

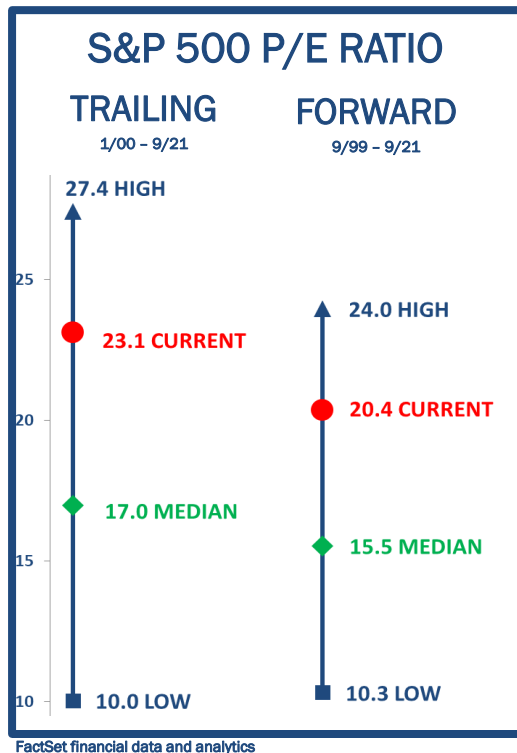


Main Management Market Note: October 22, 2021

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Executive Summary



Industrial Production declined in September, dropping -1.3% M/M versus expectations of a +0.2% gain. Hurricane Ida was a big part of the decline. Capacity Utilization also fell to 75.2%, the lowest since April 2021.

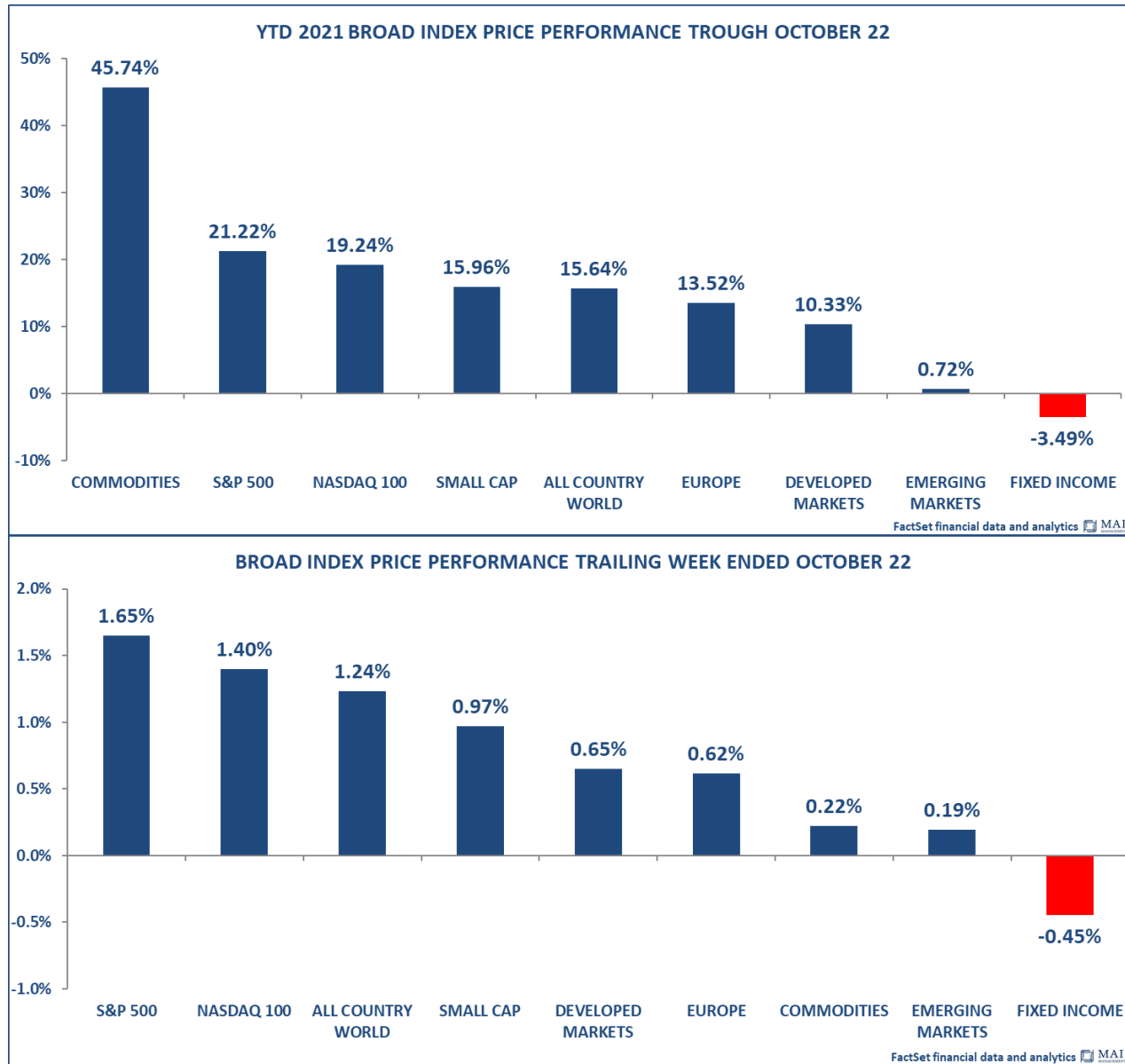
September Housing Starts were down -1.6% M/M as August was also revised lower. Housing Starts are now running at a 1.555 million unit seasonally adjusted annual rate and are up +7.4% from a year ago.

Existing Home Sales rose unexpectedly in September, posting a +7.0% M/M gain. They are now at 6.29 million units SAAR but remain down -2.3% Y/Y. The Median Existing Home Price posted its 115th consecutive month of Y/Y gains.

