



MAIN
MANAGEMENT, LLC

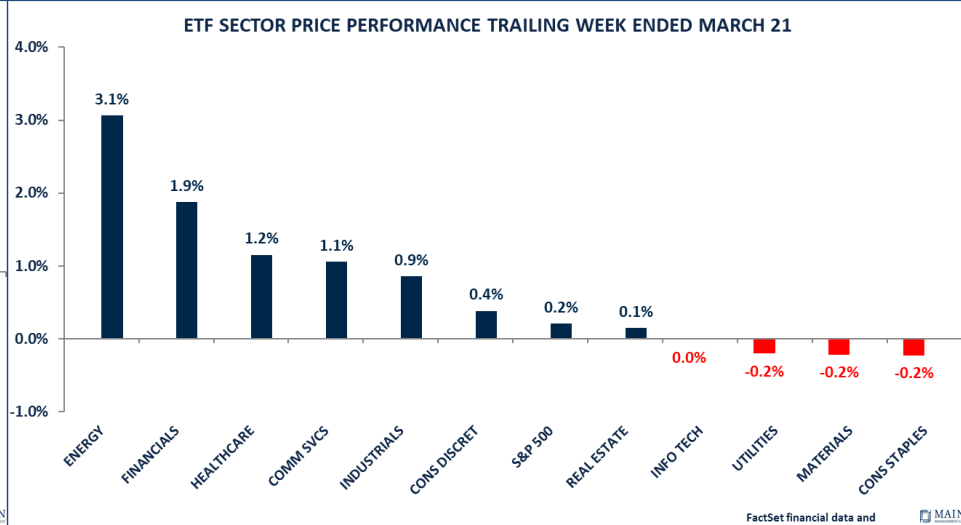
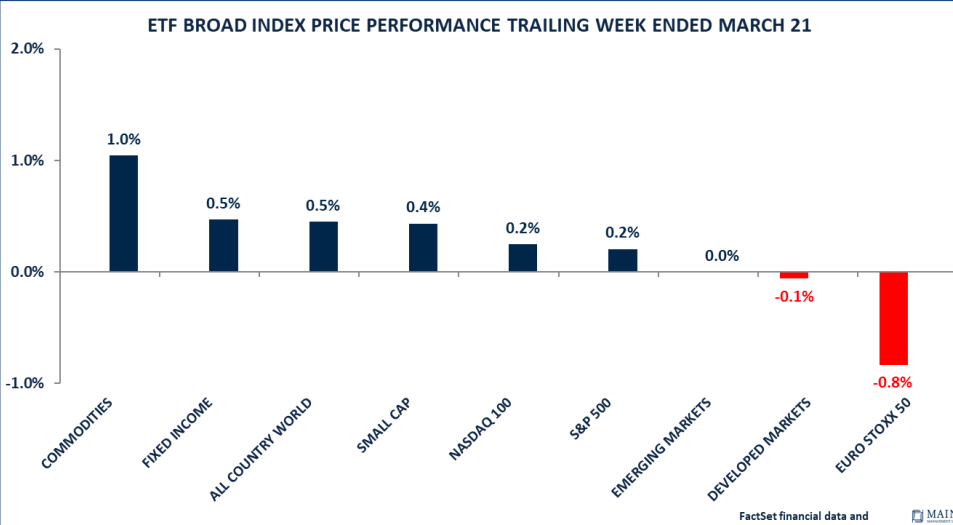
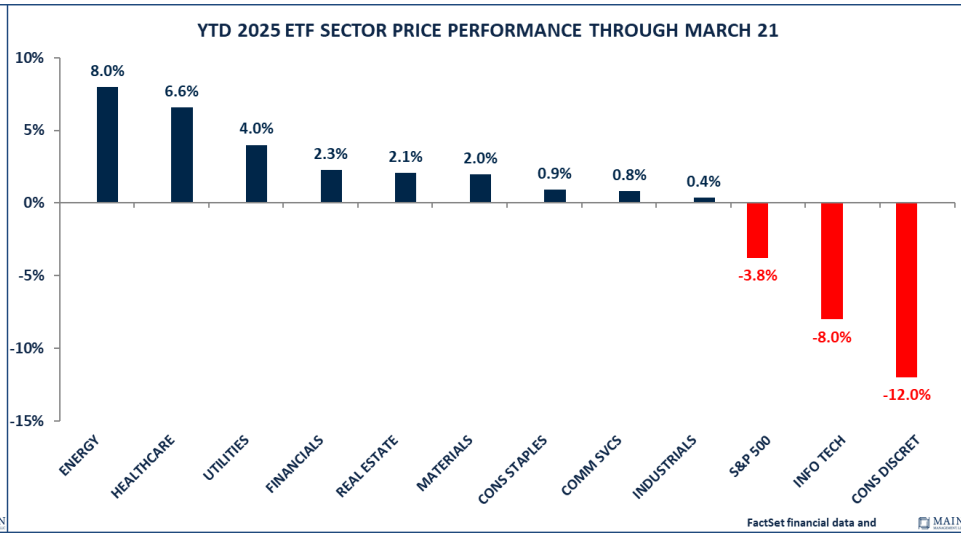
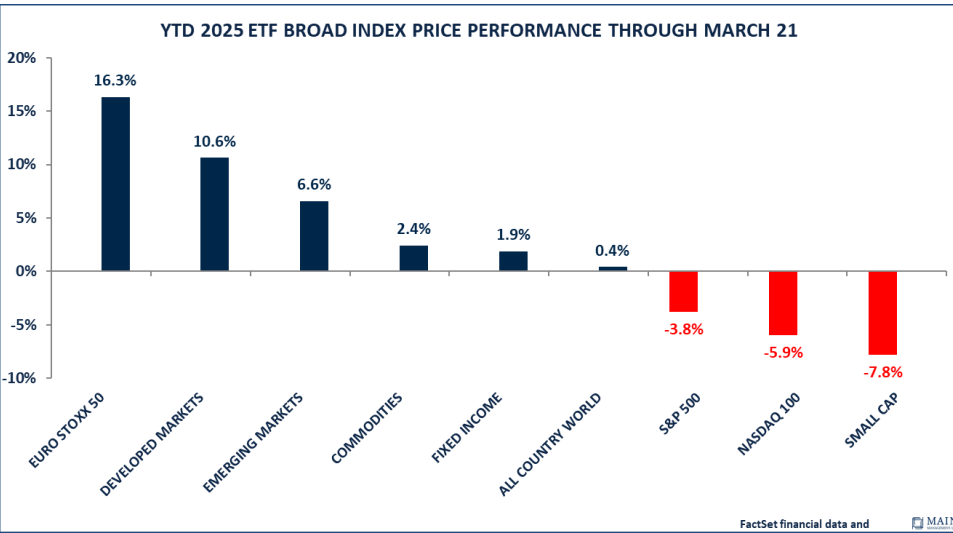
MAIN MANAGEMENT MARKET NOTE:

