



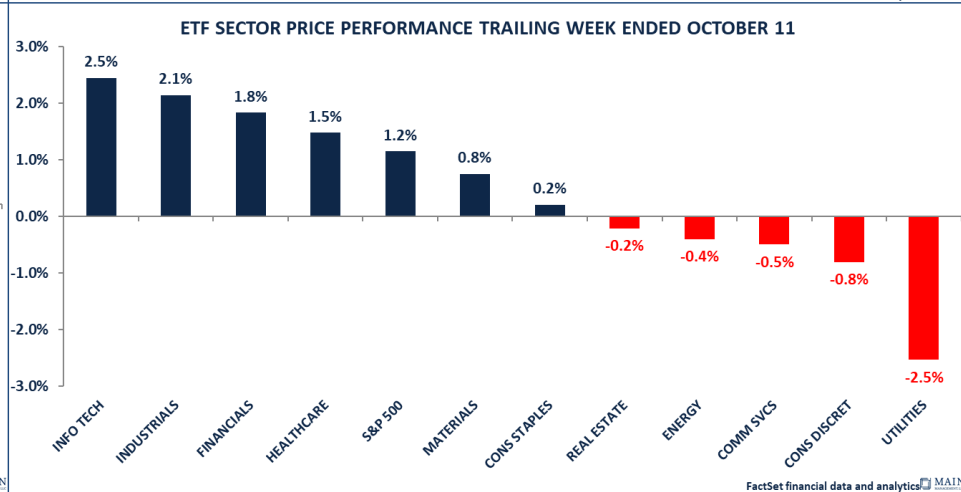
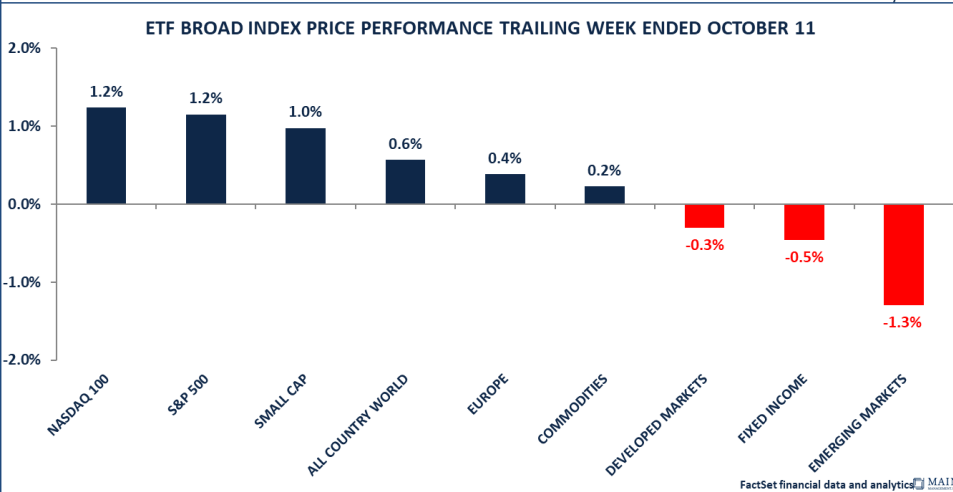
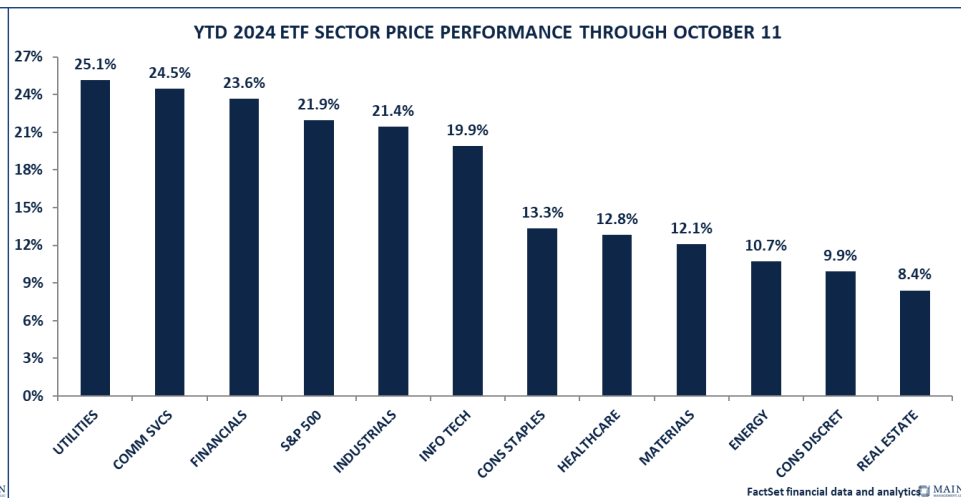
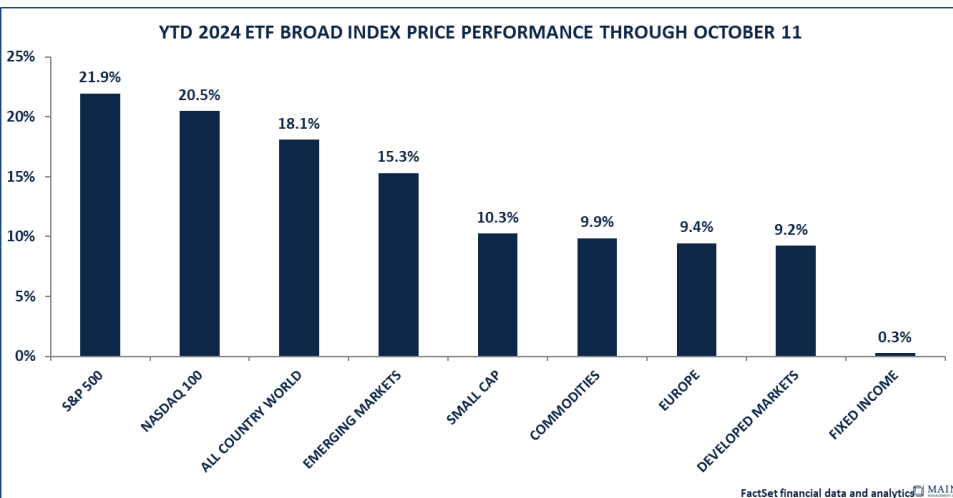
**MAIN**  
MANAGEMENT, LLC