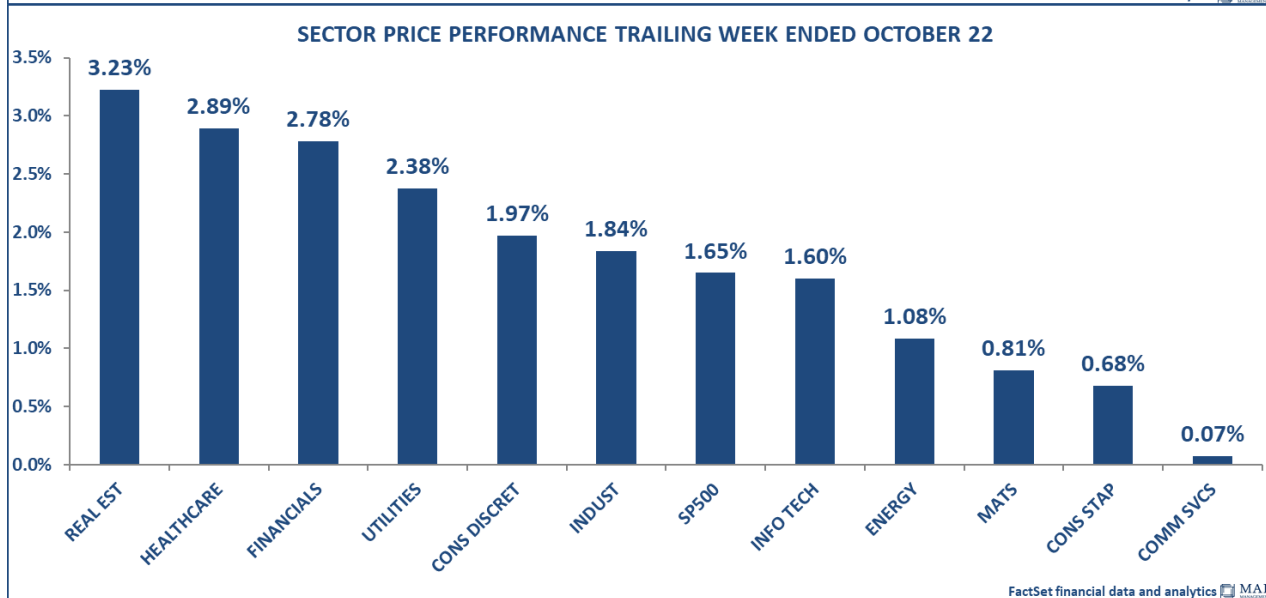
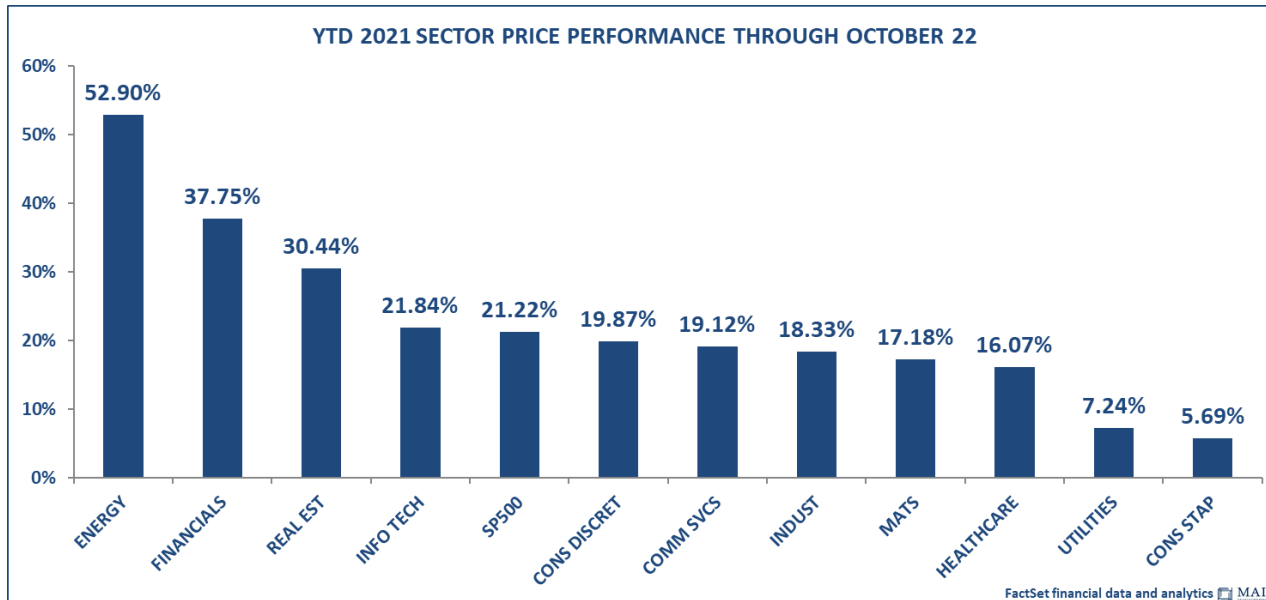
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Broad Index Performance



S&P 500 Sector Performance



Recession Dashboard

| RECESSION START | INFLATION | CONSUMER | YIELD CURVE | HOUSING | ECRI WLI | AUTOS | EMPLOYMENT | PMI | RETAIL SALES |
|-----------------|-----------|----------|-------------|---------|----------|-------|------------|-----|--------------|
| NOV 1973 | ↓ | — | — | ↓ | ↓ | --- | ↓ | ↓ | --- |
| JAN 1980 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | --- |
| JUL 1981 | ↓ | ↓ | ↓ | ↓ | ↔ | ↓ | ↓ | ↓ | --- |
| JUL 1990 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↔ | --- |
| MAR 2001 | ↔ | ↓ | ↓ | ↔ | ↓ | ↔ | ↓ | ↓ | ↔ |
| DEC 2007 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| DEC 2020 | ↑ | ↔ | ↔ | ↑ | ↔ | ↔ | ↓ | ↑ | ↑ |
| OCT 2021 | ↓ | ↑ | ↑* | ↑ | ↑ | ↔ | ↔ | ↑ | ↔ |