March 21, 2025

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Performance



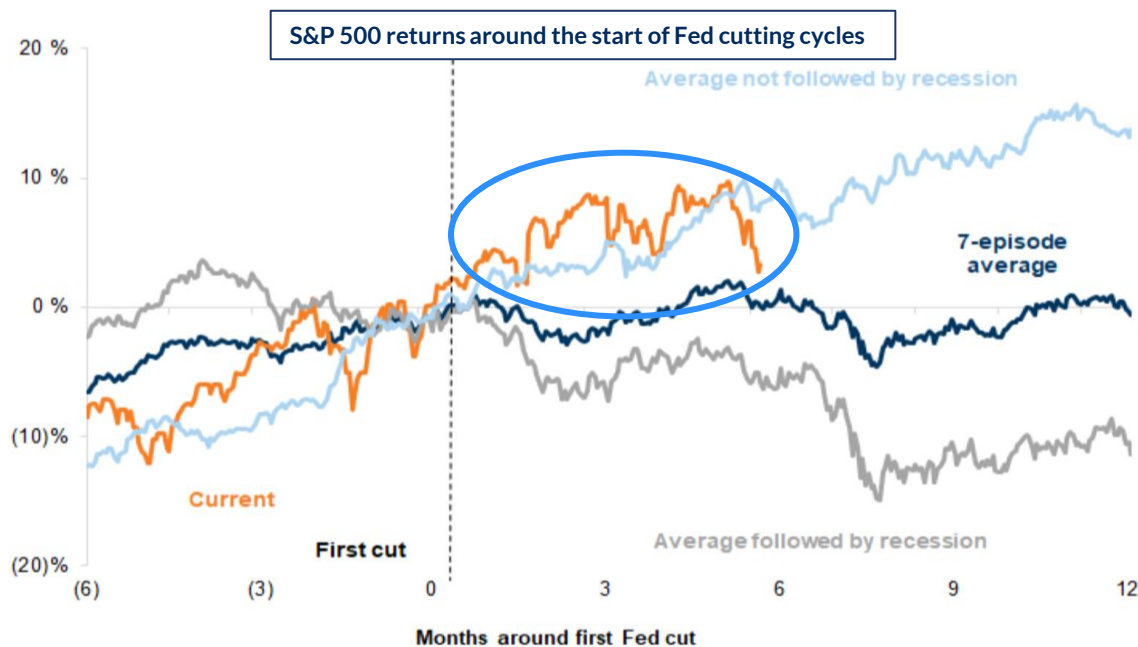
Recession Dashboard

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	↑	↑	↔	↔	↑	↔	↑	↔	↔
MAR 2025	↔	↑	↔*	↔	↑	↔	↓	↑	↑
LAST CHANGE	GREEN DEC '24	BLUE DEC '24	RED MAR '23	GREEN DEC '24	BLUE DEC '24	RED JAN '25	BLUE SEP '22	BLUE JUN '23	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, 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.

The FOMC met this week and left rates unchanged, as expected. They are still forecasting 2 rate cuts this year, which is in line with markets. Below is the path of the S&P 500 around the first Fed cut, which occurred back in September (and was a surprising 50bps cut). The current market behavior (orange) has been more consistent with pricing of higher recession risk, although we feel those fears are perhaps a bit overblown and the negative price action this time has been primarily due to uncertainty around tariffs.



