

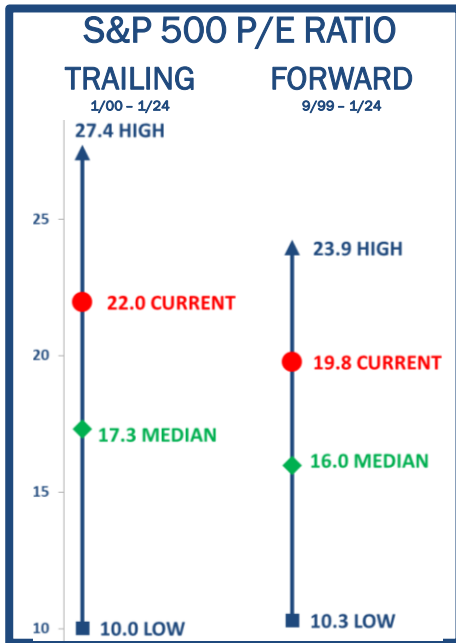


## Main Management Market Note: February 9, 2024

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# Executive Summary



FactSet financial data and analytics

Service & Composite PMIs were mostly higher in January. Several of the countries are still in contraction territory but the general trend seems to be bottoming out and starting to move up.

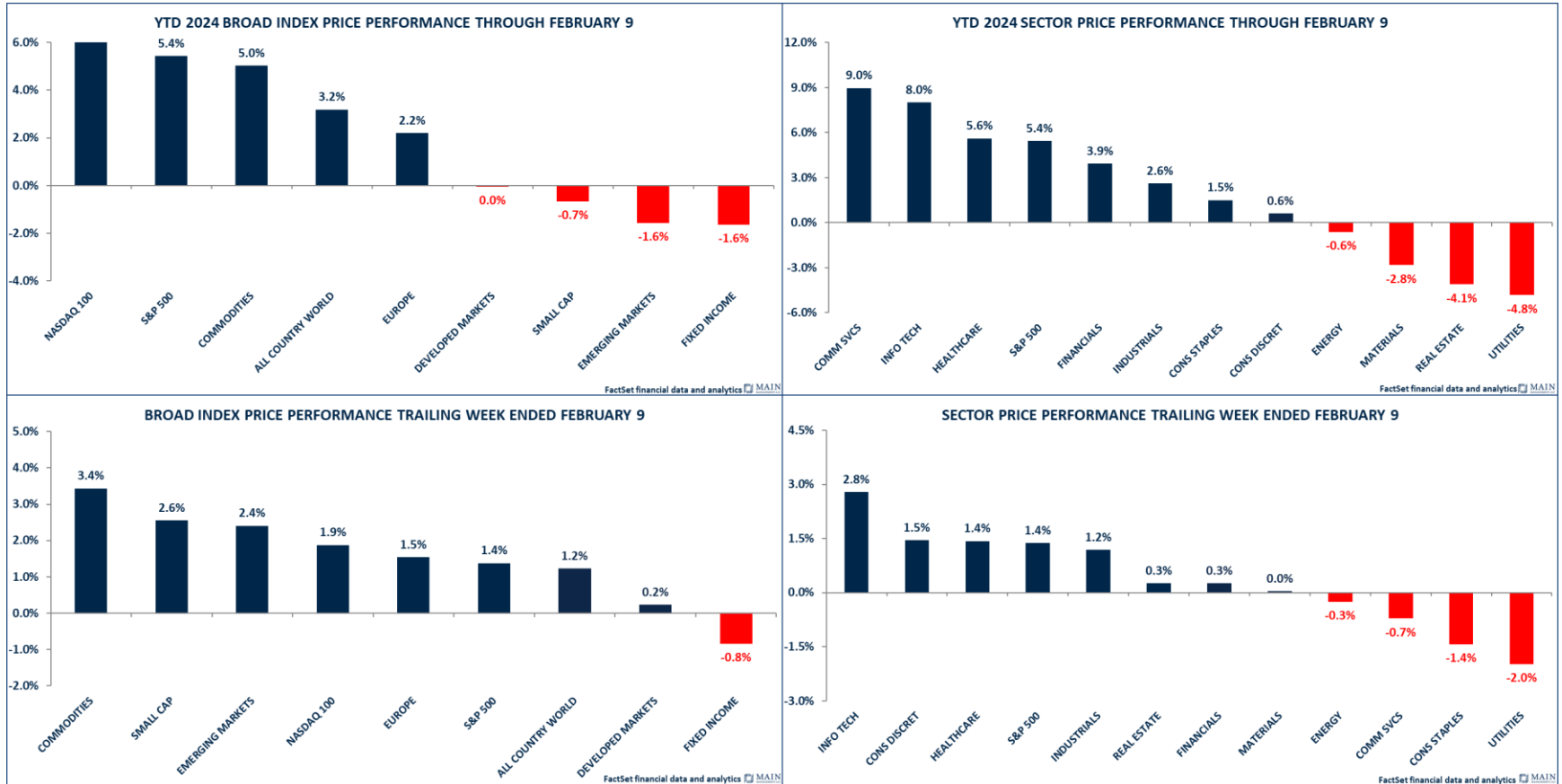
The U.S. trade deficit widened slightly in December to -\$62.2bil as both Imports and Exports increased. For the full year 2023, the deficit was -\$773bil, the narrowest since 2020. Total Trade is up +1.2% Y/Y, the biggest increase since February 2023.

Household Debt rose to another new all-time high in Q4 2023 at \$17.5 trillion but slowed on a Y/Y basis to +3.6%, the smallest increase since Q3 2021. Delinquencies are starting to tick up but remain mostly in line with pre-pandemic levels.

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# Broad Index & S&P 500 Sector 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        | ↑               | ↑              | ↔              | ↔               | ↑              | ↔               | ↑               | ↔               | ↔              |
| FEB 2024        | ↑               | ↔              | ↔*             | ↑               | ↔              | ↓               | ↓               | ↑               | ↔              |
| LAST CHANGE     | BLUE<br>MAR '23 | RED<br>JAN '23 | RED<br>MAR '23 | BLUE<br>JUN '23 | RED<br>JUN '22 | BLUE<br>SEP '23 | BLUE<br>SEP '22 | BLUE<br>JUN '23 | RED<br>SEP '23 |