# MAIN MANAGEMENT MARKET NOTE: **October 11, 2024**

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# Performance



# Recession Dashboard

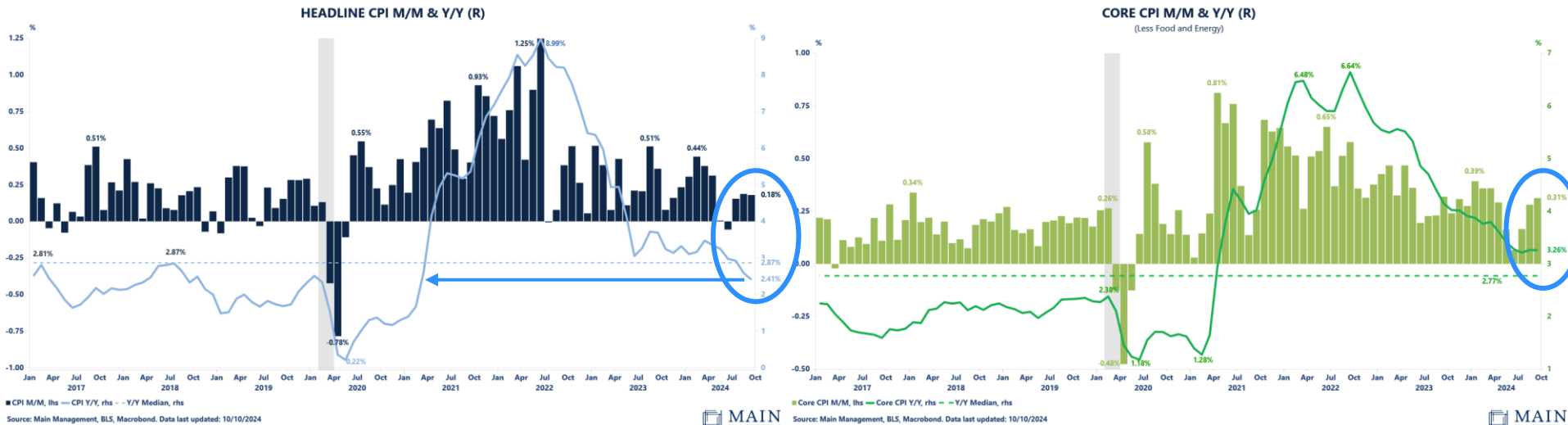
RECESSION START	INFLATION	CONSUMER	YIELD CURVE	HOUSING	SENTIMENT	AUTOS	EMPLOYMENT	PMI	RETAIL SALES
NOV 1973	↓	—	—	↓	—	—	↓	↓	—
JAN 1980	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1981	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1990	↓	↓	↓	↓	↔	↓	↓	↔	—
MAR 2001	↔	↓	↓	↔	↔	↔	↓	↓	↔
DEC 2007	↓	↓	↓	↓	↔	↓	↓	↓	↓
DEC 2019	↑	↑	↔	↔	↑	↔	↑	↔	↔
OCT 2024	↑	↔	↔*	↑	↔	↓	↓	↑	↔
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, AAll 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.