Source: Datastream, Goldman Sachs Global Investment Research

Economic Projections

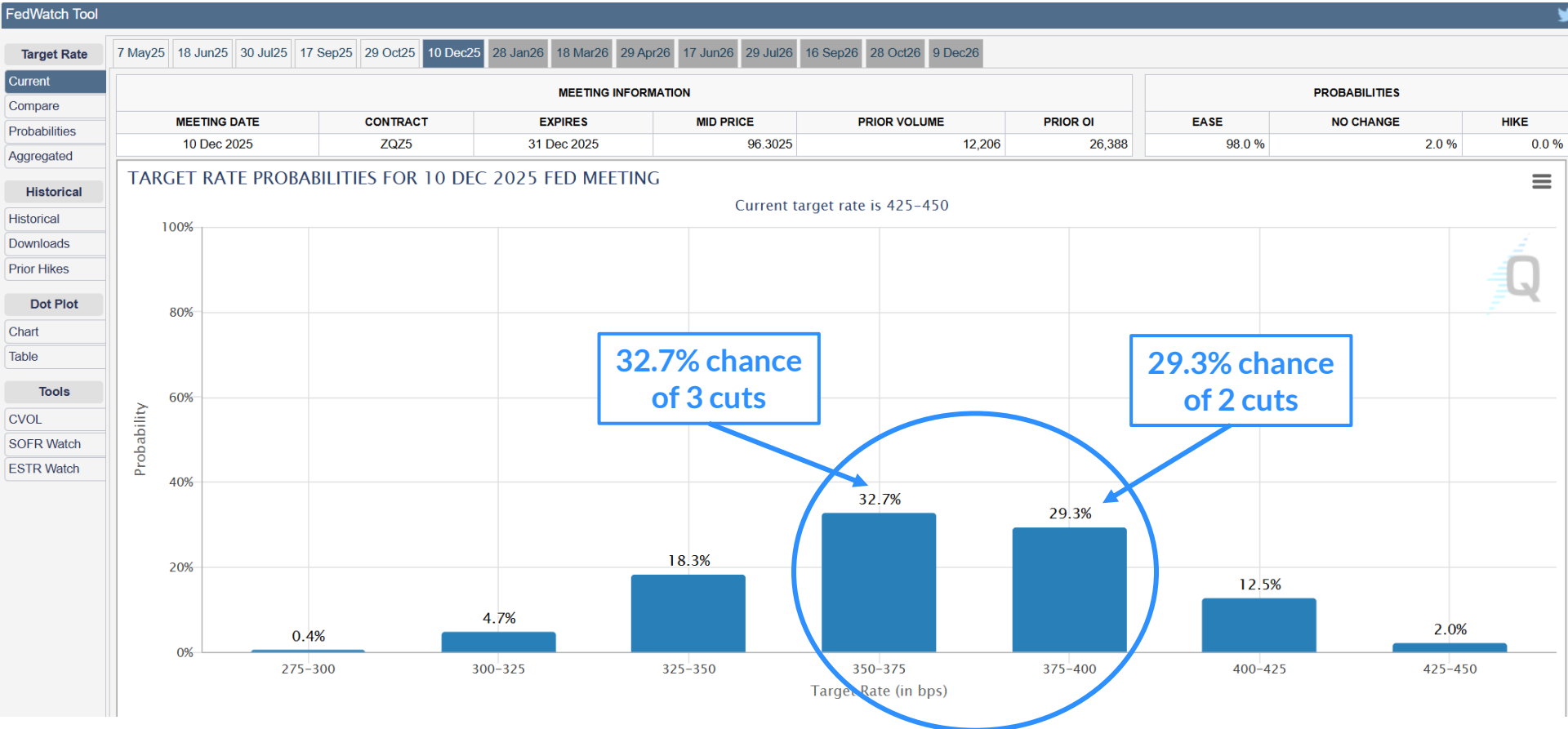
The Summary of Economic Projections showed a downward revision to the 2025 GDP forecast, from 2.1% at December’s meeting to 1.7% this week. The Unemployment Rate is now expected to be 4.4% vs 4.3% in December and Core PCE Inflation is now expected to be 2.8% vs 2.5%. The 2026 Core PCE Inflation forecast was unchanged at 2.2%. The 2025 revisions reveal a slightly weaker economic view than the committee had in December but are still not indicative of an economy heading into a recession.

Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
December projection	2.1	2.0	1.9	1.8	1.8–2.2	1.9–2.1	1.8–2.0	1.7–2.0	1.6–2.5	1.4–2.5	1.5–2.5	1.7–2.5
Unemployment rate	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
December projection	4.3	4.3	4.3	4.2	4.2–4.5	4.1–4.4	4.0–4.4	3.9–4.3	4.2–4.5	3.9–4.6	3.8–4.5	3.5–4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
December projection	2.5	2.1	2.0	2.0	2.3–2.6	2.0–2.2	2.0	2.0	2.1–2.9	2.0–2.6	2.0–2.4	2.0
Core PCE inflation ⁴	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
December projection	2.5	2.2	2.0		2.5–2.7	2.0–2.3	2.0		2.1–3.2	2.0–2.7	2.0–2.6	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9
December projection	3.9	3.4	3.1	3.0	3.6–4.1	3.1–3.6	2.9–3.6	2.8–3.6	3.1–4.4	2.4–3.9	2.4–3.9	2.4–3.9