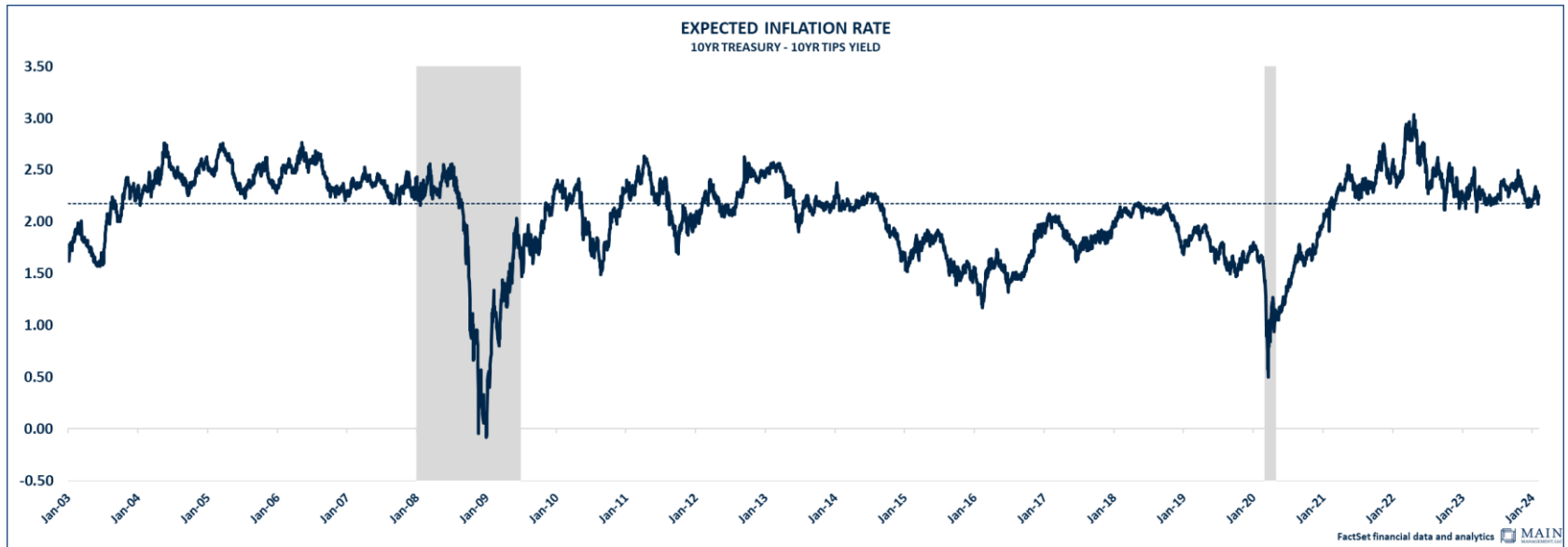
 Positive
  Neutral
  Negative



**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.

# Inflation Watch

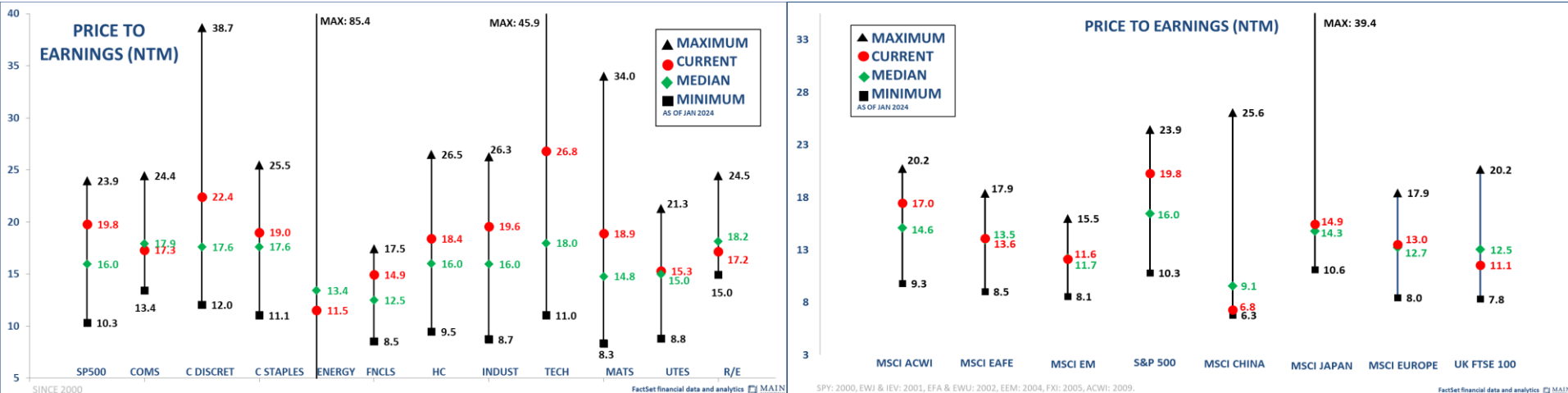


| COMMODITY     | 1MO    | 3MO    | YTD '24 ↓ | 1YR    |
|---------------|--------|--------|-----------|--------|
| COTTON        | 10.8%  | 19.0%  | 10.0%     | 4.4%   |
| BITCOIN       | -3.3%  | 27.5%  | 7.7%      | 99.9%  |
| LUMBER        | 0.0%   | 6.8%   | 1.3%      | 0.5%   |
| S&P GSCI      | 5.6%   | 1.3%   | 4.7%      | 2.7%   |
| US DOLLAR DXY | 1.9%   | -1.4%  | 2.8%      | 0.7%   |
| WTI CRUDE     | 7.3%   | 0.5%   | 6.0%      | -2.9%  |
| COFFEE        | 4.1%   | 8.3%   | 0.3%      | 7.5%   |
| GASOLINE      | 0.2%   | -10.9% | -0.7%     | -11.3% |
| SILVER        | -2.3%  | 0.1%   | -5.3%     | 1.0%   |
| BBG COMMODITY | -0.4%  | -5.2%  | -1.7%     | -10.3% |
| GOLD          | 0.3%   | 4.3%   | -1.5%     | 8.5%   |
| COPPER        | -2.5%  | 2.1%   | -4.5%     | -8.4%  |
| SOYBEANS      | -3.7%  | -11.5% | -7.7%     | -21.5% |
| CORN          | -4.8%  | -9.0%  | -8.1%     | -36.1% |
| NATURAL GAS   | -29.4% | -12.0% | -25.6%    | -20.0% |

Data as of February 8, 2024

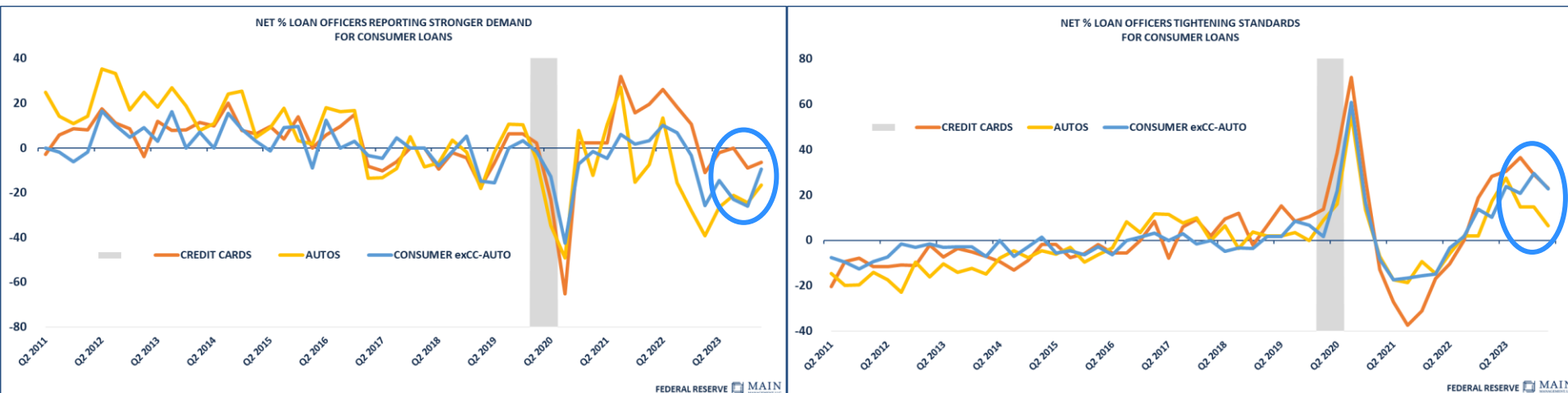
# Valuations

Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of several major global indices and the S&P 500 Sectors. These are just a few of the data points we look at for our valuation work.



## Of Note This Week

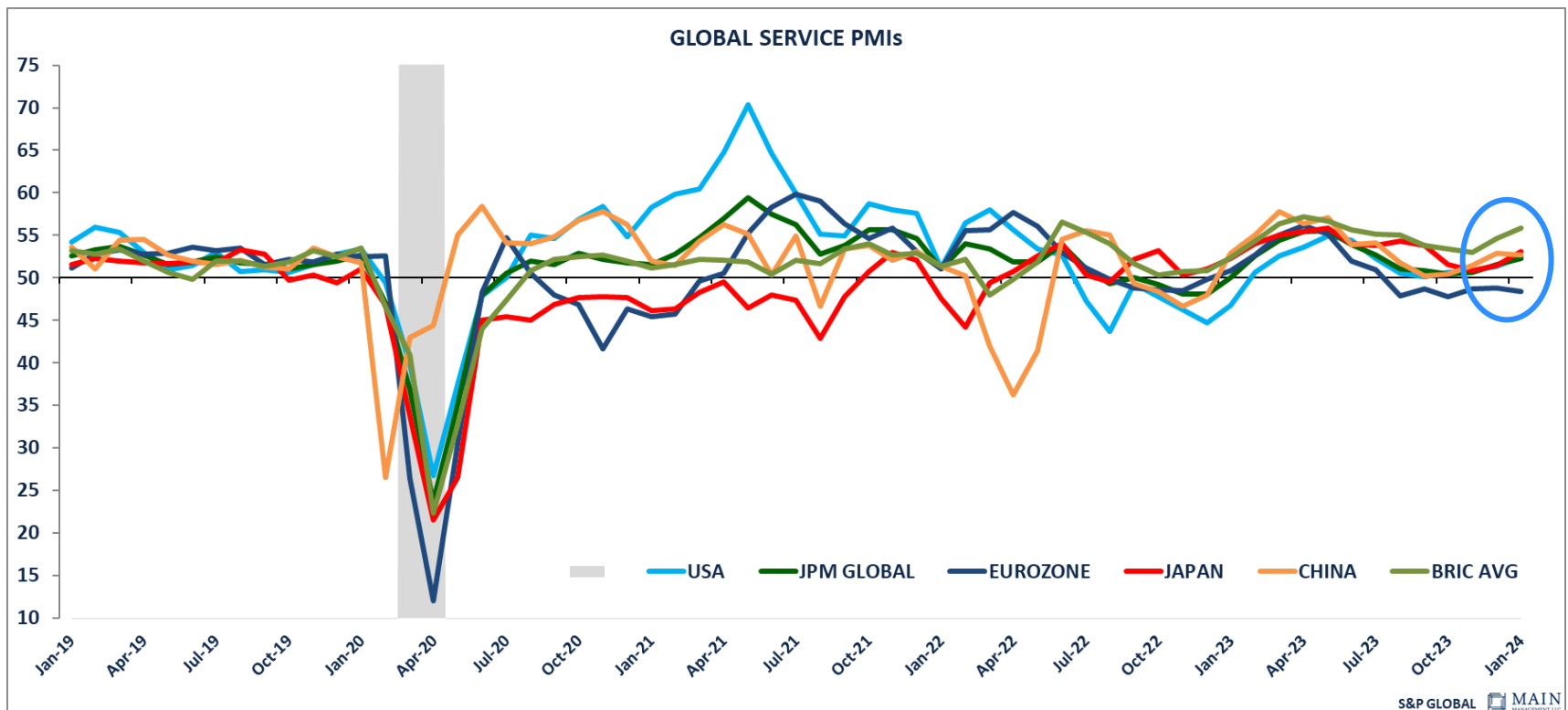
The Q1 2024 Federal Senior Loan Officer Opinion Survey showed that demand strengthened, and standards loosened, although more officers are still tightening standards than loosening them. Below we show demand for consumer loans on the left and net tightening standards on the right.





