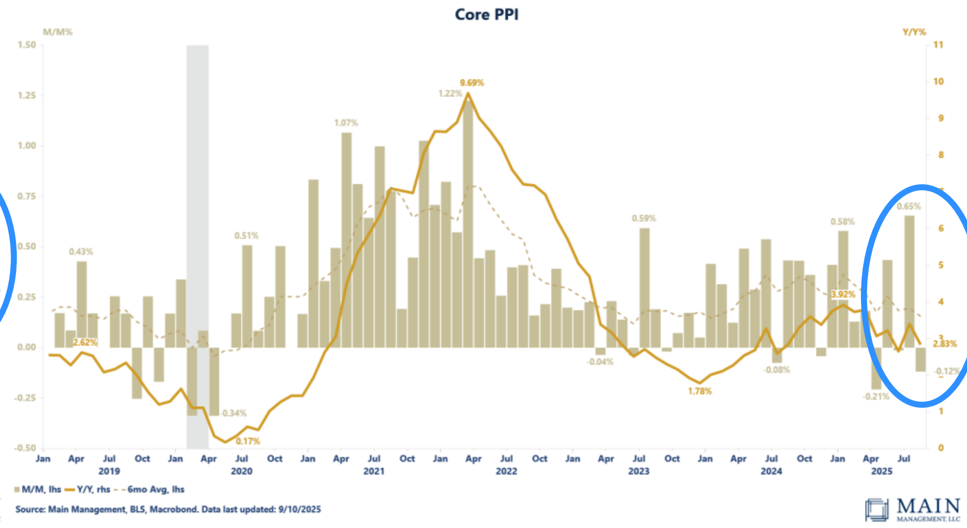
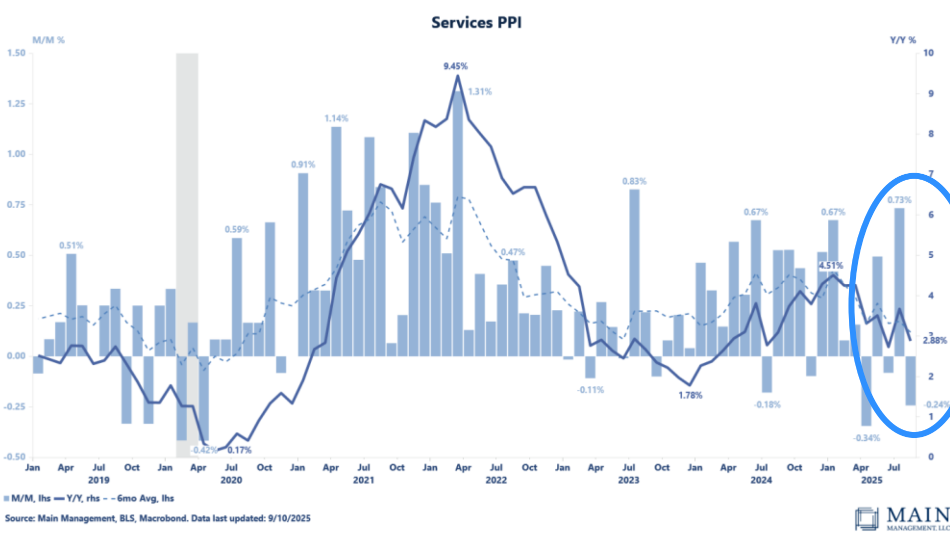
Unlike CPI, the August PPI was well below forecasts with both Overall (left) and Core (right) declining -0.12% M/M versus expectations for +0.3% M/M readings. The hot July readings were both revised lower as well, with Overall coming down to +0.70% from +0.94% and Core down to +0.65% from +0.92%. Both series decelerated on a Y/Y basis, with Overall PPI now at +2.61% and Core at +2.83%. It's worth noting that wholesale and retail margin compression were the main culprits for the deflationary PPI readings and can see significant revisions. A few series that feed into Core PCE were firmer and as a result, there haven't yet been any downward revisions to August PCE forecasts (+0.3% M/M).