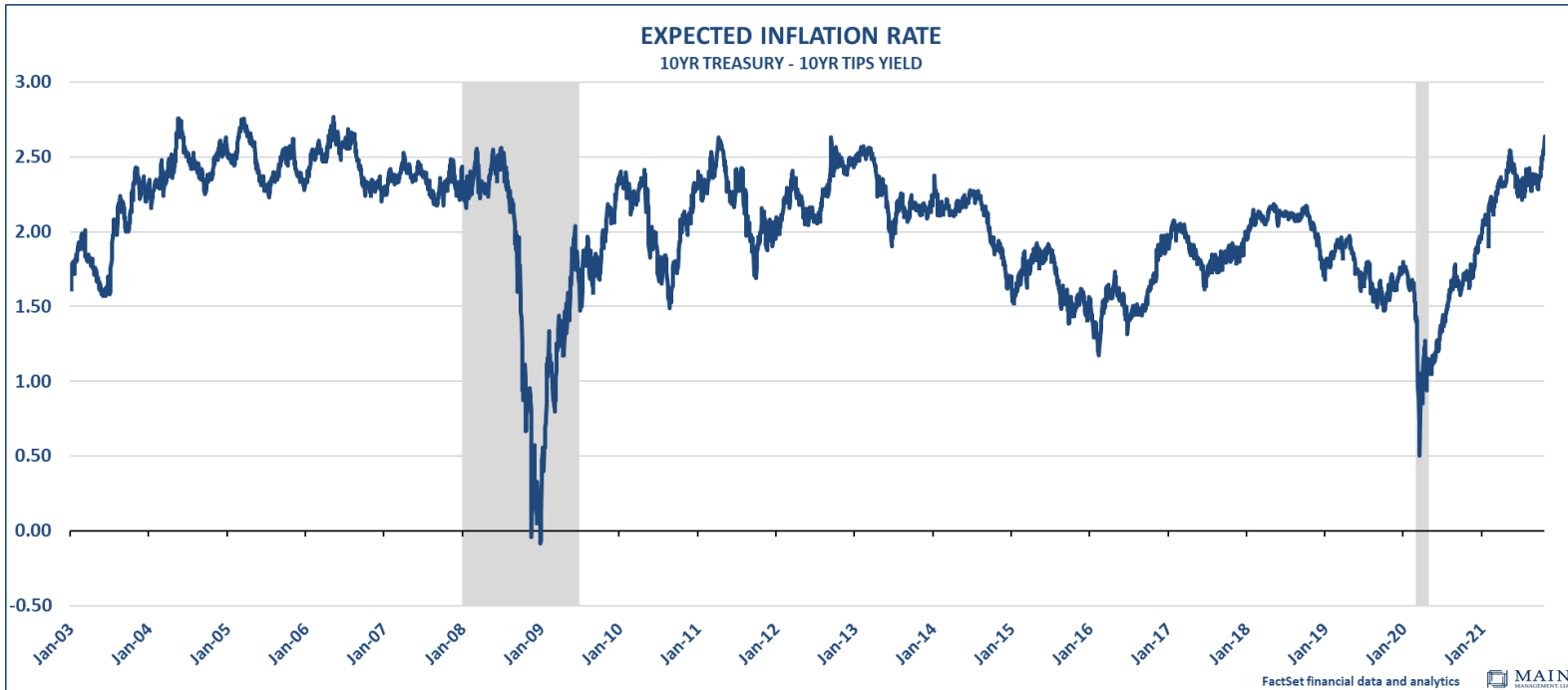
↑ Positive
 ↔ Neutral
 ↓ Negative



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. **ECRI WLI:** ECRI Weekly Leading Index. Source: businesscycle.com. **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 5/23/19 and again on 1/30/20.

Inflation Watch



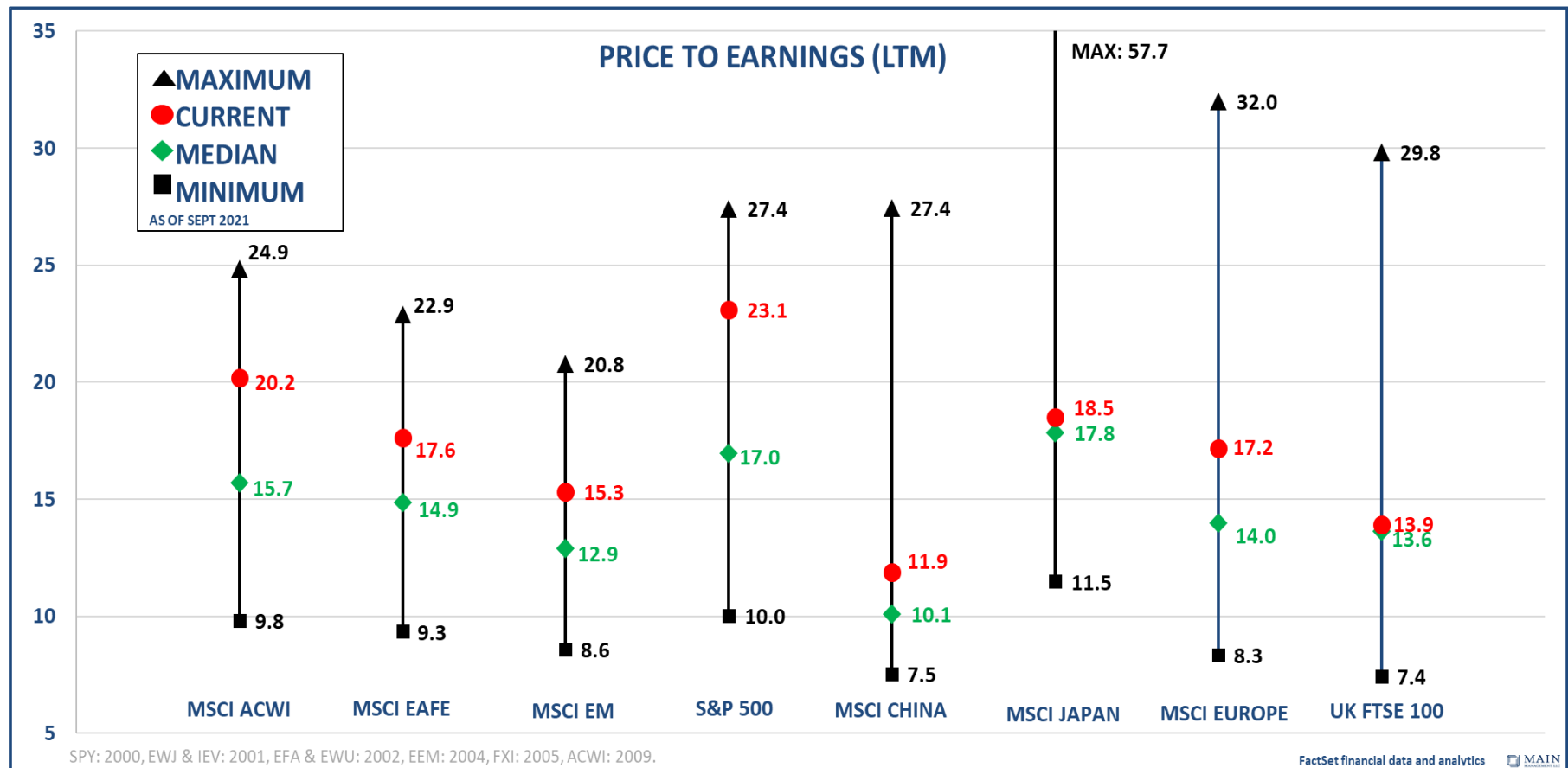
FactSet financial data and analytics MAIN MANAGEMENT, LLC