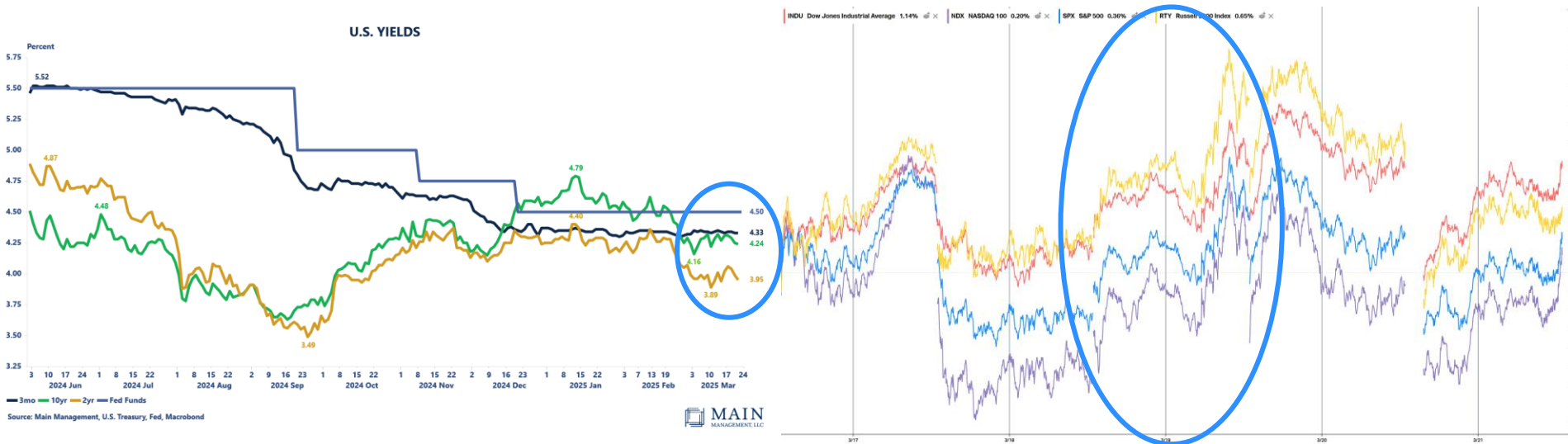
Market Pricing

The FedWatch Tool is split in its year-end rate forecasts. It is currently assigning a 32.7% probability for 3 cuts versus 29.3% for 2 cuts by the end of the year. The cuts are expected in June and September (and perhaps December).



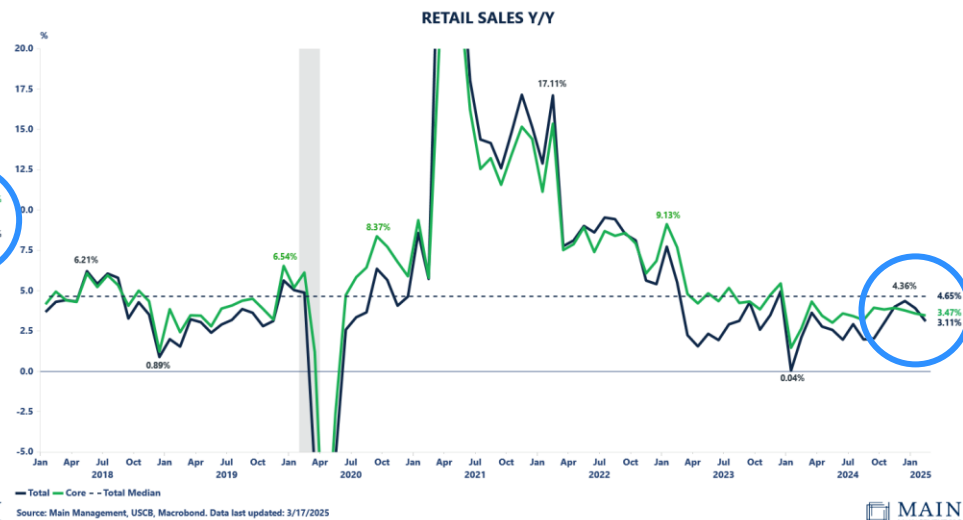
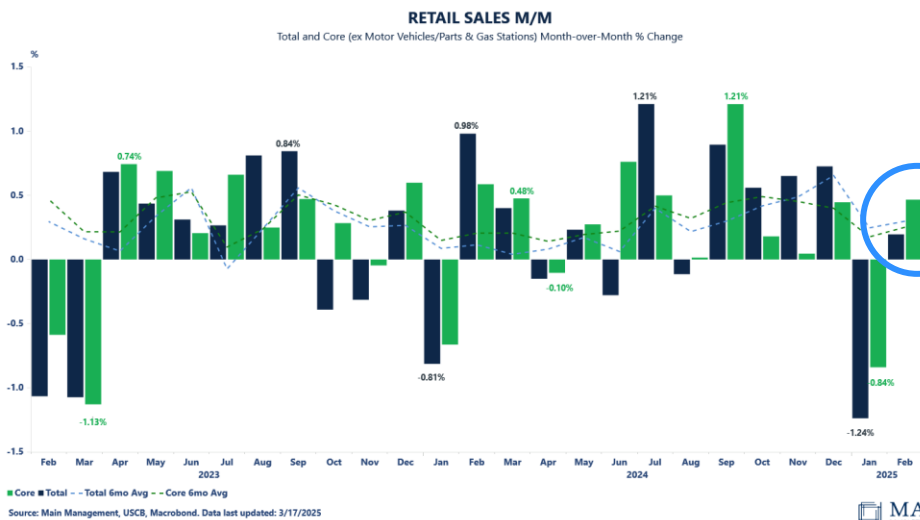
Market Response

Yields (left) moved slightly lower after the Fed announced it was keeping the Fed Funds rate unchanged. The 2yr Treasury dipped back below 4%, indicative of 2 cuts being priced in by markets. The 10yr now stands just above 4.2% and the 3mo was little changed just above 4.3%. Broad US equity indices (right) moved higher on March 19, the day of the announcement, as they gained confidence that the Fed is willing to step in should the economy start to deteriorate meaningfully.