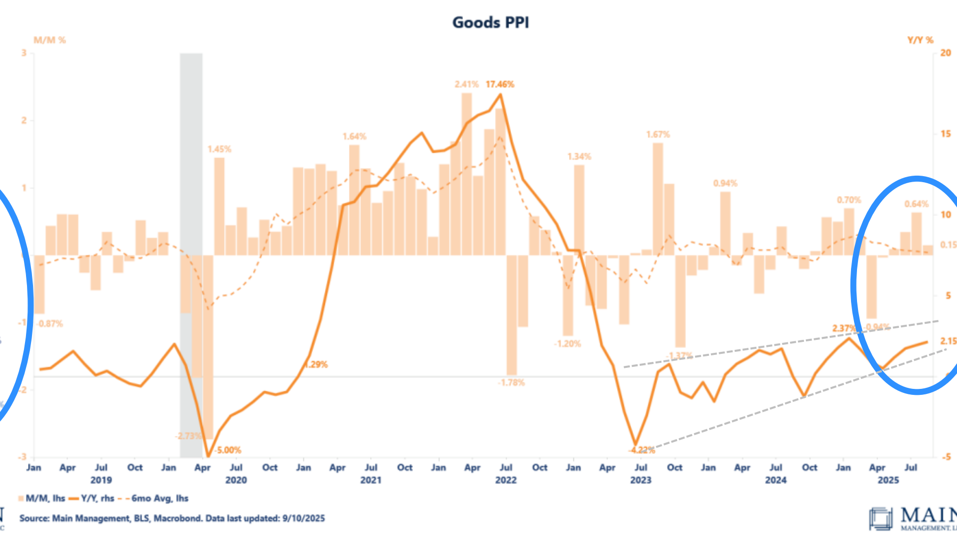




PPI: Goods & Services

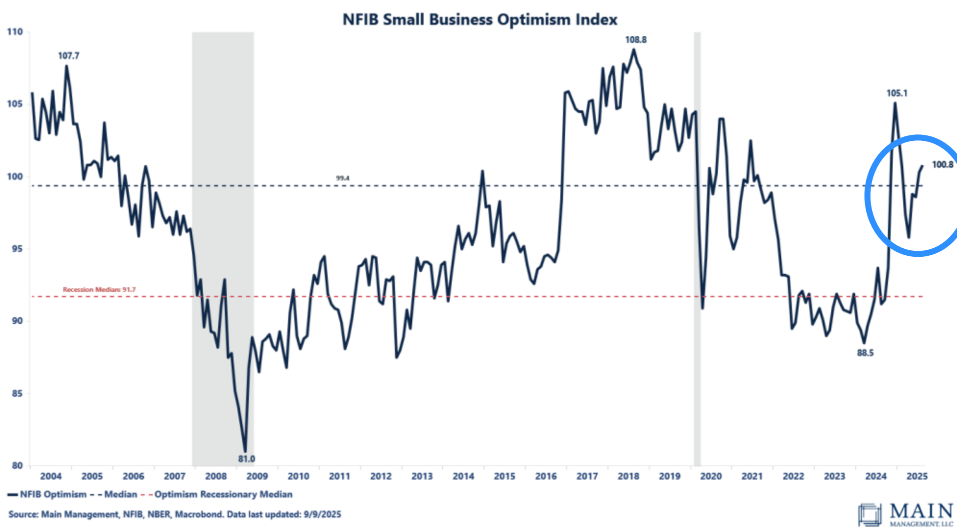
Services (left) were clearly a driver to the downside as they fell -0.24% M/M, the 2nd biggest decline since April 2020! They slowed to +2.88% Y/Y. Goods (right) have been more inflationary but did slow to +0.15% M/M in August. On a Y/Y basis, they accelerated to +2.15%, though, the 2nd highest reading since February 2023. As you can see on the right, Goods PPI has been steadily accelerating on a Y/Y basis since the -4% trough a little over 2 years ago.