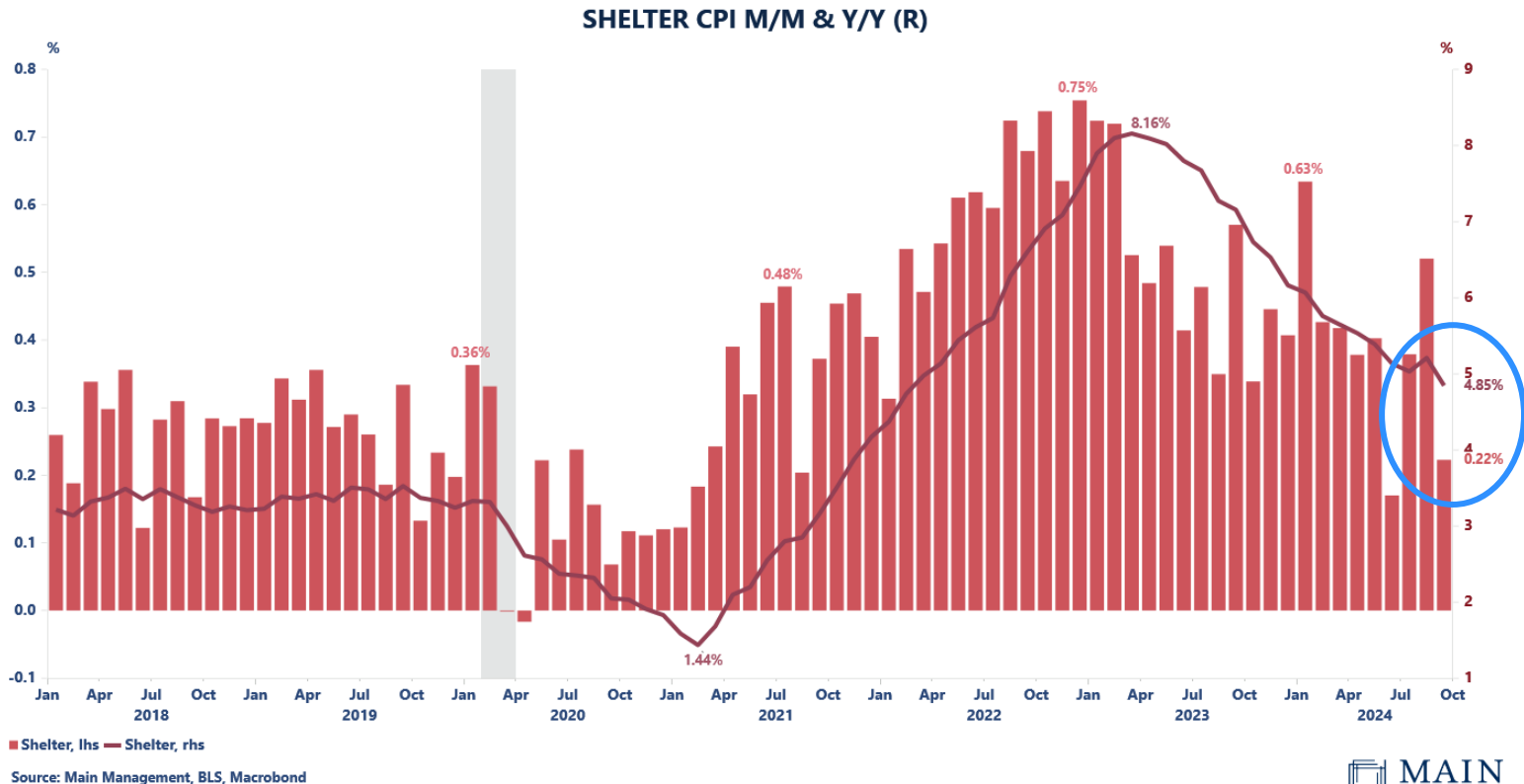
# September CPI

Headline CPI (left) rose +0.18% M/M in September, slightly ahead of forecasts for a +0.1% rise. However, on a Y/Y basis, it slowed to +2.41%, the smallest rise since February 2021! Core CPI (right) also came in above forecasts at +0.31% M/M versus +0.2% expected. It ticked slightly lower on a Y/Y basis to +3.26%.



# Shelter

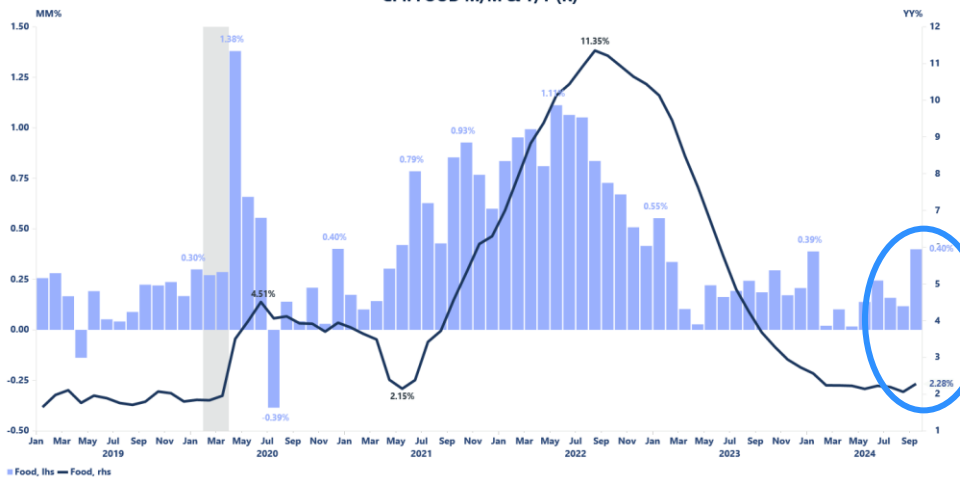
Shelter continues to be a hot topic when discussing the CPI figures. It rose +0.22% M/M in September and slowed to +4.85% Y/Y. That's the smallest rise since February 2022. It's a big topic because Shelter accounts for roughly 36% of the CPI basket, so it alone is responsible for over 1.7% of the headline 2.4% reading!



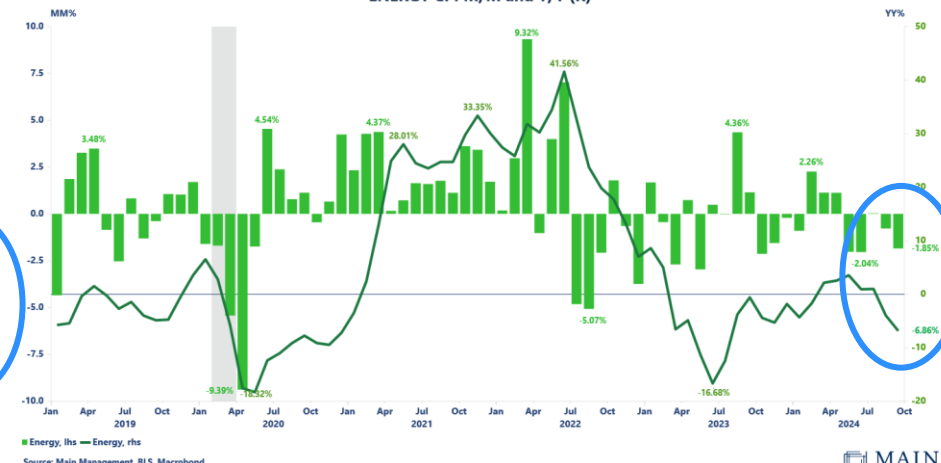
# Food & Energy CPI

Food prices jumped +0.40% M/M in September, the biggest rise since January 2023. They haven't posted a down month since July 2020 and have been a particularly acute pain point for consumers. Food prices ticked up on a Y/Y basis to +2.28%. Energy prices, on the other hand, were down -1.85% M/M and have been down 4 out of the last 5 months. Energy CPI slowed to -6.86% Y/Y, which is the most negative since July 2023!