Retail Sales

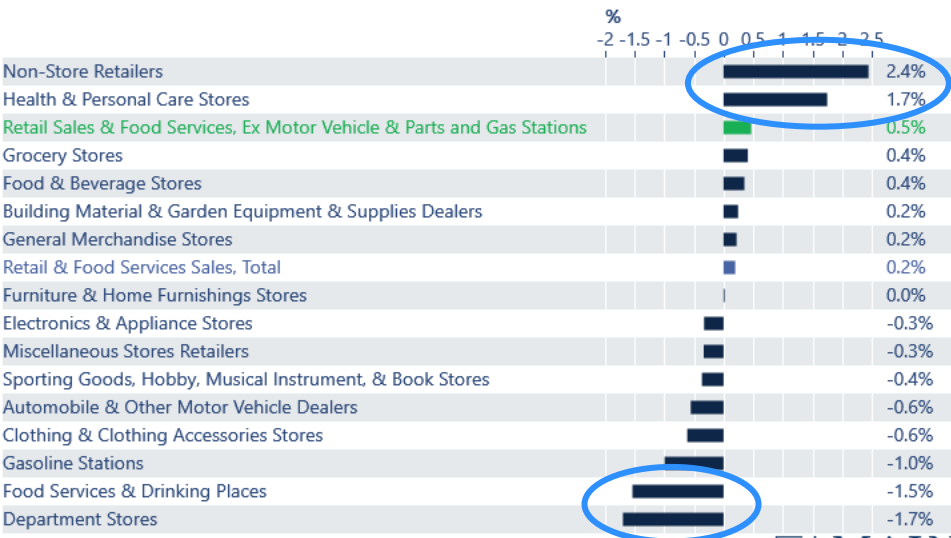
Retail Sales were up +0.20% M/M in February, missing forecasts for a +0.6% gain, but recovering from January's drop. Core Retail Sales were up +0.47% M/M. On a year-over-year basis, both Broad and Core Retail Sales decelerated to +3.11% and +3.47%, respectively. The Y/Y gains have been tracking in a 3-4% range, which is basically in line with pre-pandemic levels.



Sales by Category

Looking through at where people are spending money, we see that Non-Store and Health & Personal Care Stores are the leaders on both a M/M (left) and Y/Y (right) basis. Non-Store sales are up +2.4% M/M and +6.5% Y/Y, confirming the ongoing popularity of online shopping. On the other hand, Department Stores were down the most M/M at -1.7% and are the 2nd worst Y/Y, down -3.9%, only trailing Electronics & Appliance Stores which are down -5.3% from a year ago.