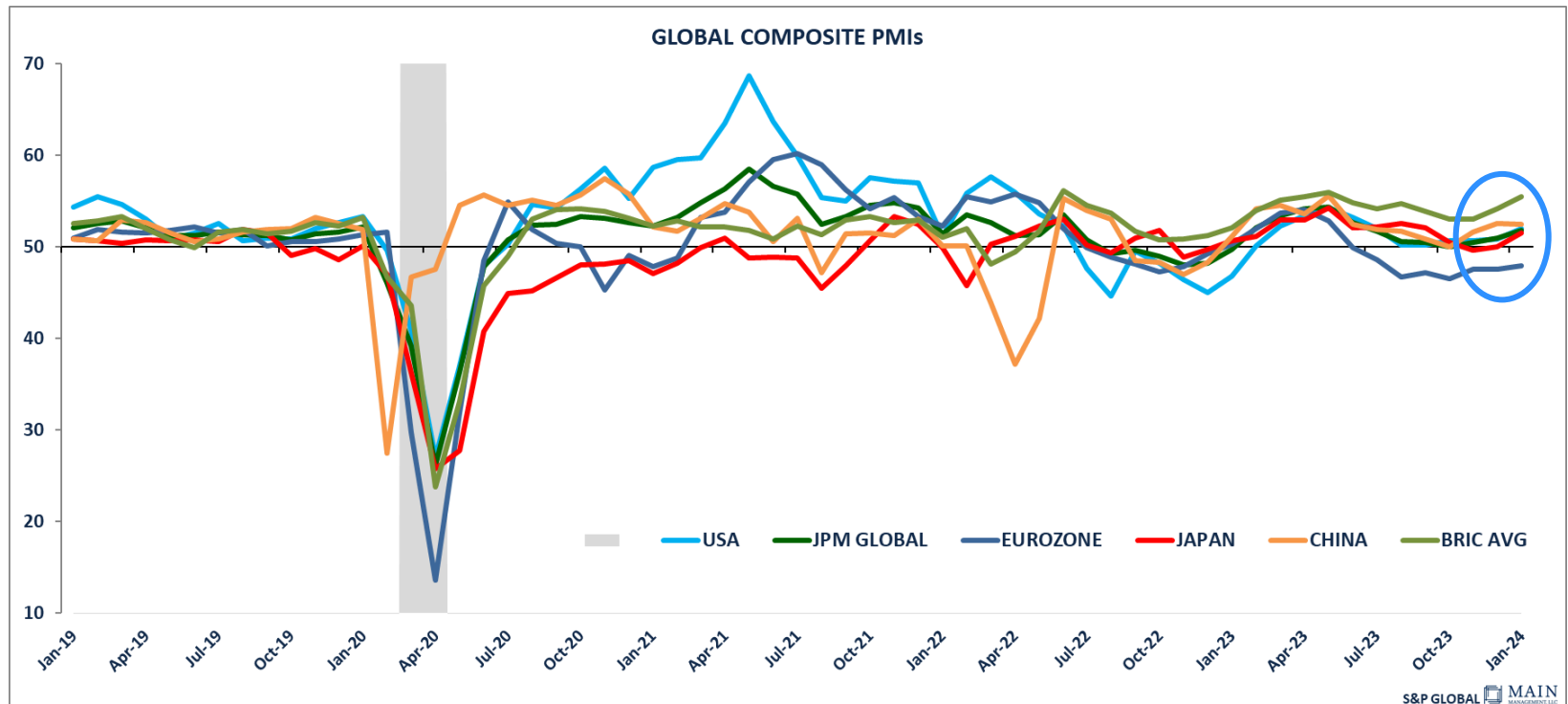
## January Service & Composite PMIs

Global Service PMIs for January rose by +0.8 points on average and are starting to trend higher. The U.S. rose to a 7-month high at 52.5. The JPM Global Index posted a 6-month high at 52.3. Japan rose to 53.1 and the BRIC average rose to an 8mo high at 55.9 despite China's decline. The Eurozone also moved lower, down to 48.4



## January Service & Composite PMIs

On the Composite side, the average move in January was +1.0 points and as you can see, they're trending higher as well. The U.S. posted a 6mo high at 52.0. The JPM Global Index rose to +51.8, a 7mo high. The Eurozone, Japan, and BRIC average all improved as well while China inched down to 52.5.



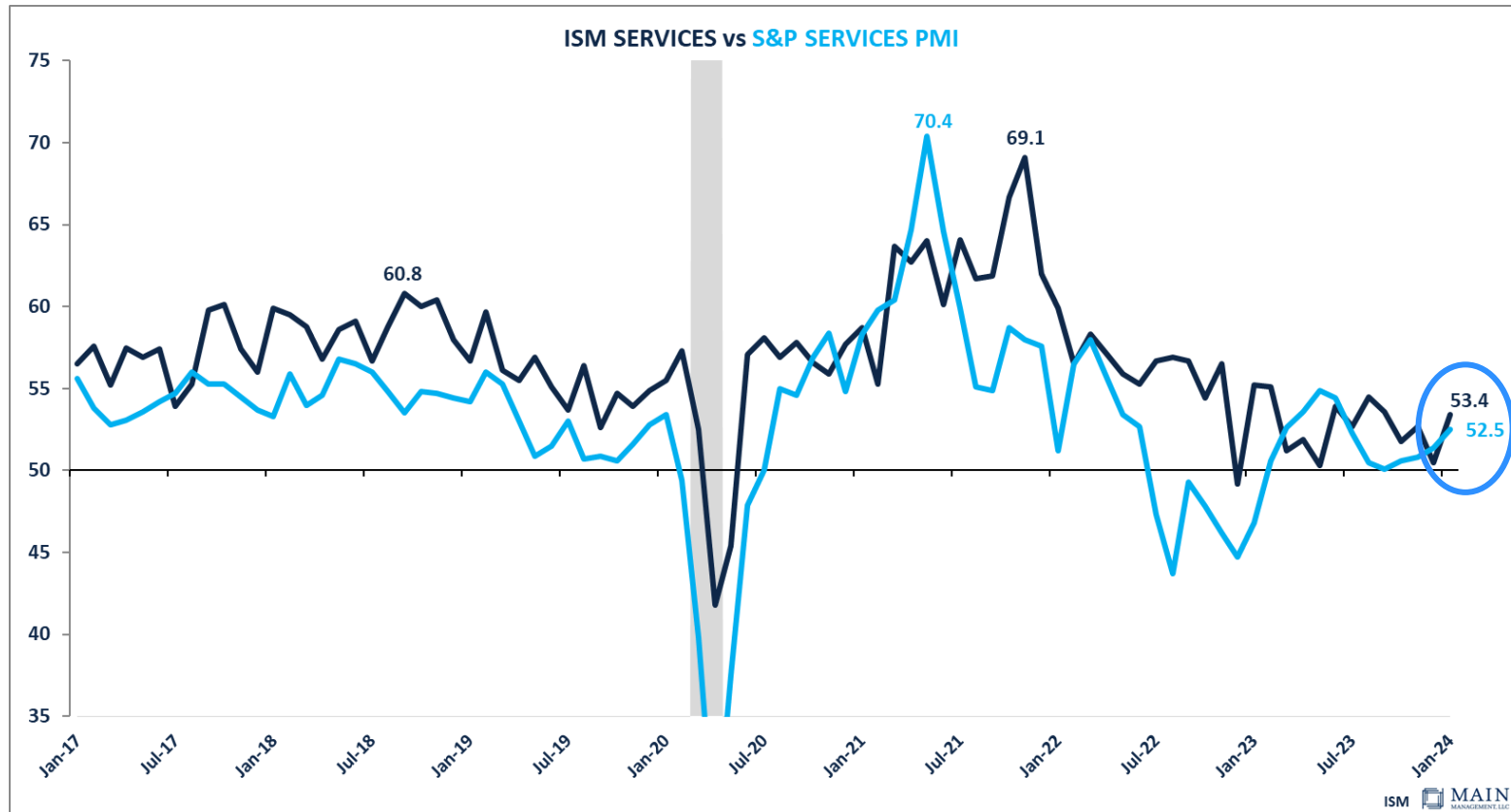
## January Service & Composite PMIs

Below you can see a heatmap of the Service PMIs for the countries we track. The simple average moved up to 52.7, the best since July 2023. 9 of the 11 individual countries we track are above 50, the most since July 2023 as well.