CPI: FOOD M/M & Y/Y (R)

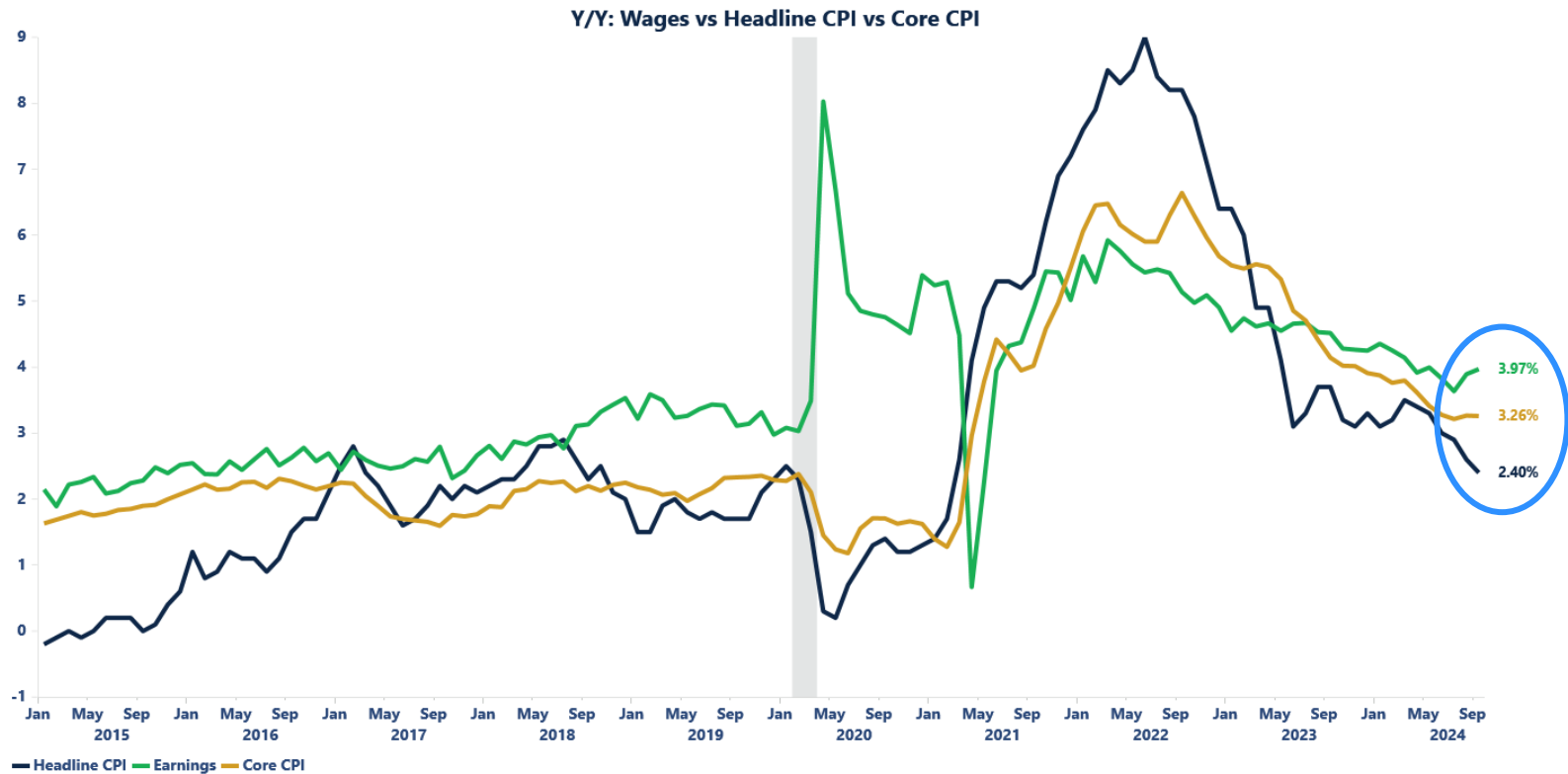


ENERGY CPI M/M and Y/Y (R)



# Earnings Growth

As inflation has slowed, earnings gains (green) have retaken the lead, which has helped consumers maintain their real purchasing power. Things did not feel good when inflation was running well above earnings growth, but thankfully that's reversed and should continue for the foreseeable future.