M/M CHANGE IN RETAIL SALES BY CATEGORY



Y/Y CHANGE IN RETAIL SALES BY CATEGORY

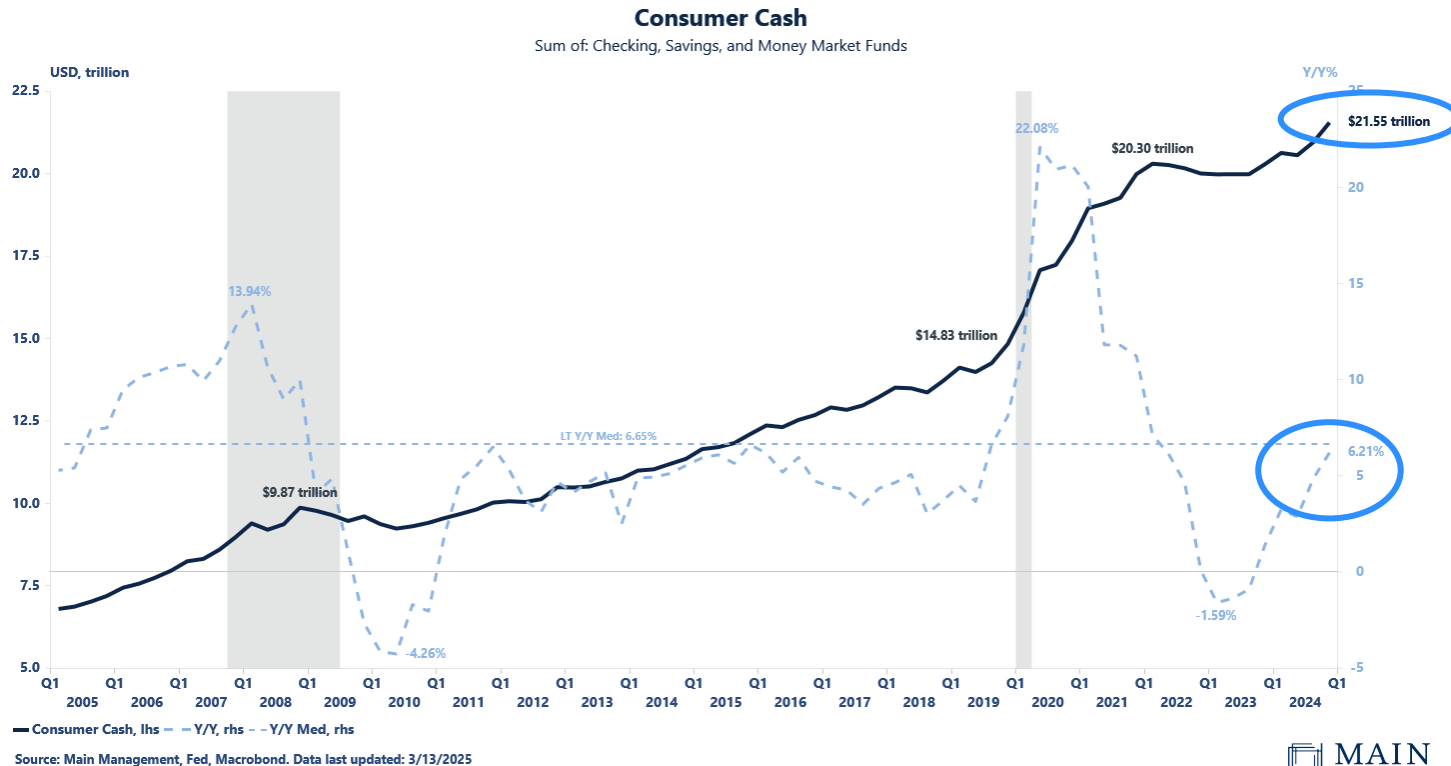


Source: Main Management, USCB, Macrobond

Source: Main Management, USCB, Macrobond

Consumer Cash Pile

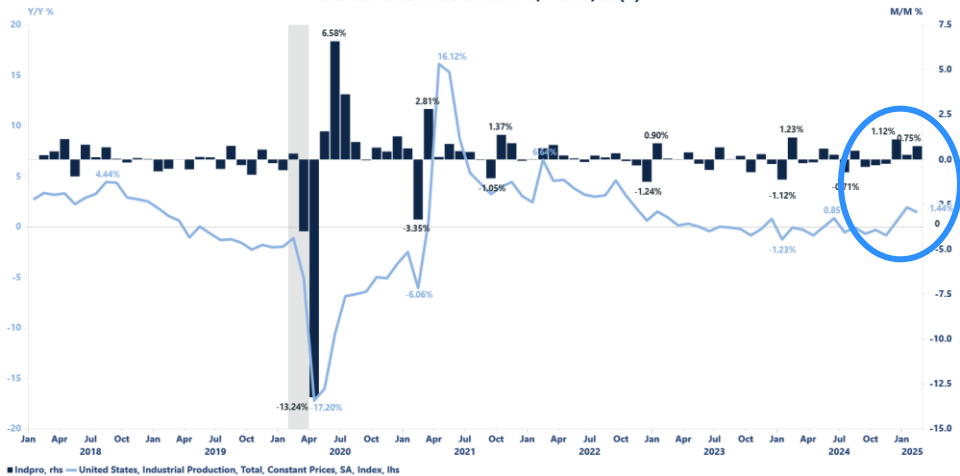
Fears around a slowing consumer have been in the conversation for a while now. As a counterpoint, we'd like to point out that consumers have access to a record level of cash: \$21.55 trillion, to be exact, as seen below. That figure is up +6.2% from a year ago and +45% above pre-pandemic levels. This cash pile can act as a cushion for consumers and allow them to continue spending.



Industrial Production

Industrial Production (left) posted a solid +0.75% M/M gain in February, well ahead of forecasts for a 0.2% rise and the 3rd straight monthly increase. The Y/Y figure slowed slightly to +1.44% due to the strong Feb. 2024 comp. Manufacturing Output (right) also posted a big +0.89% M/M gain, its best since Feb. 2024 and basically triple forecasts for a 0.3% rise. The Y/Y figure also slowed to +0.81% as that big Feb. 2024 reading is a tough comp here as well.

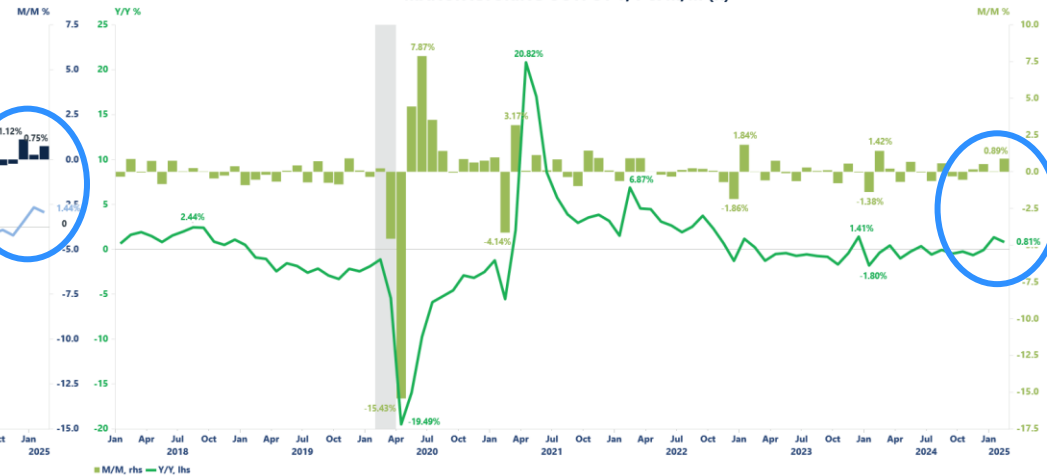
INDUSTRIAL PRODUCTION Y/Y & M/M (R)