| DATE       | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| JPM GLOBAL | 54.0   | 53.4   | 51.9   | 51.9   | 53.9   | 51.1   | 49.3   | 50.0   | 49.2   | 48.1   | 48.1   | 50.0   | 52.6   | 54.4   | 55.4   | 55.5   | 53.9   | 52.7   | 51.1   | 50.8   | 50.4   | 50.6   | 51.6   | 52.3   |
| EUROZONE   | 55.5   | 55.6   | 57.7   | 56.1   | 53.0   | 51.2   | 49.8   | 48.8   | 48.6   | 48.5   | 49.8   | 50.8   | 52.7   | 55.0   | 56.2   | 55.1   | 52.0   | 50.9   | 47.9   | 48.7   | 47.8   | 48.7   | 48.8   | 48.4   |
| BRIC       | 52.2   | 48.0   | 49.8   | 51.9   | 56.6   | 55.4   | 54.0   | 51.7   | 50.3   | 50.8   | 50.9   | 52.4   | 54.3   | 56.4   | 57.2   | 56.7   | 55.6   | 55.2   | 55.0   | 53.8   | 53.4   | 53.0   | 54.7   | 55.9   |
| USA        | 56.5   | 58.0   | 55.6   | 53.4   | 52.7   | 47.3   | 43.7   | 49.3   | 47.8   | 46.2   | 44.7   | 46.8   | 50.6   | 52.6   | 53.6   | 54.9   | 54.4   | 52.3   | 50.5   | 50.1   | 50.6   | 50.8   | 51.4   | 52.5   |
| UK         | 60.5   | 62.6   | 58.9   | 53.4   | 54.3   | 52.6   | 50.9   | 50.0   | 48.8   | 48.8   | 49.9   | 48.7   | 53.5   | 52.9   | 55.9   | 55.2   | 53.7   | 51.5   | 49.5   | 49.3   | 49.5   | 50.9   | 53.4   | 54.3   |
| GERMANY    | 55.8   | 56.1   | 57.6   | 55.0   | 52.4   | 49.7   | 47.7   | 45.0   | 46.5   | 46.1   | 49.2   | 50.7   | 50.9   | 53.7   | 56.0   | 57.2   | 54.1   | 52.3   | 47.3   | 50.3   | 48.2   | 49.6   | 49.3   | 47.7   |
| FRANCE     | 55.5   | 57.4   | 58.9   | 58.3   | 53.9   | 53.2   | 51.2   | 52.9   | 51.7   | 49.3   | 49.5   | 49.4   | 53.1   | 53.9   | 54.6   | 52.5   | 48.0   | 47.1   | 46.0   | 44.4   | 45.2   | 45.4   | 45.7   | 45.4   |
| ITALY      | 52.8   | 52.1   | 55.7   | 53.7   | 51.6   | 48.4   | 50.5   | 48.8   | 46.4   | 49.5   | 49.9   | 51.2   | 51.6   | 55.7   | 57.6   | 54.0   | 52.2   | 51.5   | 49.8   | 49.9   | 47.7   | 49.5   | 49.8   | 51.2   |
| SPAIN      | 56.6   | 53.4   | 57.1   | 56.5   | 54.0   | 53.8   | 50.6   | 48.5   | 49.7   | 51.2   | 51.6   | 52.7   | 56.7   | 59.4   | 57.9   | 56.7   | 53.4   | 52.8   | 49.3   | 50.5   | 51.1   | 51.0   | 51.5   | 52.1   |
| JAPAN      | 44.2   | 49.4   | 50.7   | 52.6   | 54.0   | 50.3   | 49.5   | 52.2   | 53.2   | 50.3   | 51.1   | 52.3   | 54.0   | 55.0   | 55.4   | 55.9   | 54.0   | 53.8   | 54.3   | 53.8   | 51.6   | 50.8   | 51.5   | 53.1   |
| CHINA      | 50.2   | 42.0   | 36.2   | 41.4   | 54.5   | 55.5   | 55.0   | 49.3   | 48.4   | 46.7   | 48.0   | 52.9   | 55.0   | 57.8   | 56.4   | 57.1   | 53.9   | 54.1   | 51.8   | 50.2   | 50.4   | 51.5   | 52.9   | 52.7   |
| RUSSIA     | 52.1   | 38.1   | 44.5   | 48.5   | 51.7   | 54.7   | 49.9   | 51.1   | 43.7   | 48.3   | 45.9   | 48.7   | 53.1   | 58.1   | 55.9   | 54.3   | 56.8   | 54.0   | 57.6   | 55.4   | 53.6   | 52.2   | 56.2   | 55.8   |
| BRAZIL     | 54.7   | 58.1   | 60.6   | 58.6   | 60.8   | 55.8   | 53.9   | 51.9   | 54.0   | 51.6   | 51.0   | 50.7   | 49.8   | 51.8   | 54.5   | 54.1   | 53.3   | 50.2   | 50.6   | 48.7   | 51.0   | 51.2   | 50.5   | 53.1   |
| INDIA      | 51.8   | 53.6   | 57.9   | 58.9   | 59.2   | 55.5   | 57.2   | 54.3   | 55.1   | 56.4   | 58.5   | 57.2   | 59.4   | 57.8   | 62.0   | 61.2   | 58.5   | 62.3   | 60.1   | 61.0   | 58.4   | 56.9   | 59.0   | 61.8   |
| AVERAGE    | 53.7   | 52.8   | 54.0   | 53.7   | 54.5   | 52.4   | 50.9   | 50.3   | 49.6   | 49.5   | 49.9   | 51.0   | 53.4   | 55.3   | 56.3   | 55.7   | 53.8   | 52.9   | 51.5   | 51.2   | 50.7   | 50.9   | 51.9   | 52.7   |