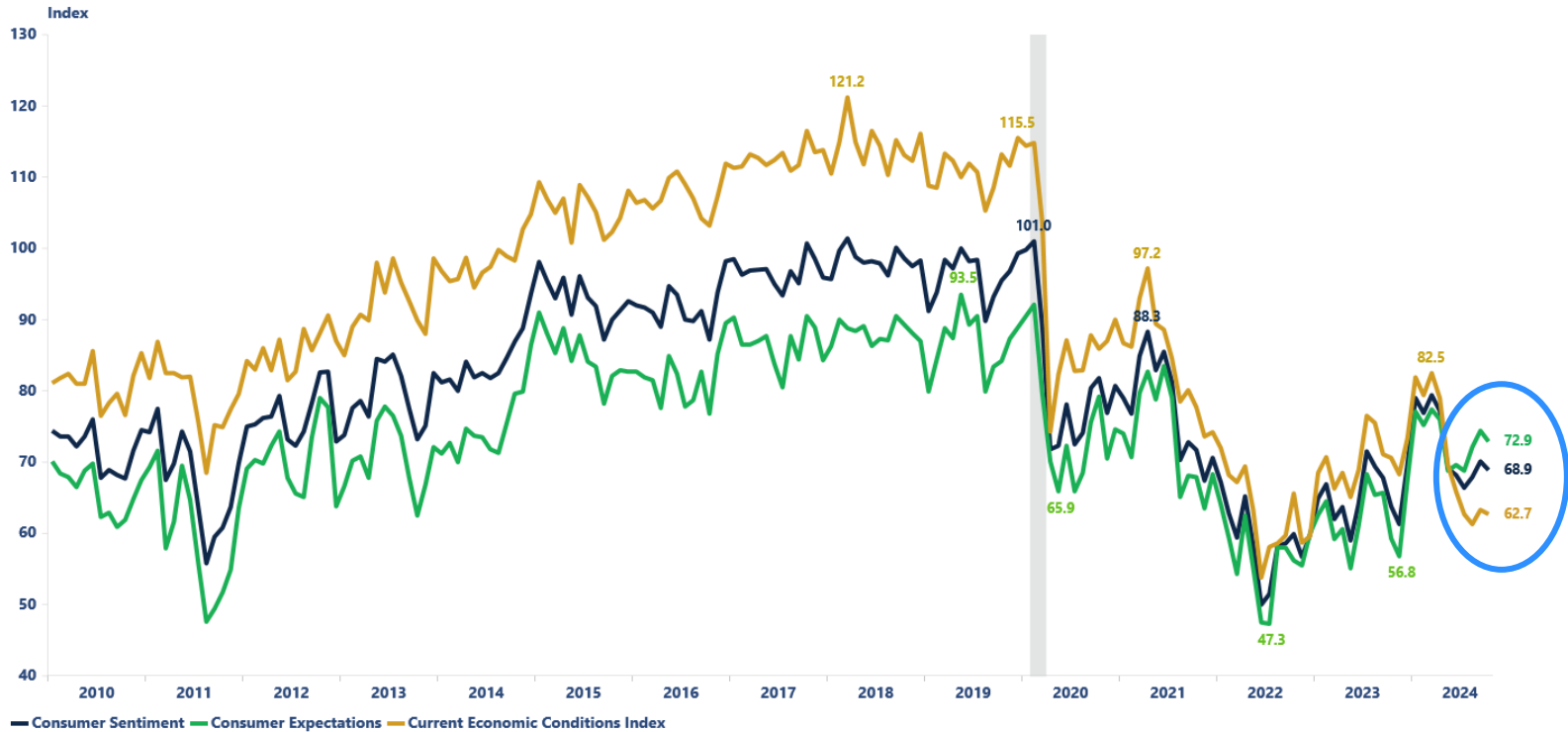


Source: Main Management, BLS, Macrobond

# Consumer Sentiment

Despite earnings outpacing inflation for a while now, consumers are still feeling pinched by inflation. The University of Michigan Consumer Sentiment Index ticked lower in the preliminary October reading to 68.9 and has had trouble moving meaningfully higher despite inflation subsiding.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT

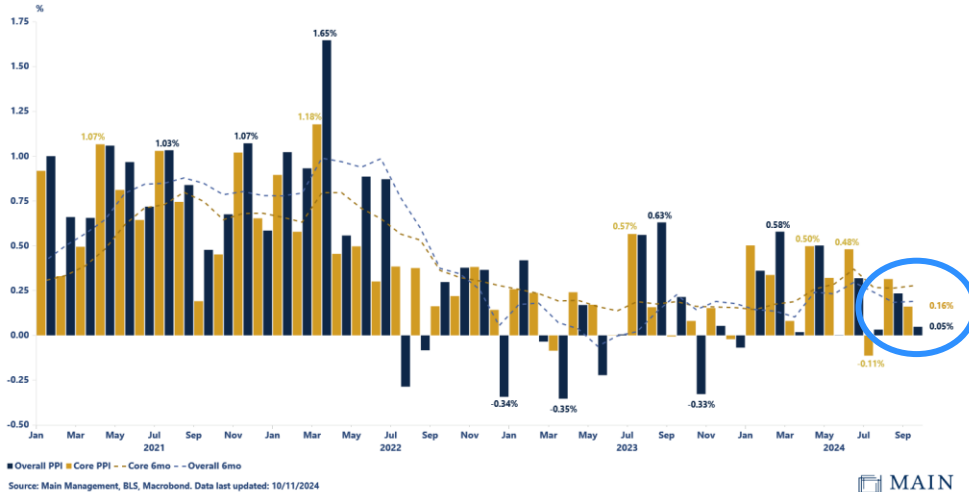


Source: Main Management, University of Michigan, Macrobond

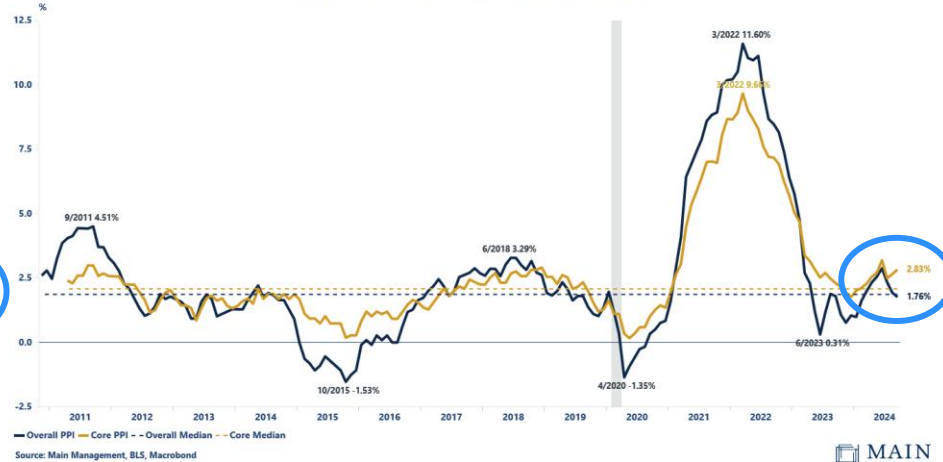


We also got September Producer Price Index readings this week, which have historically led the CPI figures. Headline PPI came in below forecasts, up just +0.05% M/M. Core PPI posted a higher +0.16% M/M gain. As you can see, they've diverged a bit on a Y/Y basis (right), with Headline PPI slowing to +1.76% and Core accelerating to +2.83%.