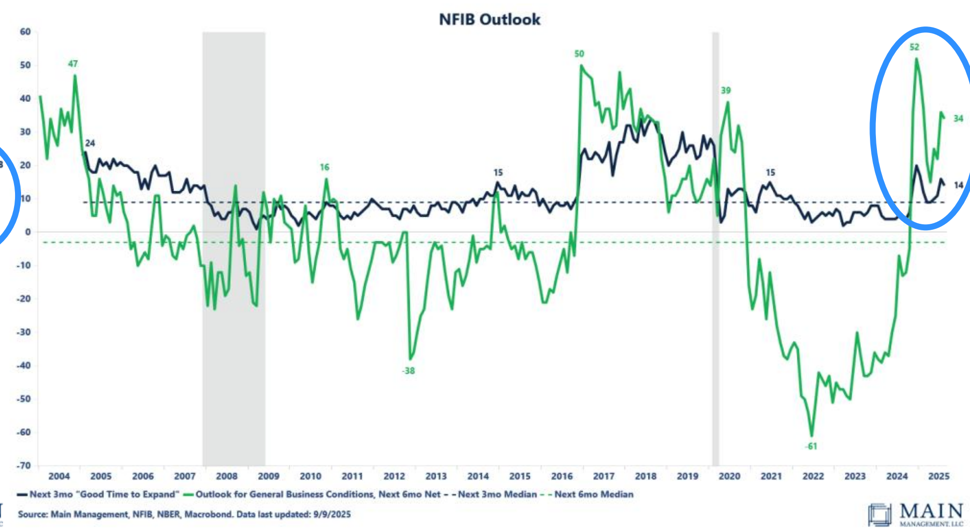




NFIB Optimism

The NFIB Small Business Optimism Index ticked up to 100.8 in August (left), the highest since January 2025 but slightly below forecasts for a 101 figure. Still, it's good to see this index continuing higher after it was mired at recession levels for a couple of years prior to the 2024 presidential election. Even as the headline index improved, the percent of firms viewing the Next 3 Months as a "Good time to Expand" ticked down to +14% and the Outlook for General Business Conditions over the Next 6 Months also moved lower to +34%. Despite the downward moves in August, both series remain above their long-term medians.