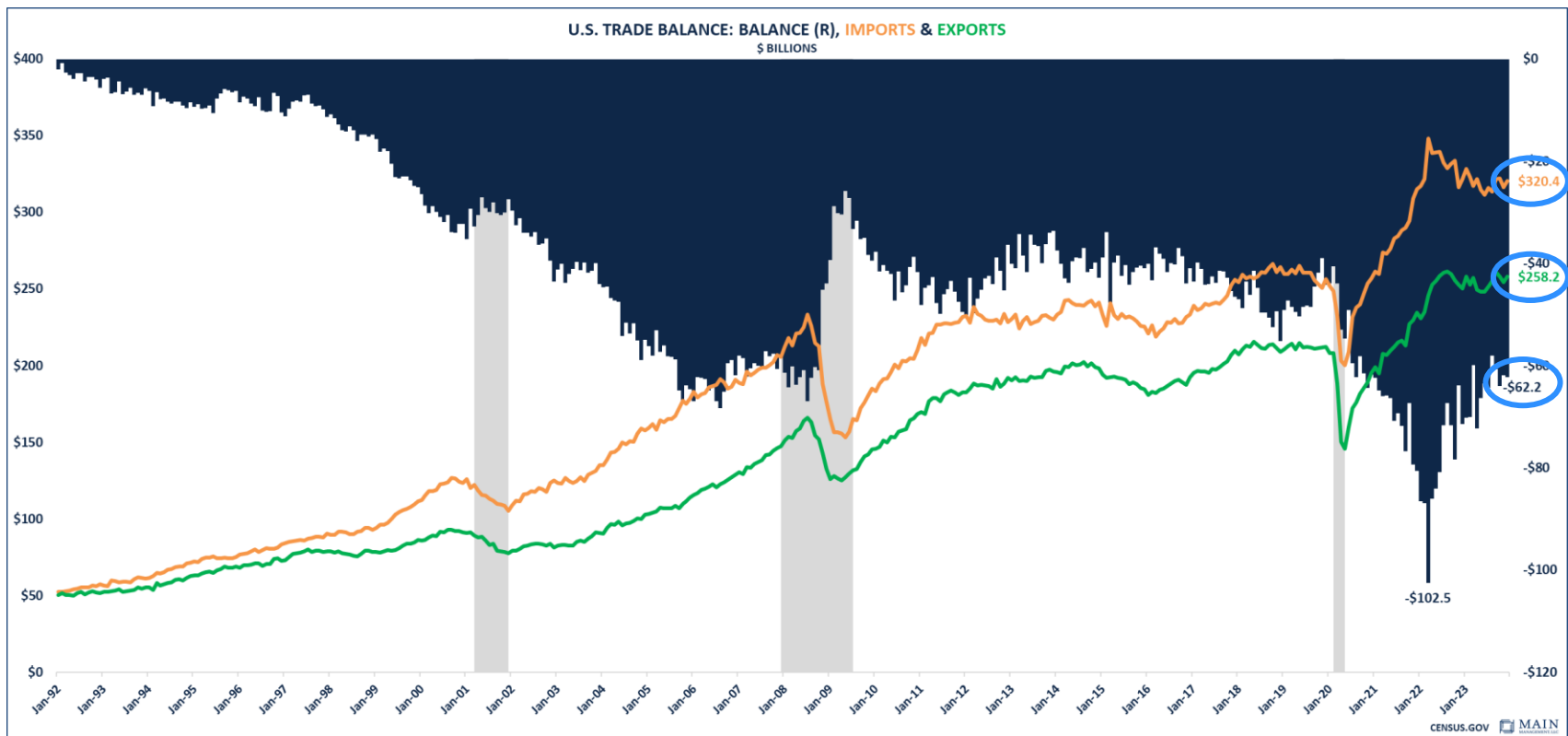
## January Service & Composite PMIs

We also got the ISM Service PMI this week, which rose to 53.4 from 50.5, ahead of expectations for a 52.0 reading. Hopefully we're seeing these both bottom out and they will start to move higher in the coming months.



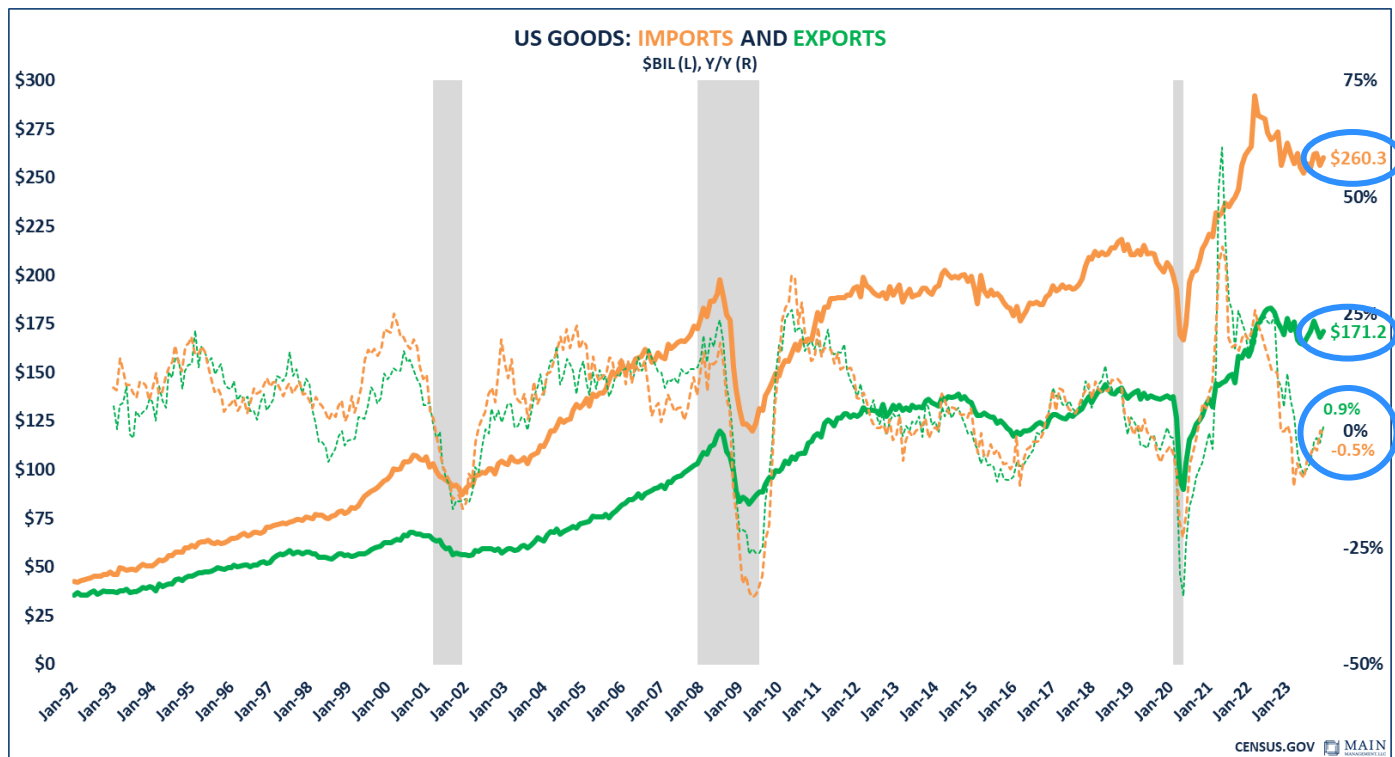
# Imports & Exports

The U.S. Trade Deficit widened slightly to **-\$62.2 billion** in December as both Imports and Exports increased on a M/M basis. For the full year, the deficit stands at **-\$773bil**, the narrowest since 2020.



# Imports & Exports

Goods Imports are 81% of Imports and 45% of Total Trade while Goods Exports are 66% of Exports and 30% of Total Trade. Goods Imports may be trying to break out of their downtrend on an absolute basis and have moved up to -0.5% Y/Y while Exports are trending sideways on an absolute basis and have accelerated to +0.9% Y/Y, the best reading since March 2023.