OVERALL & CORE PPI M/M



OVERALL & CORE PRODUCER PRICE INDEX Y/Y



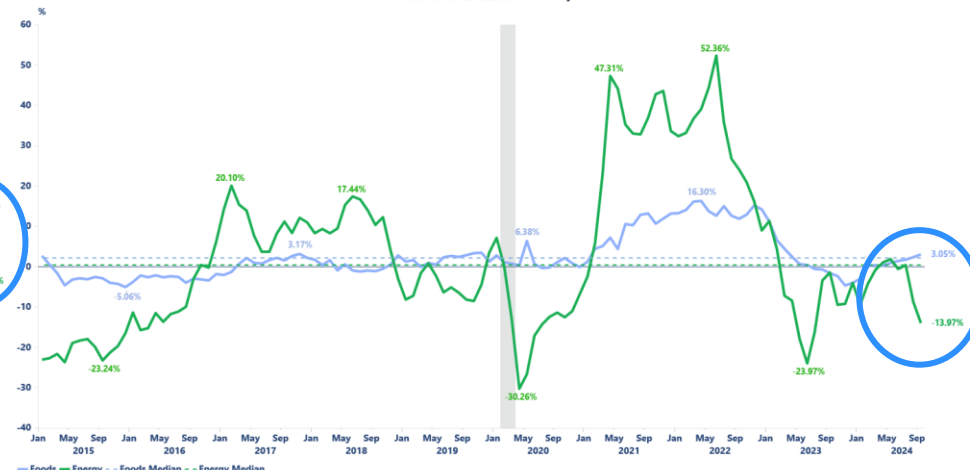
# Food & Energy PPI

The divergence between the Headline and Core PPI figures has been largely due to Energy, which Core omits. Energy fell -2.73% M/M in September, it's 4<sup>th</sup> down month in the last 5. On a Y/Y basis, Energy fell to -13.97%, the most negative since July 2023. Food prices jumped +1.03% M/M in September, their biggest rise since November 2022! They accelerated to +3.05% Y/Y, the highest since April 2023.

FOOD & ENERGY PPI M/M



FOOD & ENERGY PPI Y/Y

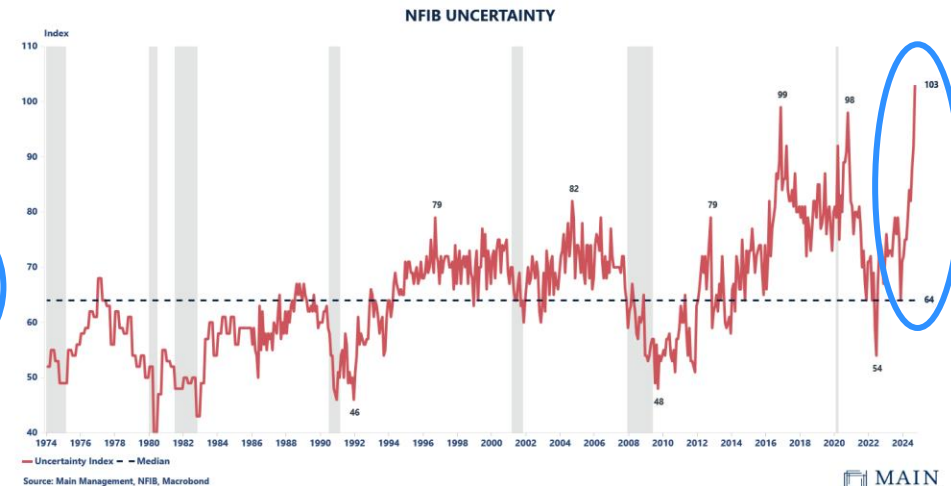
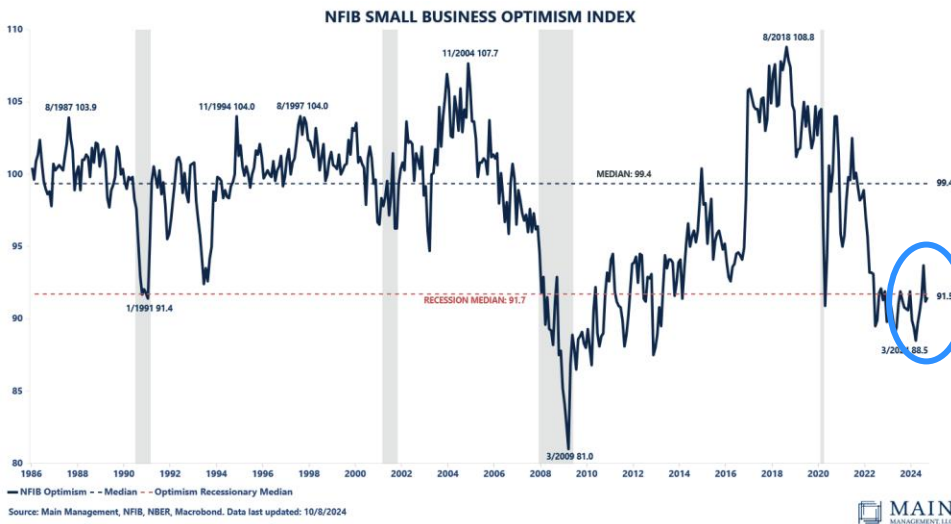