Sales & Prices

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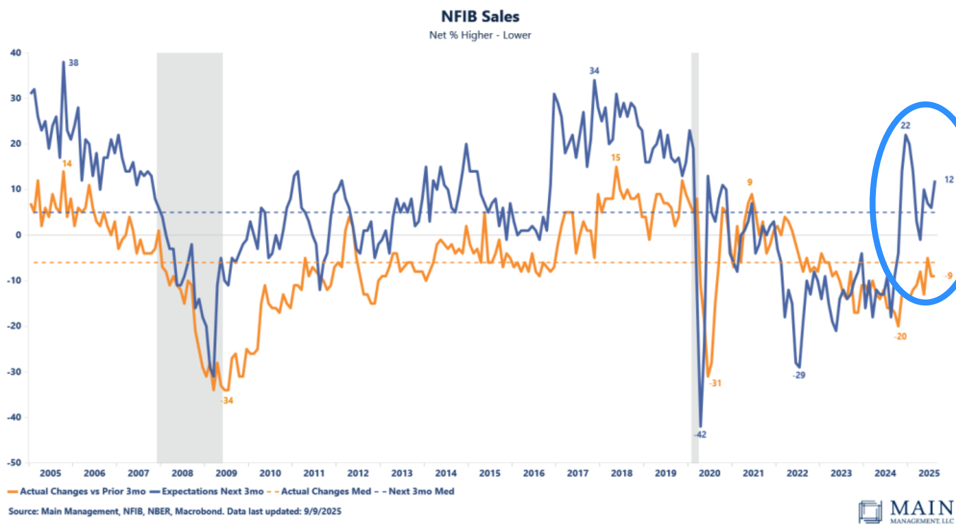
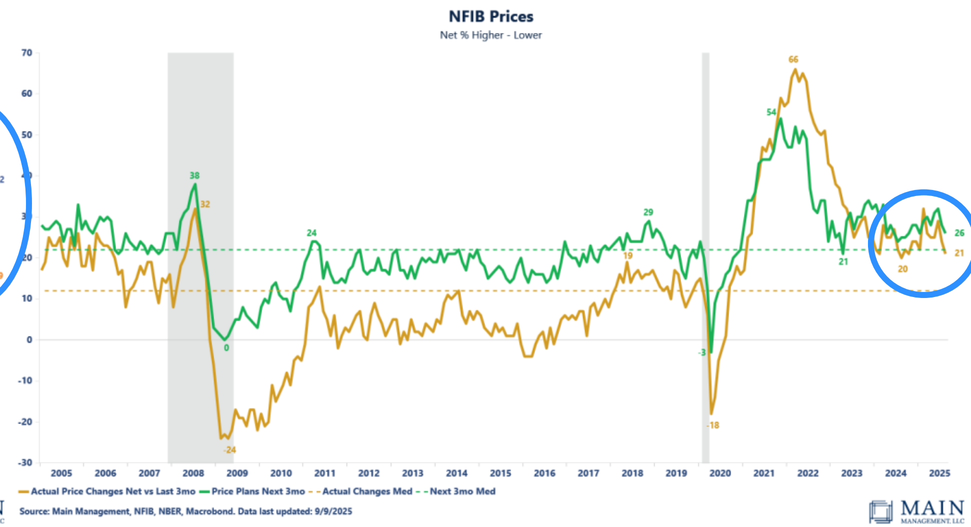
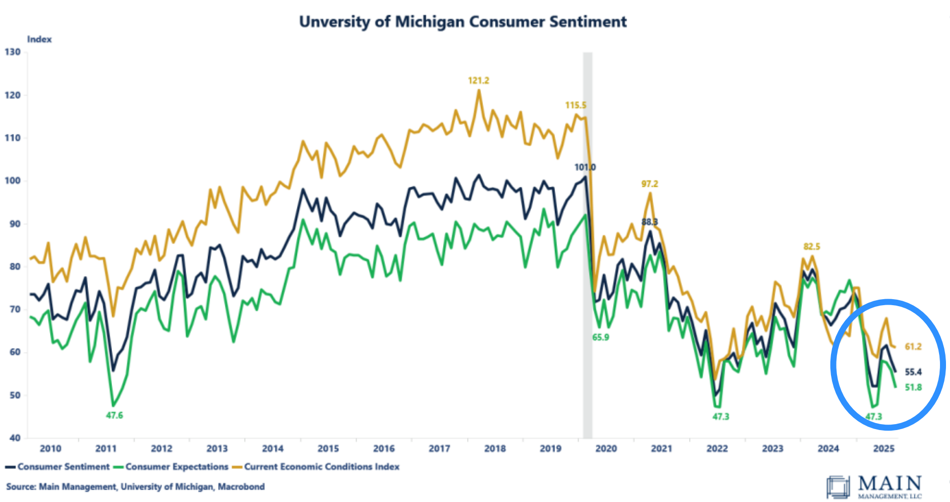
The Sales picture was mixed, with Actual Sales Changes versus the Prior 3 Months remaining net negative at -9% (higher minus lower). However, Sales Expectations for the Next 3 Months improved to +12%, the highest since February 2025. Price Indices moved down in August. Actual Prices Changes versus the Last 3 Months are now at +21% (higher minus lower) and Price Plans over the Next 3 Months are down to +26%. This is a tailwind for inflation moderation but still shows that more firms are raising prices than are lowering them.