| COMMODITY | 1MO | YTD | 3MO | 12MO |
|-----------------------|-------|--------|--------|--------|
| REUTERS/JEFFERIES CRB | 8.4% | 41.0% | 11.1% | 56.6% |
| S&P GSCI | 11.1% | 45.7% | 12.4% | 63.7% |
| LUMBER | 12.8% | -22.2% | 16.3% | 30.1% |
| GASOLINE | 3.2% | 46.9% | 4.3% | 50.8% |
| NATURAL GAS | 3.1% | 116.7% | 29.8% | 73.4% |
| WTI CRUDE | 17.0% | 70.6% | 17.4% | 106.9% |
| COTTON | 16.4% | 35.9% | 19.1% | 49.4% |
| CORN | 2.9% | 10.0% | -6.9% | 28.6% |
| COPPER | 11.1% | 30.5% | 7.1% | 43.6% |
| SOYBEANS | -3.9% | -6.9% | -15.0% | 14.2% |
| SILVER | 7.5% | -8.6% | -4.3% | -3.5% |
| COFFEE | 10.9% | 58.5% | 15.5% | 95.2% |
| GOLD | 0.5% | -6.1% | -1.2% | -7.4% |
| BITCOIN | 49.7% | 114.1% | 99.0% | 393.2% |
| US DOLLAR DXY | 0.6% | 4.3% | 1.1% | 1.3% |

Data as of October 21, 2021

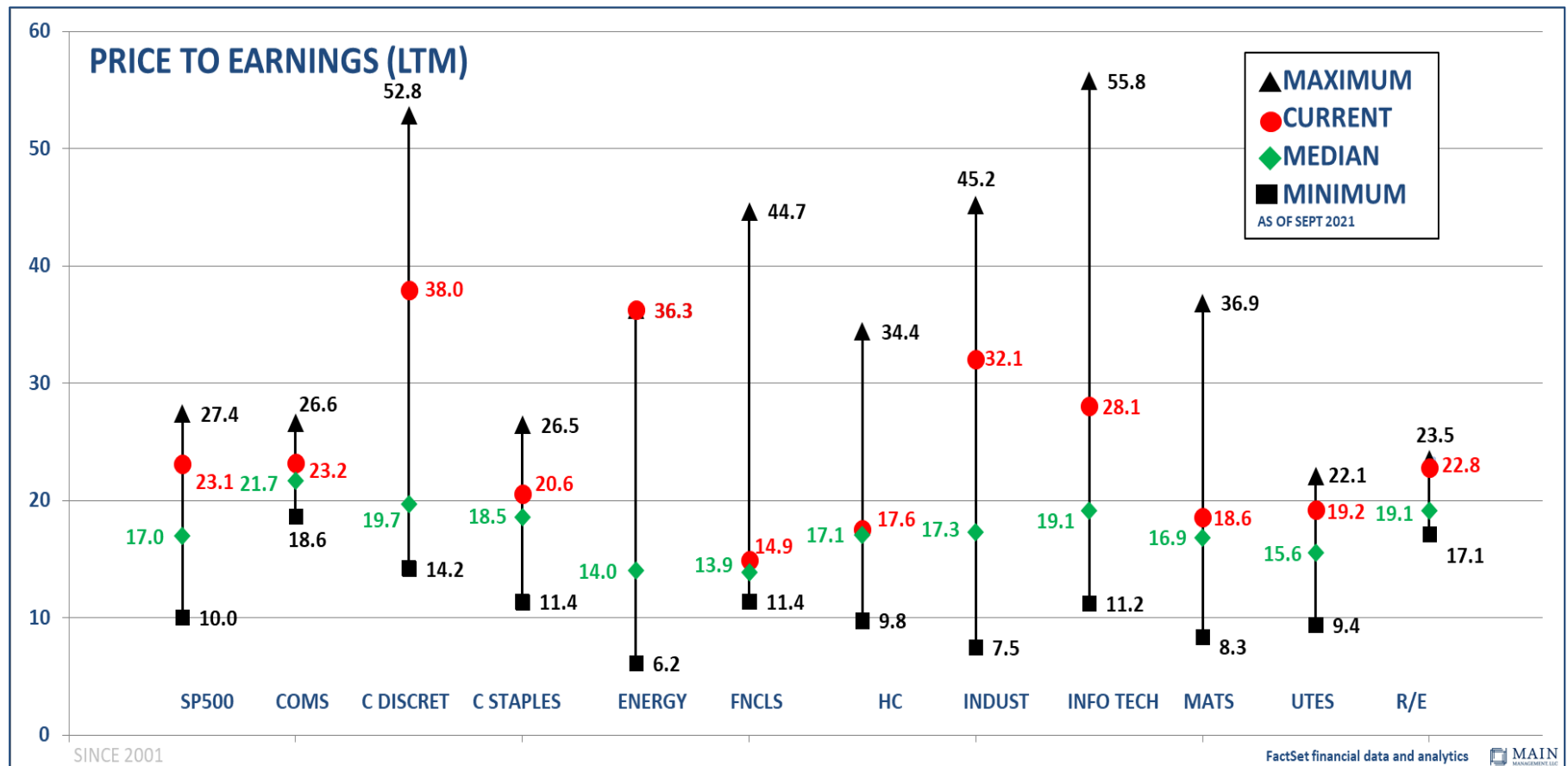
Broad Index Valuations

Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of several major global indices. This is just one of the data points we look at for our valuation work.