Source: Main Management, BLS, Macrobond. Data last updated: 10/11/2024

Source: Main Management, BLS, Macrobond. Data last updated: 10/11/2024

# Small Business Sentiment

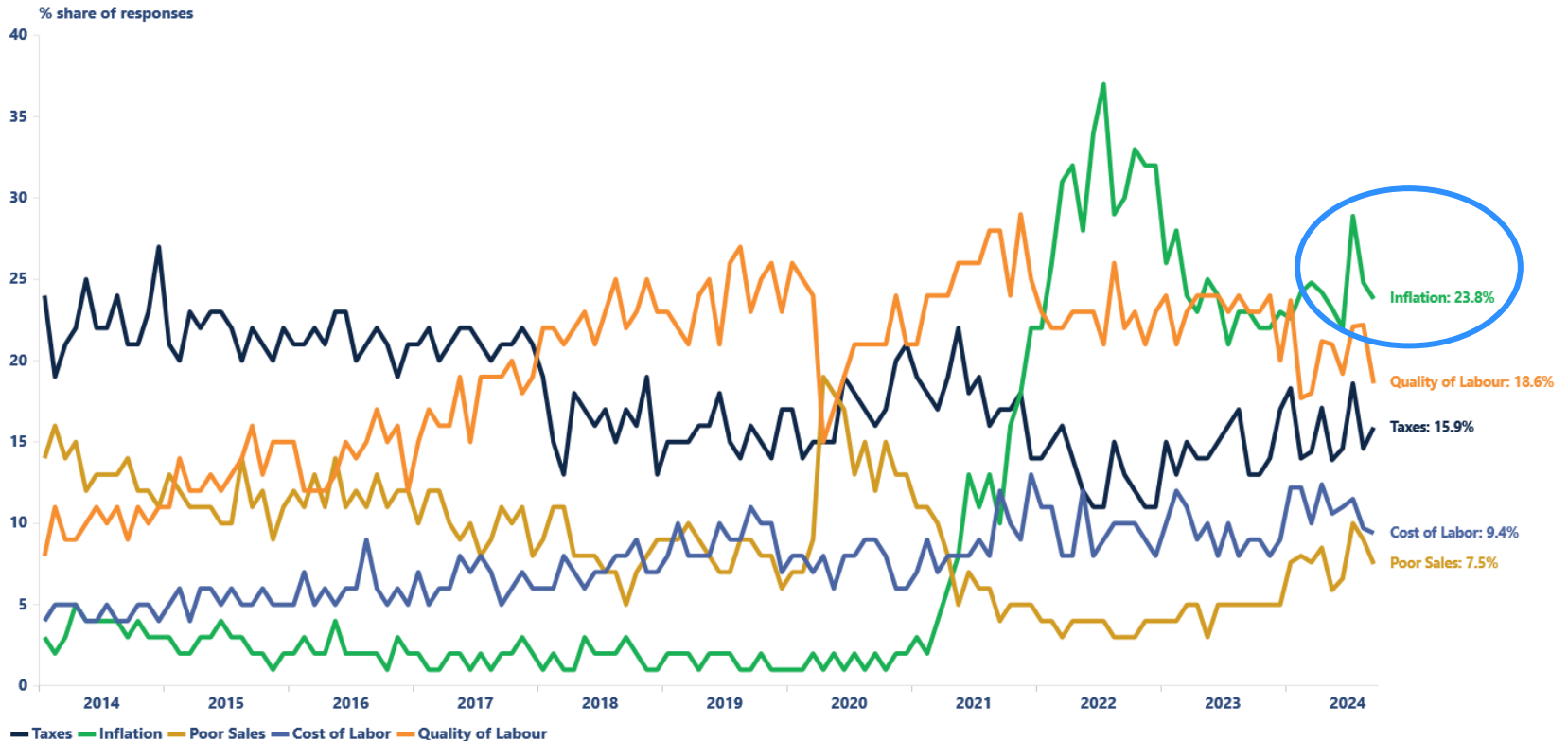
The NFIB Small Business Optimism Index (left) inched up to 91.5 in September but missed forecasts of 91.7, which is still below the recession median of 91.7. Perhaps more telling is the Uncertainty Index (right) which jumped to 103 in September, the highest on record! Clearly firms are not comfortable with the current economic environment.



# Single Biggest Problem

Despite the moderation in inflation, it still remains the Single Most Important Problem for 23.8% of NFIB respondents, the most ahead of Quality of Labor at 18.6% and then Taxes at 15.9%.

NFIB: SINGLE MOST IMPORTANT PROBLEM



Source: Main Management, NFIB, Macrobond

# SUMMARY

- Headline CPI and Core CPI figures came in slightly above forecasts for September. Still, Headline CPI slowed to +2.41% Y/Y, the smallest increase since February 2021! Shelter slowed to +4.85% Y/Y and is responsible for over 1.7% of that 2.4% reading!
- The September PPI figures came in roughly in line with expectations. The Overall and Core PPI figures have diverged a bit on a Y/Y basis due to Energy, which has been down 4 out of the last 5 months. Headline PPI now stands at +1.76%.
- NFIB Small Business Optimism ticked higher but still remains depressed relative to history. Uncertainty shot to its highest reading ever, indicating firms are not comfortable in the current economic environment. Inflation continues to be the single biggest problem firms face.
- Upcoming key data to watch:
  - Retail Sales (Thursday)
  - Industrial Production (Thursday).