■ Indpro, rhs — United States, Industrial Production, Total, Constant Prices, SA, Index, lhs
Source: Main Management, Fed, Macrobond. Data last updated: 3/18/2025



MANUFACTURING OUTPUT Y/Y & M/M (R)

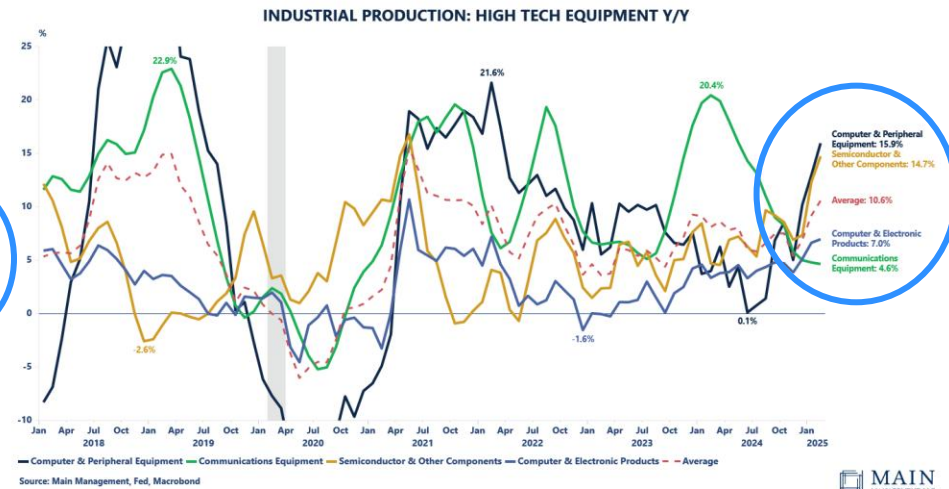
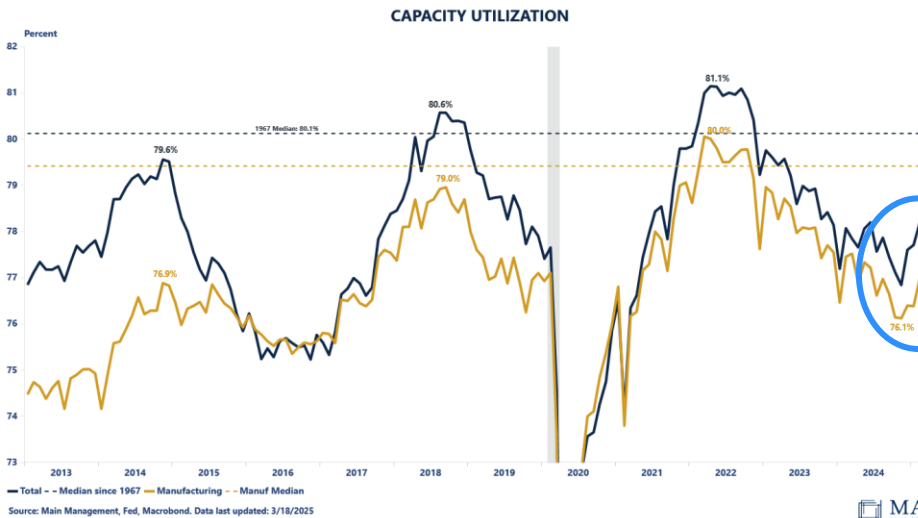


■ M/M, rhs — Y/Y, lhs
Source: Main Management, Fed, Macrobond. Data last updated: 3/18/2025



Capacity and High Tech

Total Capacity Utilization (left) moved up to 78.2%, the highest since June 2024, while that for Manufacturing improved to 77.0%, the highest since August 2024. Hopefully Utilization has put in a bottom, although it is worth noting that efficiency gains can result in lower utilization rates. High Tech Equipment production continues to accelerate on a Y/Y basis except for Communications, which slowed to +4.6%. Computer & Peripheral Equipment rose to +15.9%, its biggest gain since March 2022. Semiconductors are up +14.7%, their biggest gain since May 2021!



Summary

- The FOMC kept rates unchanged as expected this week and continues to forecast 2 rate cuts for 2025, in line with market expectations. The updated economic forecasts are a bit weaker relative to December's but nothing too surprising. The Committee also decided to slow the pace of balance sheet reduction due to debt limit concerns.
- Retail Sales came in below forecasts, rising +0.20% M/M and +3.11% Y/Y. While there is fear around a slowing consumer, it's important to remember that there is still a record level of cash in consumer accounts, which could help continued spending.
- Industrial Production, Manufacturing Output, and Capacity Utilization all surprised to the upside in February posting solid gains.
- Upcoming key data to watch:
 - Durable Goods (Weds)
 - Q4 2024 U.S. GDP (Thurs)
 - Core PCE, Income & Spending (Fri)