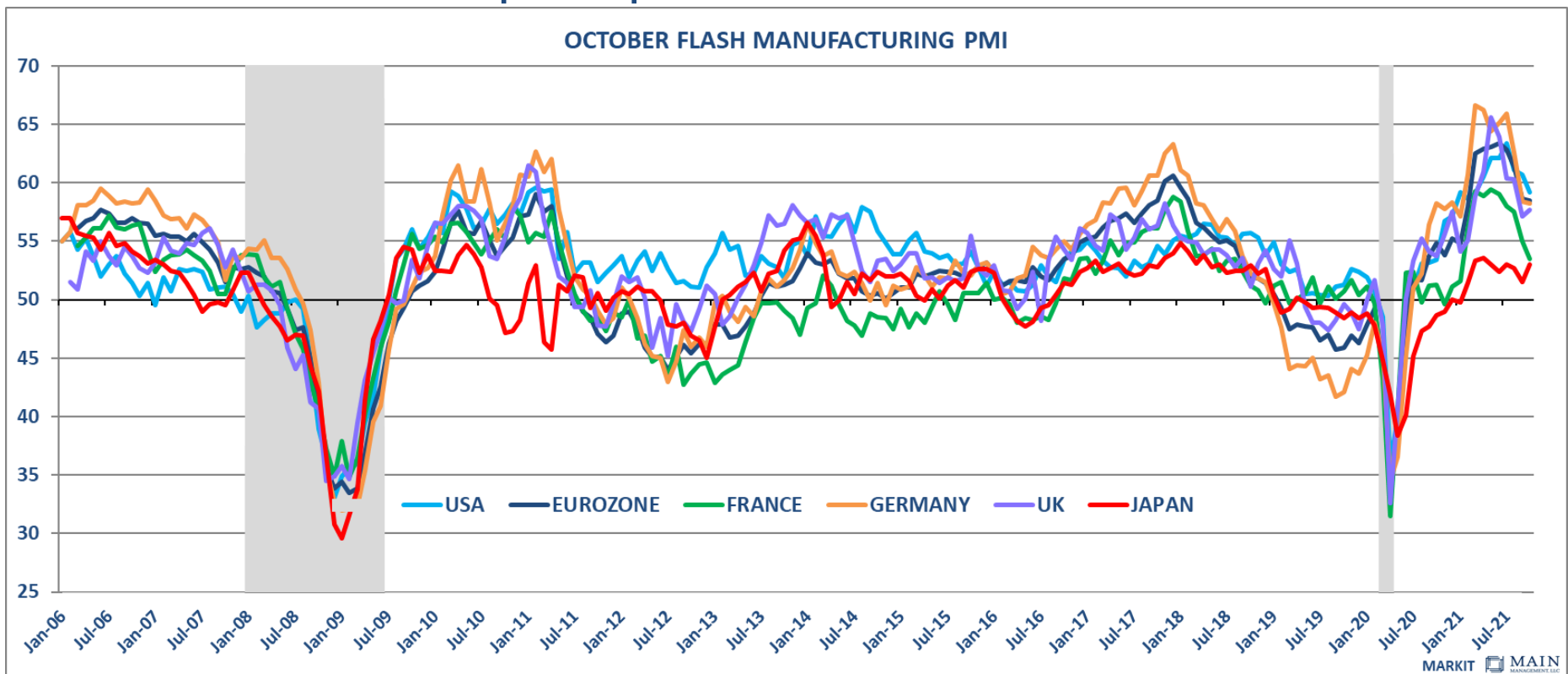
US Sector Valuations

Below is a chart showing the current, median, and high/low values for the Price-to-Earnings value of the 11 S&P 500 sectors. This is just one of the data points we look at for our valuation work.