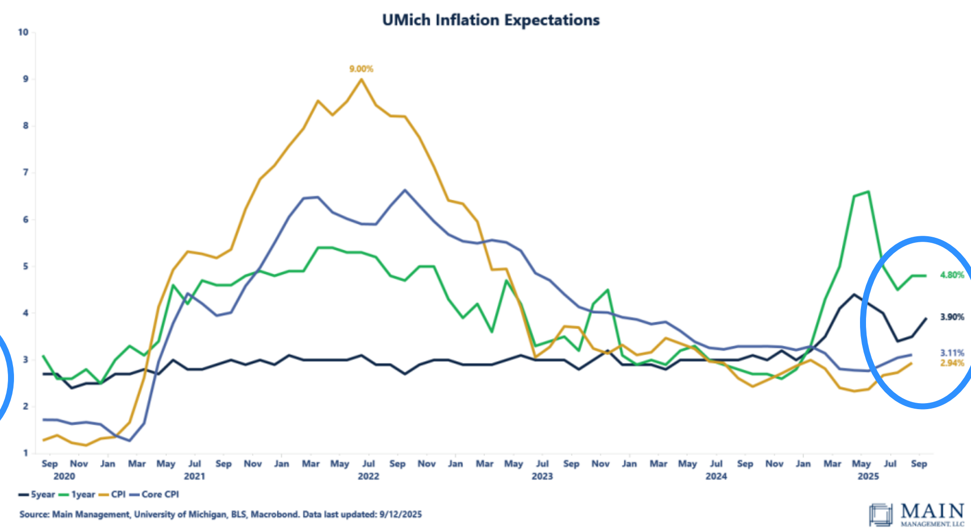




Consumer Sentiment

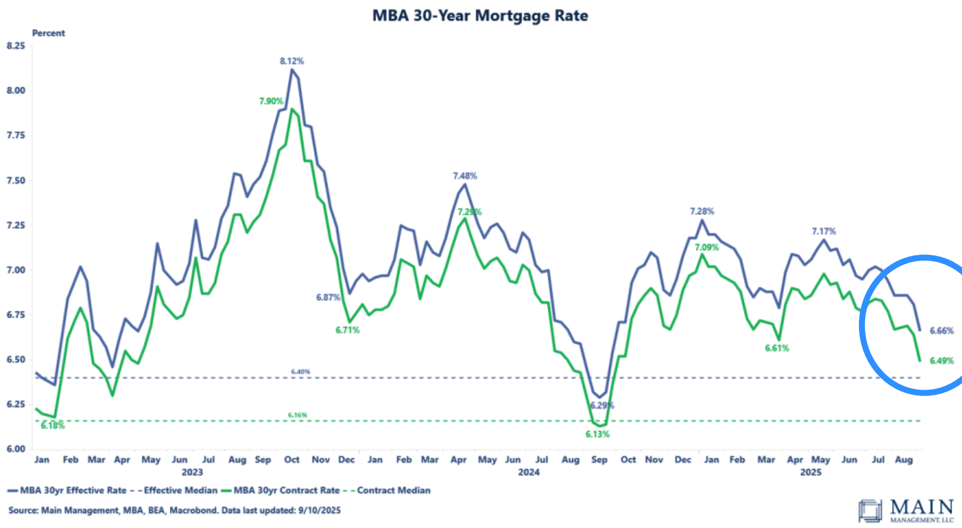
The preliminary Michigan September Consumer Sentiment reading (left) declined to 55.4, down from 58.2 in August and well below forecasts for a 58 reading. Consumer Expectations also moved lower to 51.8 versus 54.9 expected. Current Economic Conditions inched down to 61.2, slightly lower than the forecasted 61.3. Inflation Expectations (right) saw the 1-year figure unchanged at 4.8% while the 5-year figure rose to 3.9% from 3.5%. As we've discussed before, this survey can't get out of its own way…