Appendix

Yields & Futures

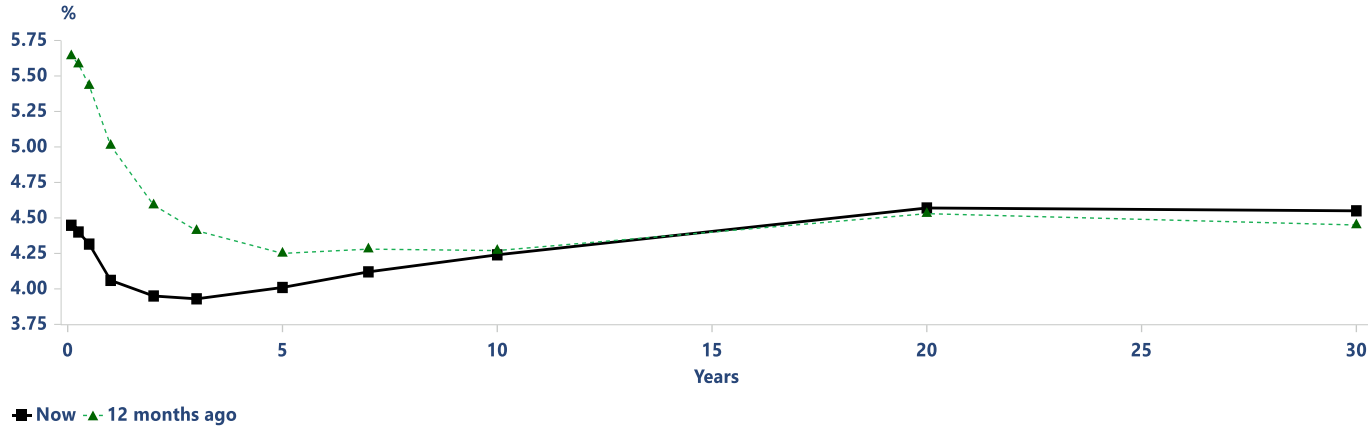
FED FUNDS FUTURES & 2-YEAR TREASURY YIELD



Source: Main Management, CME Group, U.S. Treasury, Macrobond. Data last updated: 3/20/2025



US TREASURY YIELD CURVE

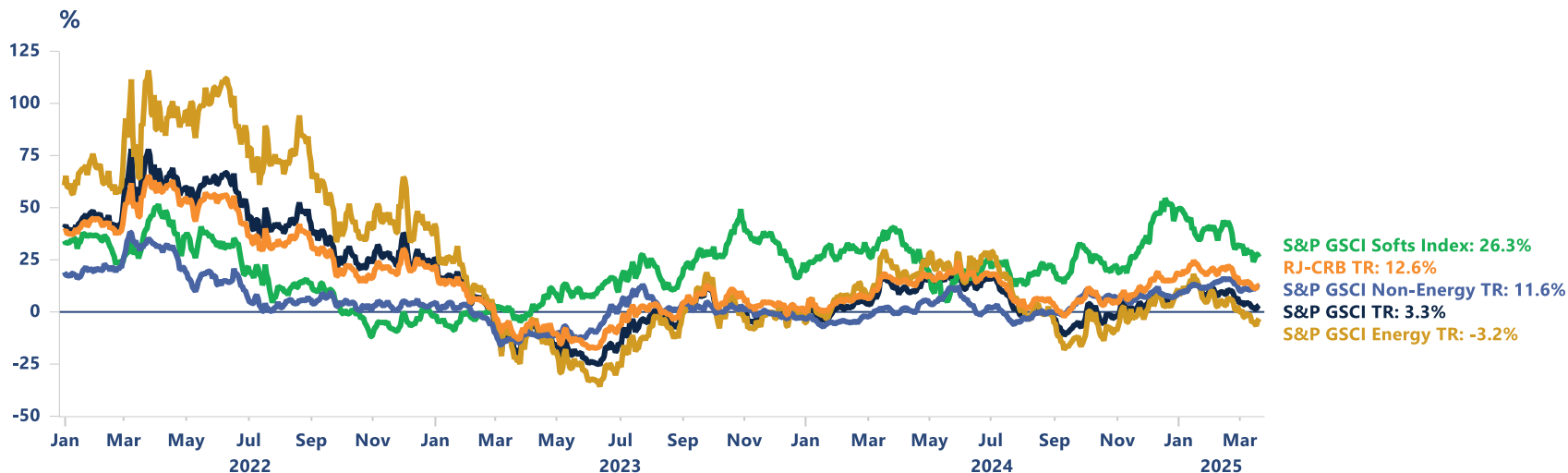


Source: Main Management, U.S. Treasury, Macrobond. Data last updated: 3/20/2025



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: 3/21/2025

Commodity	1 Month	3 Months	YTD ↓	1 Year
Coffee	-6.2	21.1	22.6	114.2
Lumber	8.9	18.5	21.7	10.4
Gold	3.8	17.4	16.8	41.1
Silver	2.4	16.1	16.7	35.3
Copper	4.8	12.6	14.4	11.3
Gasoline	5.0	14.0	9.5	-20.7
Natural Gas	-7.1	10.9	9.4	127.9
BBG Commodity Index	-1.6	9.6	7.1	6.2
S&P GSCI	-2.8	6.0	3.2	2.2
Corn	-5.7	6.4	2.3	6.7
Soybeans	-1.8	5.2	1.5	-14.6
Cotton	-0.2	-2.7	-3.4	-29.2
US Dollar (DXY)	-3.1	-4.2	-4.3	0.3
Crude Oil	-5.0	-0.9	-4.3	-17.9
Bitcoin	-12.9%	-13.7%	-9.9%	35.9%

Source: Main Management, S&P Global, CME Group, ICE, LME, Macrobond. Data last updated: 3/20/2025

Disclosures

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