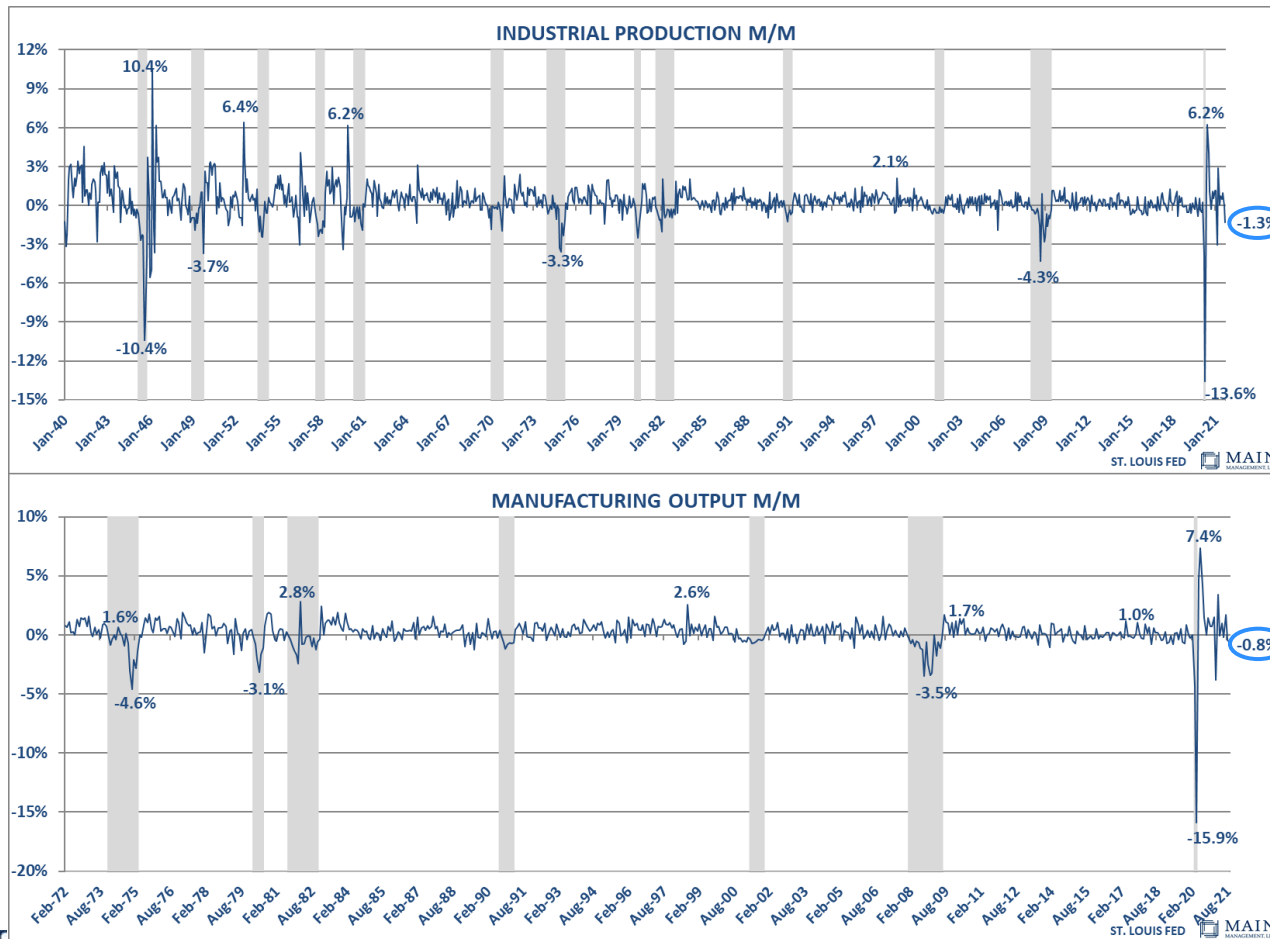
Of Note This Week

October Flash PMIs were released this week. The manufacturing sector was largely weaker, although all the flash readings are still above 50. The U.S. declined to 59.2 from 60.7, a 7-month low. Germany moved down to 58.2 from 58.4, a 9-month low. France dipped to 53.5 from 55.0, also a 9-month low. The UK rose to 57.7 from 57.1. The Eurozone ticked down to 58.5 from 58.6, an 8-month low. Japan improved to 53.0 from 51.5. Japan improved to 53.0 from 51.5.



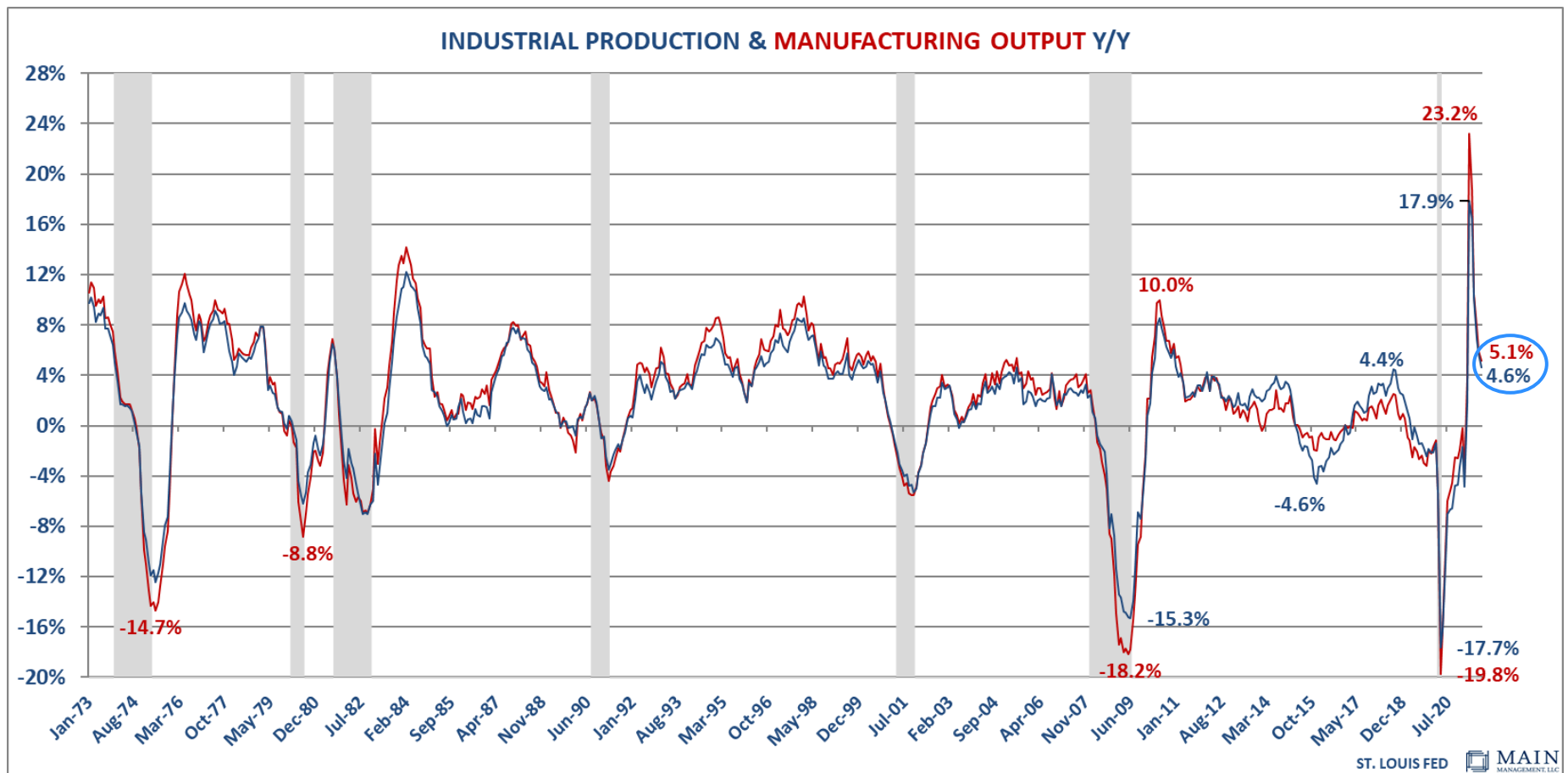
Industrial Production

Industrial Production declined -1.3% M/M in September, well below expectations for a +0.2% gain. August was revised down to a -0.1% decline from a +0.4% gain
Manufacturing Output was down -0.8%. Hurricane Ida was a big part of the declines in September.