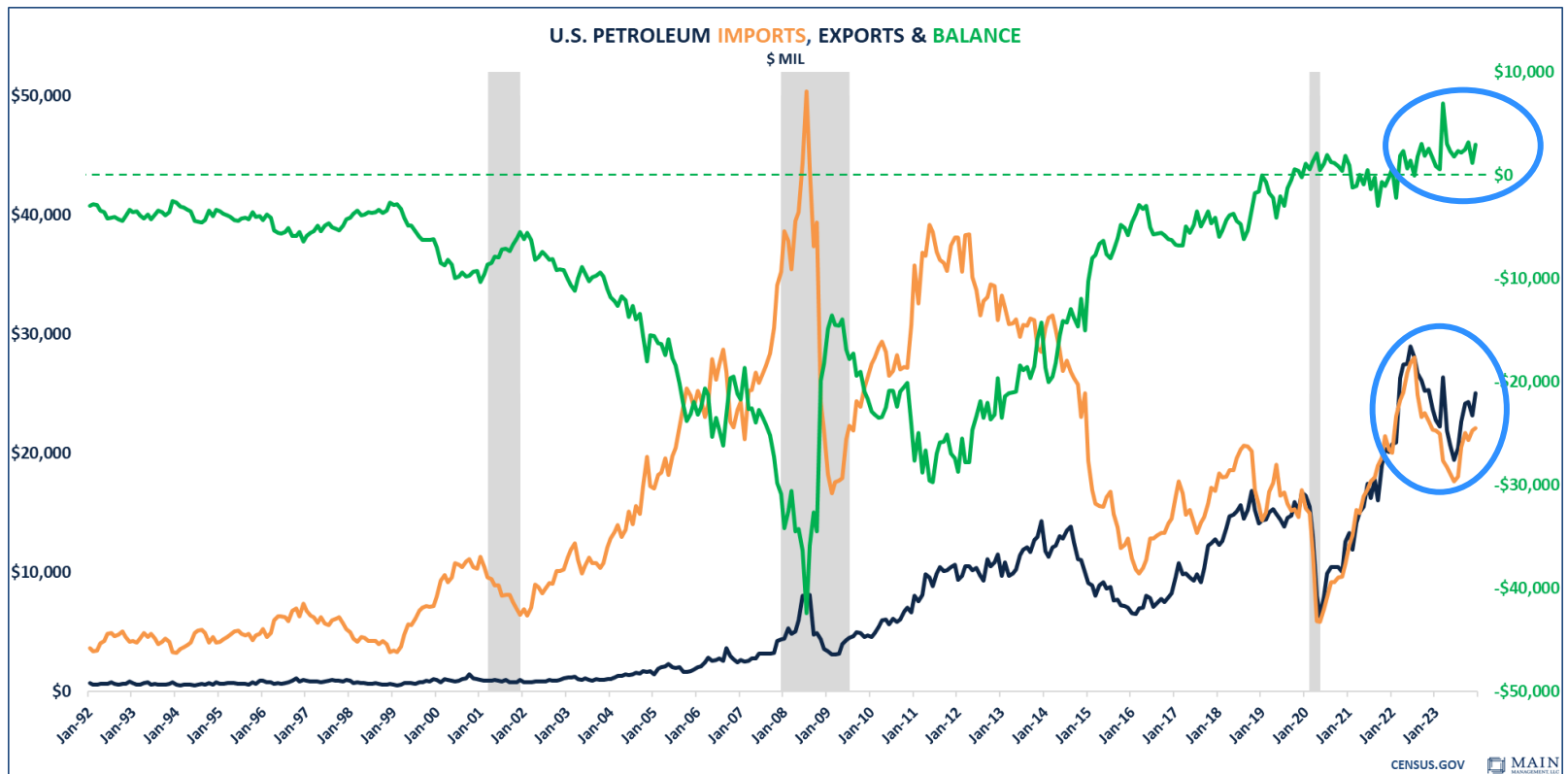
# Imports & Exports

Below we show the absolute levels for the 4 biggest Goods Imports categories on the left, which are Capital Goods, Consumer Goods, Industrial Supplies, and Autos. On the right side, we have those on a Y/Y basis. Autos have been slowing and are also the only category that is positive. Industrial Supplies and Consumer Goods have been in uptrends. Capital Goods have been trying to get back into positive territory.



## Imports & Exports

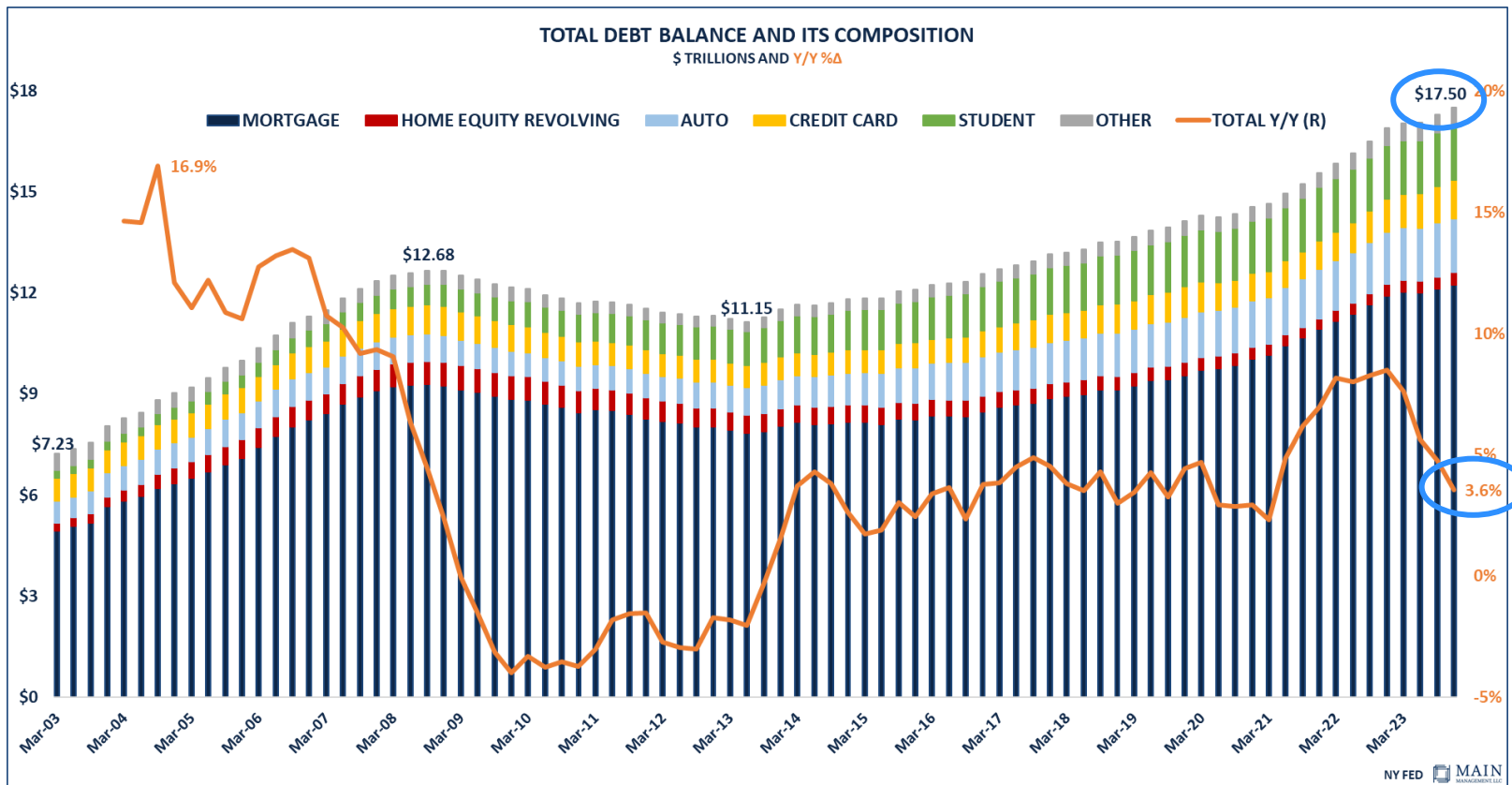
While not a huge portion of trade, it's worth noting that Petroleum Exports have been trending above Petroleum Imports for the last couple years, a significant change from the pre-pandemic dynamic where the U.S. was a massive net importer of Petroleum. Now we export more than we import.





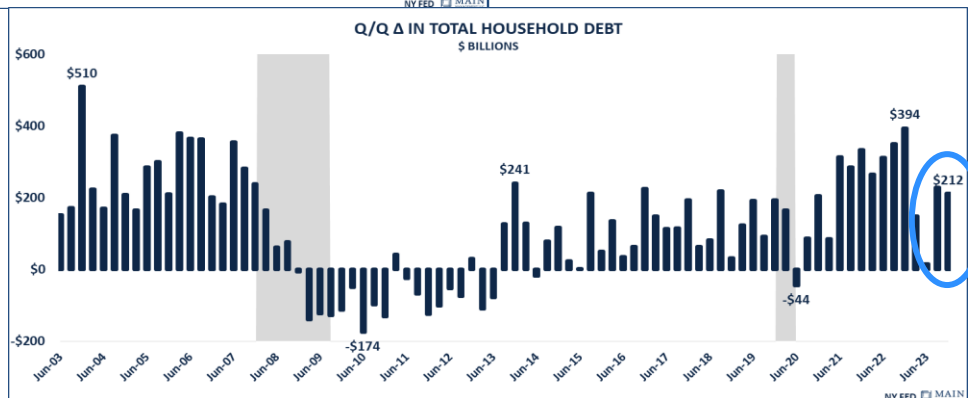
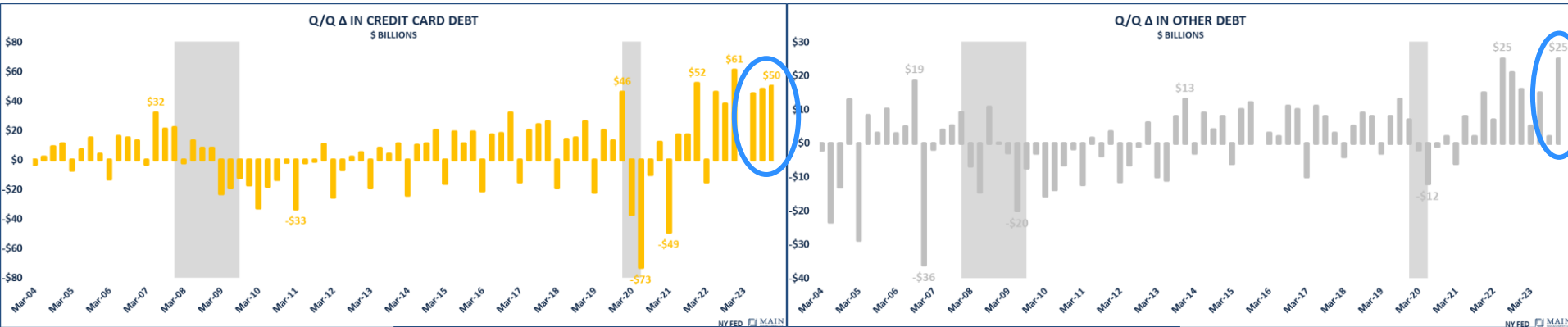
# Household Debt & Credit

The New York Fed's report on Household Debt is out for Q4 2023. Total Debt rose to \$17.5tril, up +3.6% Y/Y, the smallest Y/Y gain since Q3 2021. Credit Card and Other Debt saw outsized increases relative to history.