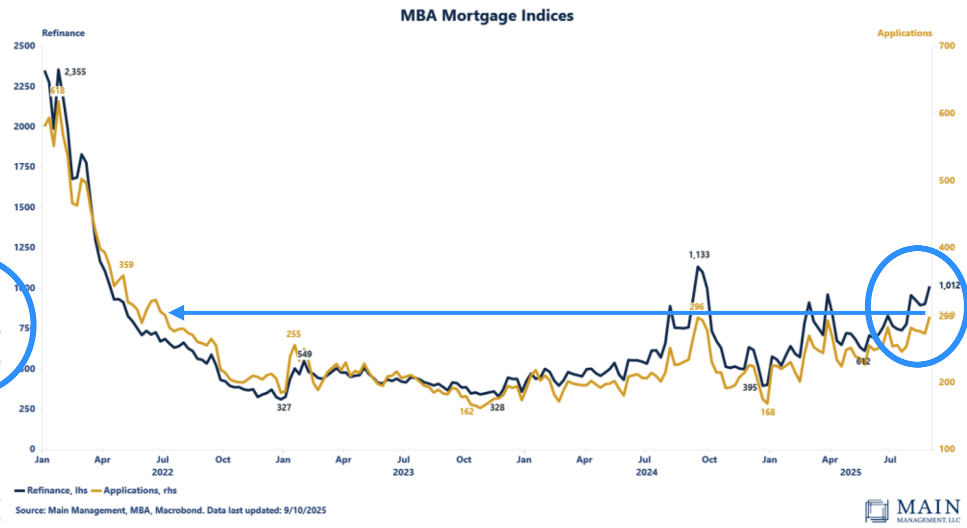




MBA Mortgage Data

Ahead of the Sept. 17 FOMC meeting and anticipated rate cut (95% odds as of the morning of Sept. 12), bond yields have been moving lower. 30yr Mortgage Rates (left) have been following suit. The Effective Rate is now at 6.66% and the Contract Rate has declined to 6.49%, both the lowest since early October 2024. The MBA Mortgage Application and Refinance Indices (right) have moved higher in response, with the Applications Index hitting 298, its highest level since mid-2022, and the Refi Index at 1,012, its highest since the end of September 2024! Perhaps this is the start of the housing market unlocking... (at least a little?)





Summary

- August CPI came in a bit hotter than expected with Headline up +0.38% M/M and Core up +0.35% M/M. The tariffs are becoming more evident in Goods.
- August PPI came in well below forecasts with both Overall and Core PPI declining -0.12% M/M. Margin compression was the main driver.
- The NFIB Small Business Optimism Index moved up to 100.8, its highest level since January 2025. Sales Expectations improved and the Price Indices softened.
- September preliminary Michigan Consumer Sentiment moved lower to 55.4 as 5yr inflation expectations increased. This survey remains overly pessimistic, in our opinion.
- MBA Mortgage Indices have been rising as mortgage rates have declined, perhaps signaling some thawing in the frozen housing market.
- Upcoming key data to watch:
  - Retail Sales (Tues)
  - Industrial Production (Tues)
  - FOMC Meeting (Weds)
  - Building Permits & Housing Starts (Weds)

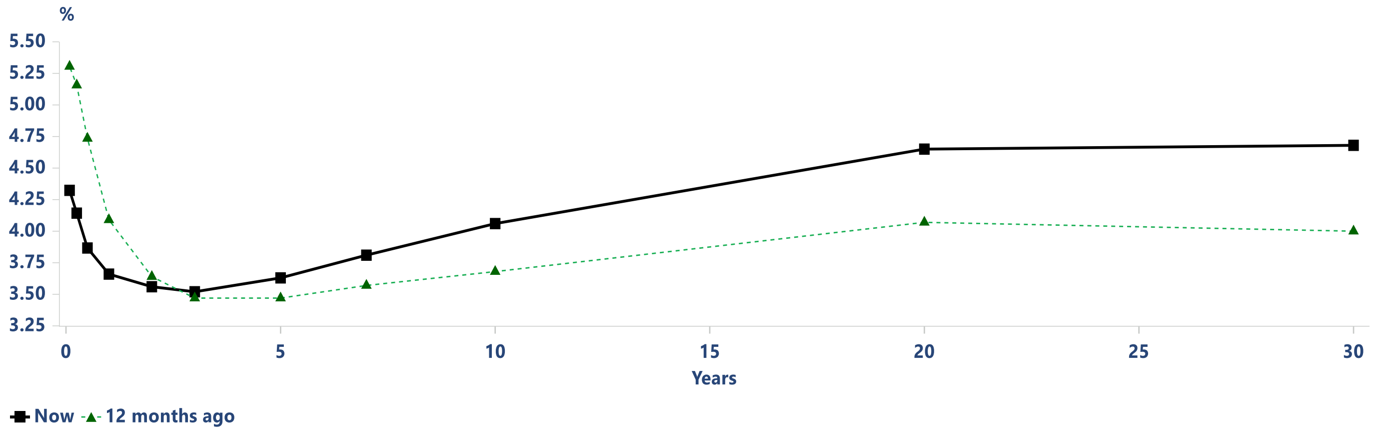
Appendix

Yields & Futures

FED FUNDS FUTURES & 2-YEAR TREASURY YIELD

Source: Main Management, CME Group, U.S. Treasury, Macrobond. Data last updated: 9/12/2025