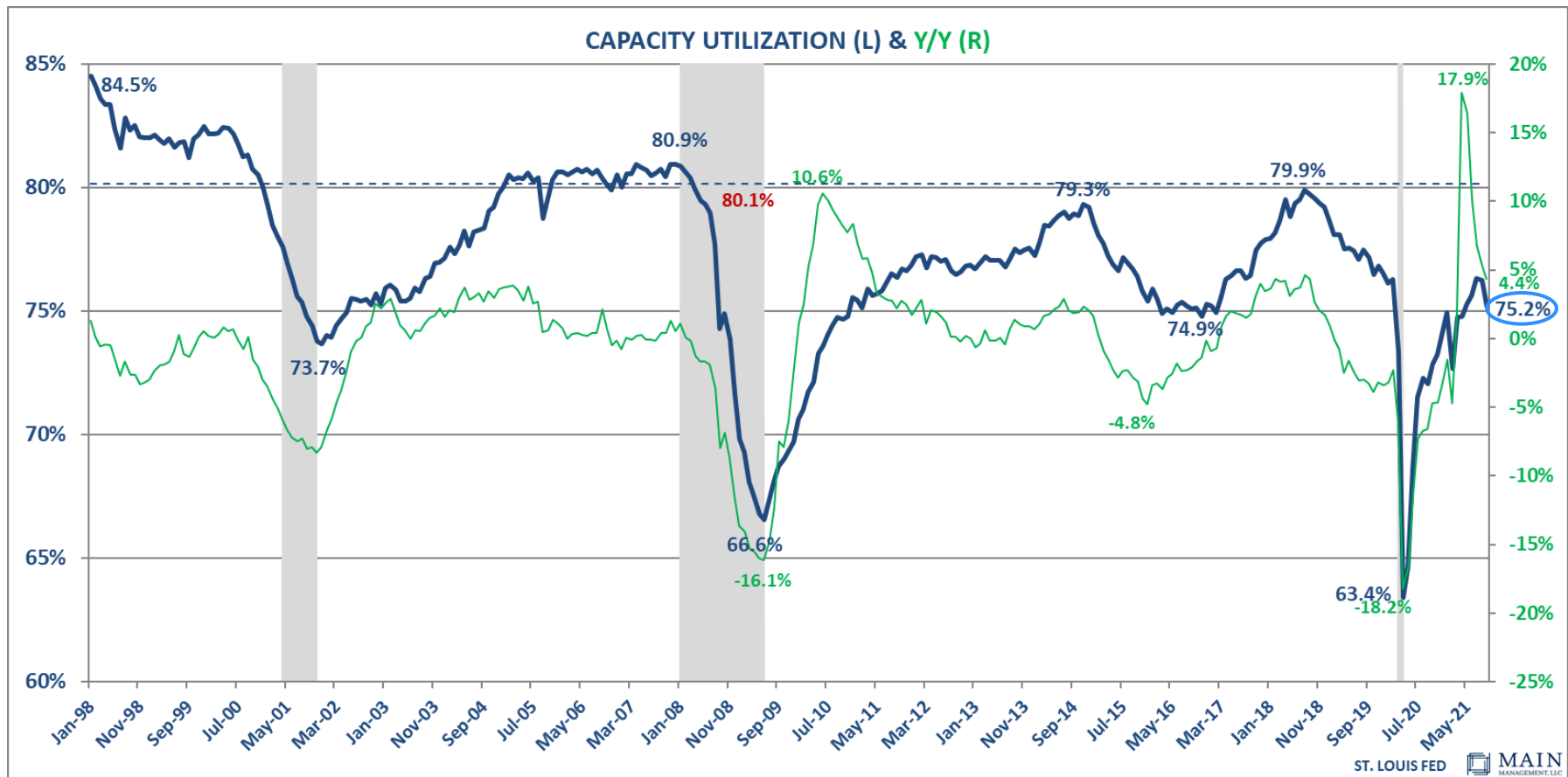
Industrial Production

On a Y/Y basis, Industrial Production is now up +4.6% while Manufacturing Output is up +5.1%. Despite recent decelerations, both are above their long-term median Y/Y gains, which are +3.3% for Industrial Production and +2.5% for Manuf. Output.