# APPENDIX

# YIELDS & FUTURES

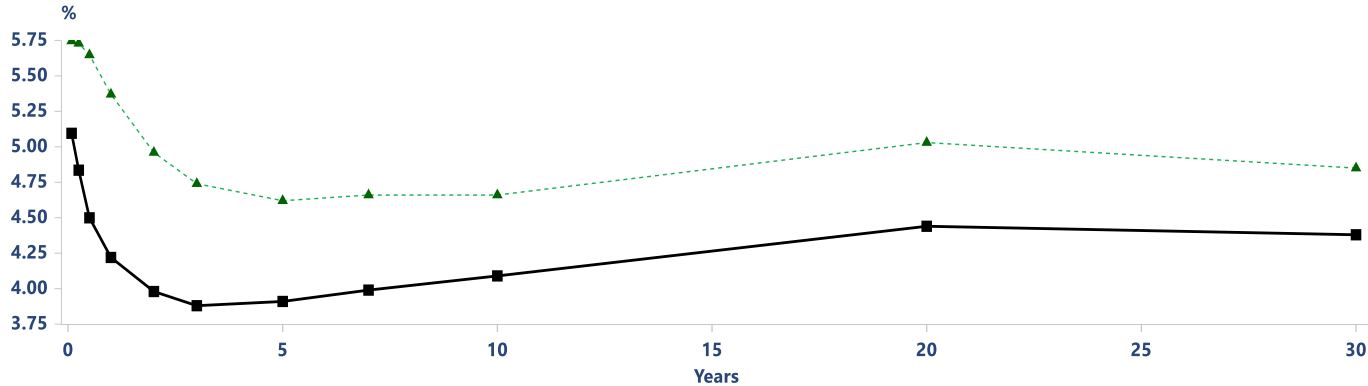
## FED FUNDS FUTURES & 2-YEAR TREASURY YIELD



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

Source: Main Management, CME Group, U.S. Treasury, Macrobond. Data last updated: 10/10/2024

## US TREASURY YIELD CURVE

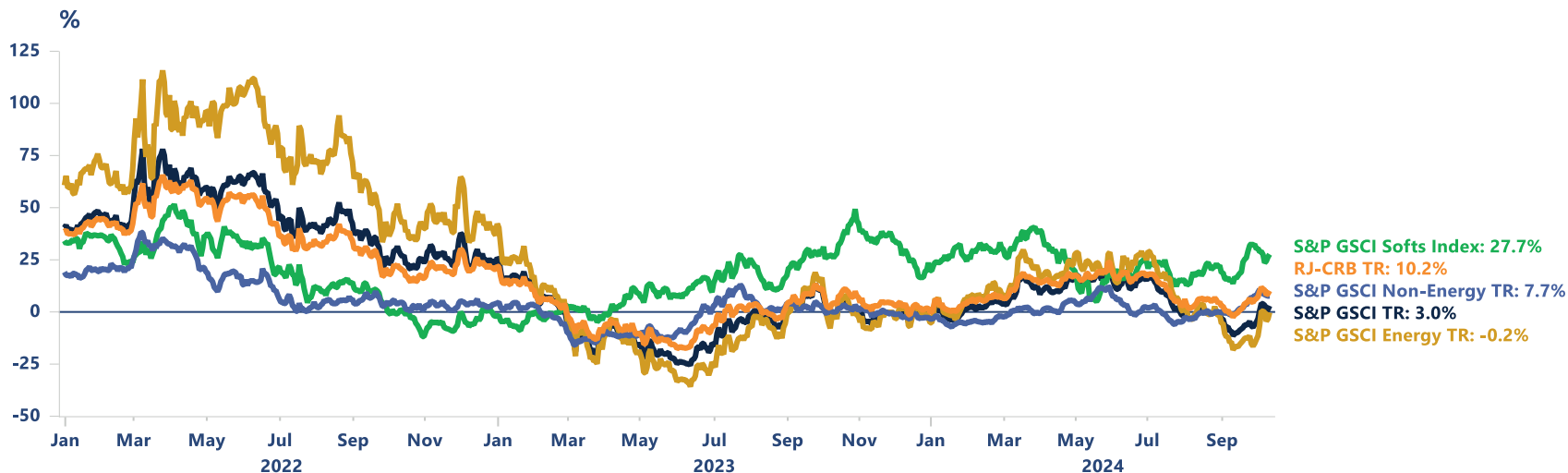


■ Now ▲ 12 months ago

Source: Main Management, U.S. Treasury, Macrobond. Data last updated: 10/10/2024

# INFLATION WATCH

## MAJOR COMMODITY INDICES Y/Y



Source: Main Management, S&P Global, CoreCommodity Management, LME, EIA, LBMA, Macrobond, LPPM, NRCan, ICCO, ICO, USDA, MGEX, TREA, TMX, Macrobond. Data last updated: 10/11/2024

Commodity	1 Month	3 Months	YTD ↓	1 Year
Bitcoin	5.7%	3.9%	43.2%	118.5%
Coffee	2.1	1.1	35.3	74.4
Silver	9.6	0.8	30.0	42.6
Gold	5.0	11.2	27.5	41.3
Copper	6.7	-1.4	12.9	19.1
S&P GSCI	9.1	-0.2	10.4	1.8
Natural Gas	23.3	14.1	6.4	-20.8
Crude Oil	10.1	-8.3	4.8	-13.1
Gasoline	12.0	-14.9	2.3	-3.9
BBG Commodity Index	6.7	-0.1	1.9	-3.1
US Dollar (DXY)	1.4	-2.0	1.6	-2.9
Lumber	9.4	20.0	-3.2	7.5
Cotton	7.6	8.5	-10.3	-16.2
Corn	8.9	4.5	-11.2	-14.3
Soybeans	1.5	-12.6	-21.6	-19.7

Source: Main Management, S&P Global, CME Group, ICE, LME, Macrobond. Data last updated: 10/10/2024



# DISCLOSURES

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