US TREASURY YIELD CURVE



Source: Main Management, U.S. Treasury, Macrobond. Data last updated: 9/12/2025

Inflation Watch

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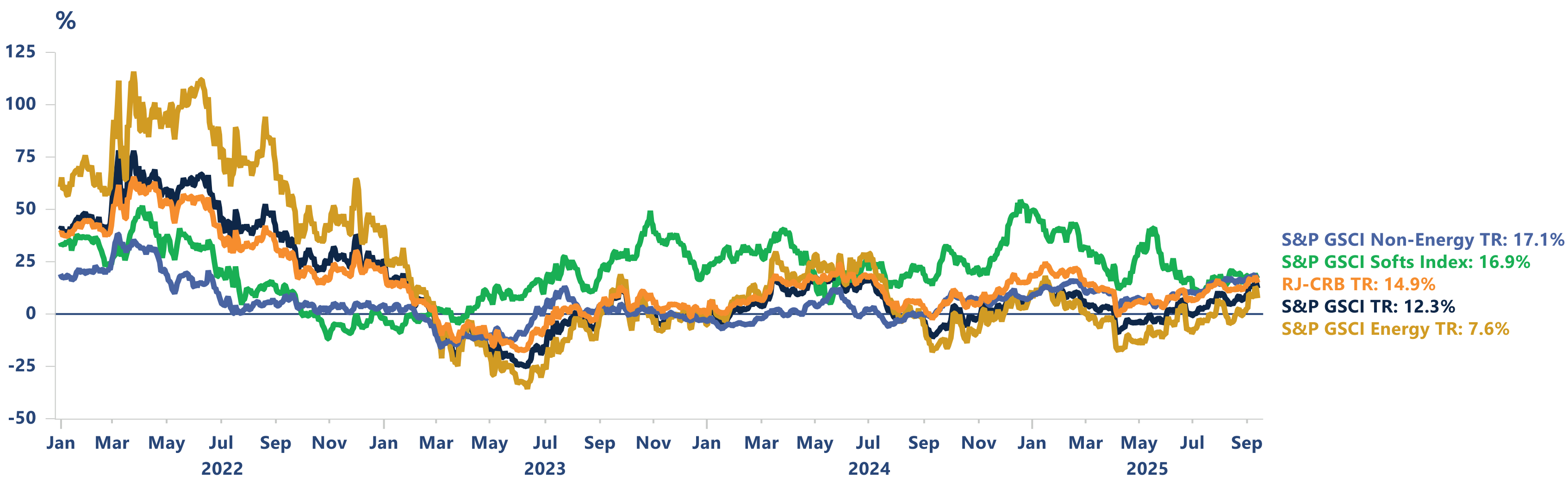
MAJOR COMMODITY INDICES Y/Y



Source: Main Management, S&P Global, CoreCommodity Management, LME, EIA, LBMA, Macrobond, LPPM, NRCan, ICCO, ICO, USDA, MIAX, TREA, TMX, Macrobond. Data last updated: 9/12/2025

Commodity	1 Month	3 Months	YTD ↓	1 Year
Silver	8.5	14.1	44.1	47.6
Gold	6.9	9.4	39.5	44.4
Coffee	29.3	12.7	25.1	61.3
Bitcoin	-1.0%	4.8%	23.6%	100.4%
Copper	3.0	1.5	15.2	12.2
S&P GSCI	2.2	3.4	5.0	15.7
BBG Commodity Index	2.3	0.3	4.4	10.5
Soybeans	5.0	-4.0	1.7	3.9
Gasoline	-5.1	-5.2	-1.1	5.8
Cotton	0.1	-0.1	-4.4	-4.0
Lumber	-20.2	-13.5	-5.4	7.9
US Dollar (DXY)	-0.7	-1.6	-10.1	-4.0
Corn	4.3	-9.0	-13.0	5.2
Crude Oil	-1.3	-3.9	-13.4	-5.8
Natural Gas	-1.9	-17.0	-19.2	31.5

Source: Main Management, S&P Global, CME Group, ICE, LME, Macrobond. Data last updated: 9/11/2025

Disclosures

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601 California Street, Suite 200, San Francisco, CA 94108

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