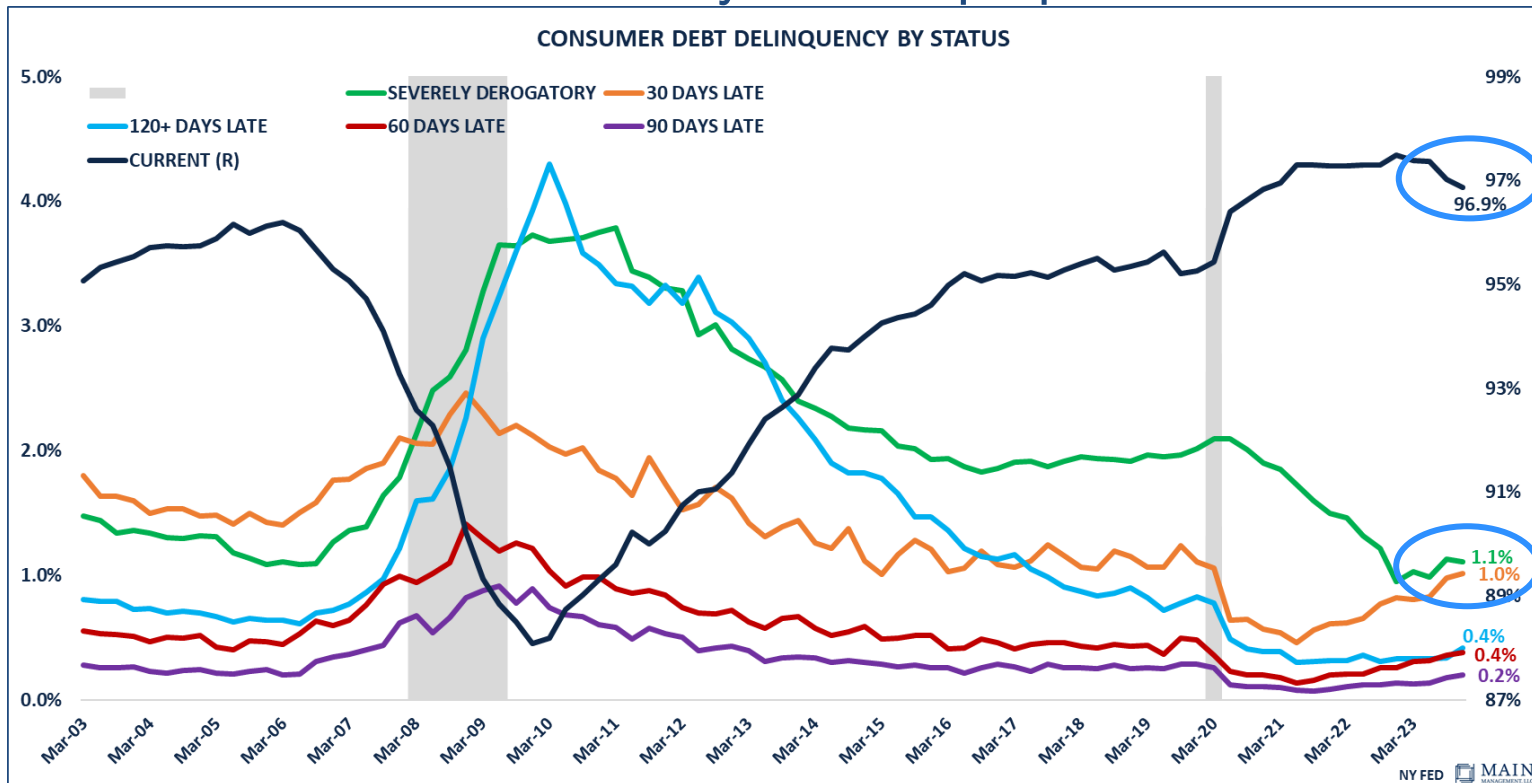
# Household Debt & Credit

Here are the Q/Q changes for Credit Card Debt (yellow), Other Debt (grey), and Total Debt (dark blue). Credit Card Debt jumped by \$50bil in Q4, the 3<sup>rd</sup> biggest Q/Q gain ever. Other Debt rose by \$25bil, tied for the biggest gain ever, while Household Debt posted its 2<sup>nd</sup> straight \$200b+ Q/Q gain at \$212b. As you can see, these 3 categories have all been posting more consistent big gains since covid.



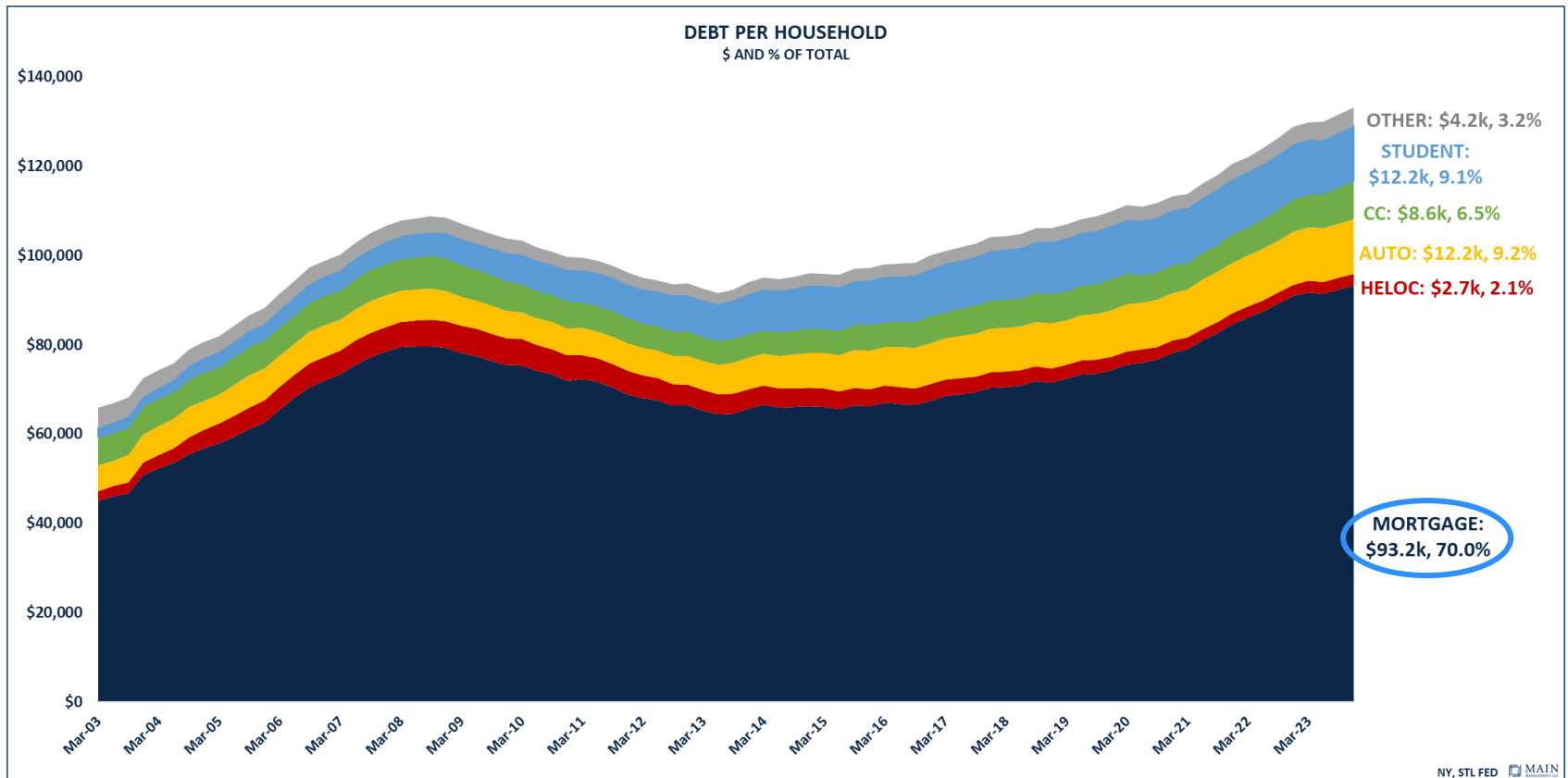
## Household Debt & Credit

As you might expect, with the consistent increase in debt levels has come a rise in delinquency. Notably, Current is down to 96.9%, lowest since Q4 2020. 30, 60, and 90-days late have been steadily rising as well and are at their highest levels since the Q4 2019 / Q1 2020. Still, it's worth mentioning that these current levels remain mostly below the pre-pandemic levels.

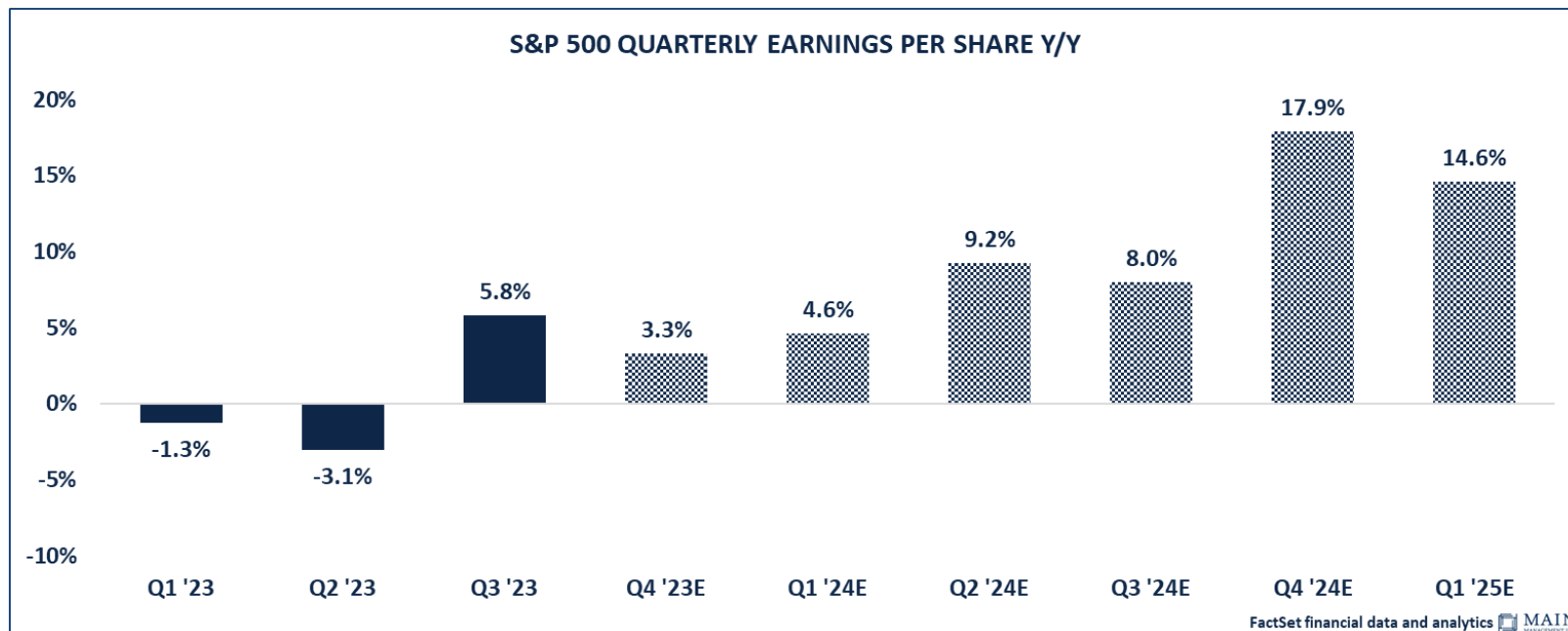


## Household Debt & Credit

On a per Household basis, Debt is up to \$133.2k, an all-time high. Mortgage Debt continues to make up the vast majority of that figure at \$93.2k, or 70%.

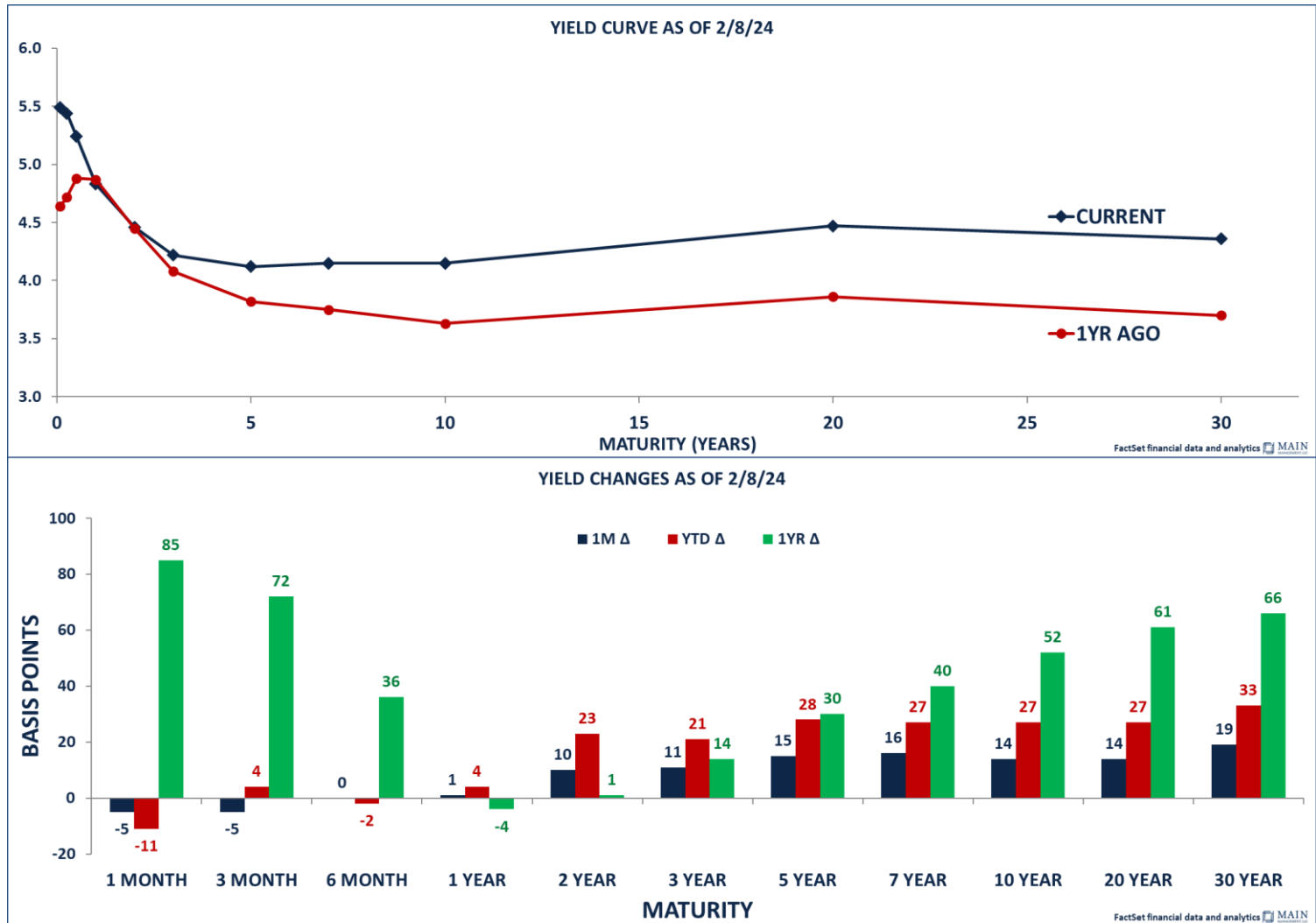


# S&P 500 Earnings Estimates



| S&P 500 EARNINGS ESTIMATES |          |          |          | CHANGE |         |        |         |
|----------------------------|----------|----------|----------|--------|---------|--------|---------|
| PERIOD                     | 2/9/24   | 1WK AGO  | 1MO AGO  | 1WK %Δ | 1WK \$Δ | 1MO %Δ | 1MO \$Δ |
| 1Q23                       | \$52.64  | --       | --       | --     | --      | --     | --      |
| 2Q23                       | \$54.09  | --       | --       | --     | --      | --     | --      |
| 3Q23                       | \$58.18  | --       | --       | --     | --      | --     | --      |
| 4Q23E                      | \$54.63  | \$53.92  | \$52.71  | 1.32%  | \$0.71  | 3.64%  | \$1.92  |
| 1Q24E                      | \$55.06  | \$55.20  | \$55.77  | -0.25% | -\$0.14 | -1.27% | -\$0.71 |
| 2Q24E                      | \$59.09  | \$59.12  | \$59.43  | -0.05% | -\$0.03 | -0.57% | -\$0.34 |
| 3Q24E                      | \$62.82  | \$62.84  | \$63.03  | -0.03% | -\$0.02 | -0.33% | -\$0.21 |
| 4Q24E                      | \$64.40  | \$64.27  | \$63.63  | 0.20%  | \$0.13  | 1.21%  | \$0.77  |
| 2022                       | \$216.44 | --       | --       | --     | --      | --     | --      |
| 2023E                      | \$218.57 | \$217.94 | \$217.01 | 0.29%  | \$0.63  | 0.72%  | \$1.56  |
| 2024E                      | \$242.20 | \$242.17 | \$242.58 | 0.01%  | \$0.03  | -0.16% | -\$0.38 |

# Yields



## Disclosures

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