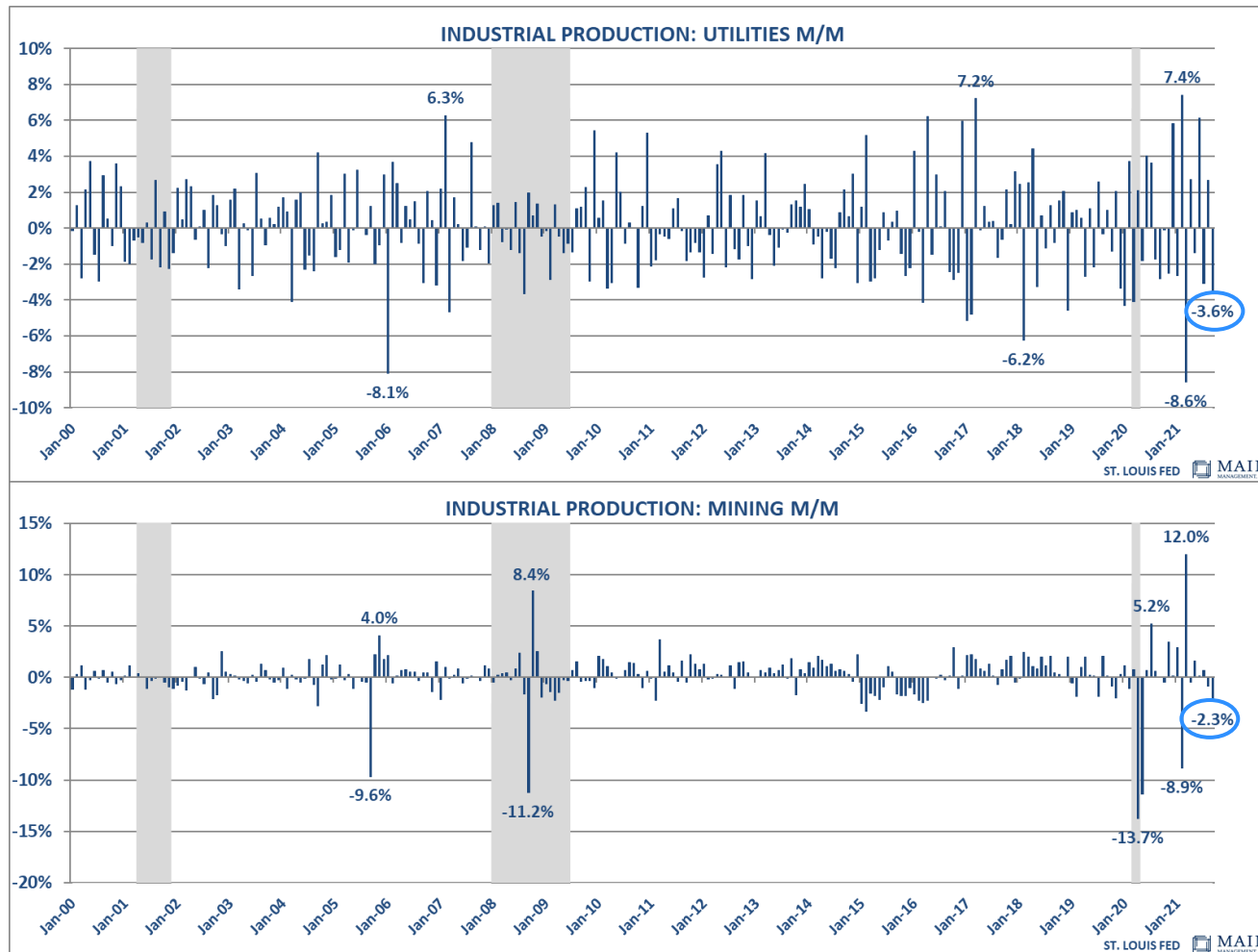
Industrial Production

Capacity Utilization fell to 75.2%, the lowest since April 2021. It's now up +4.4% from a year ago but remains above its long-term median Y/Y gain of +0.3%.



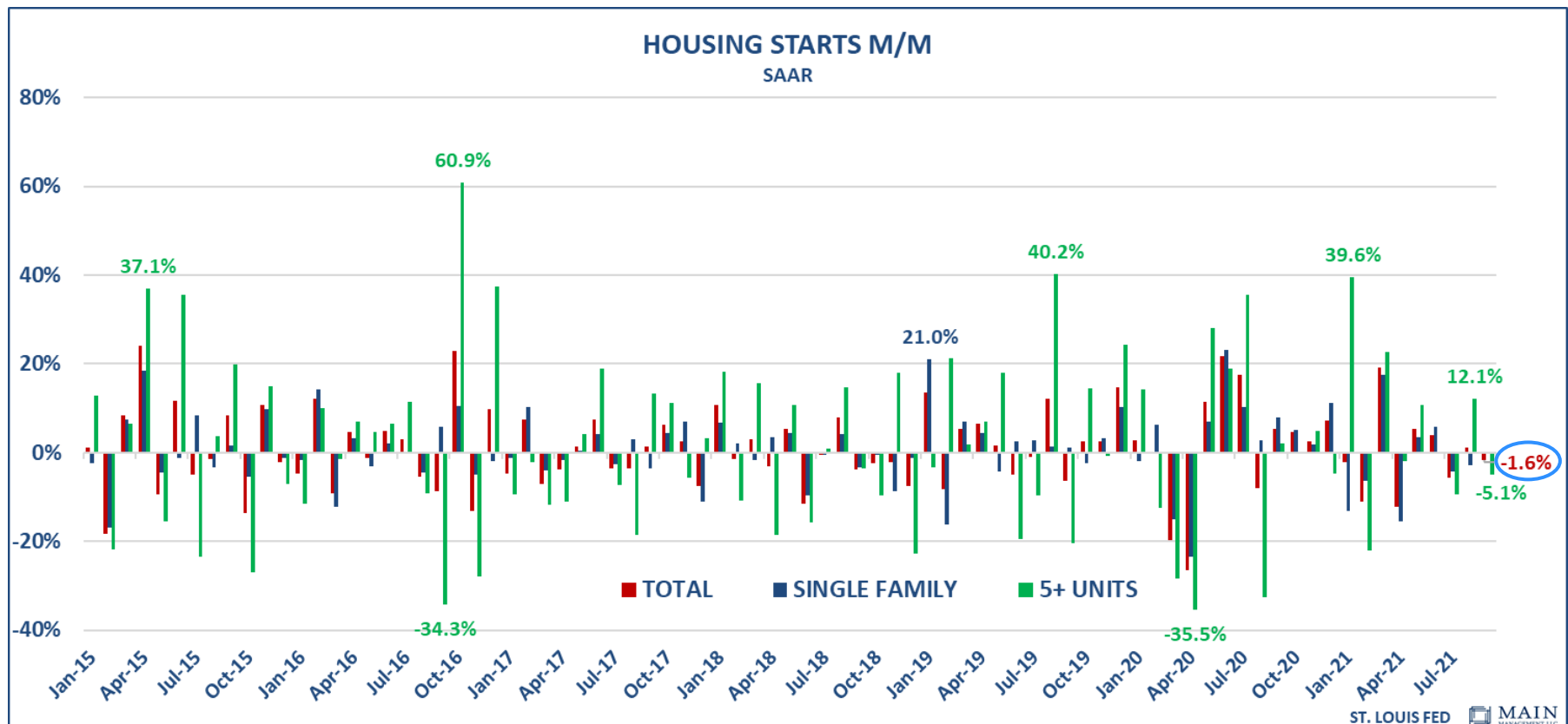
Industrial Production

Utilities were down -3.6% M/M and Mining was down -2.3% M/M in September, also due to Hurricane Ida effects.



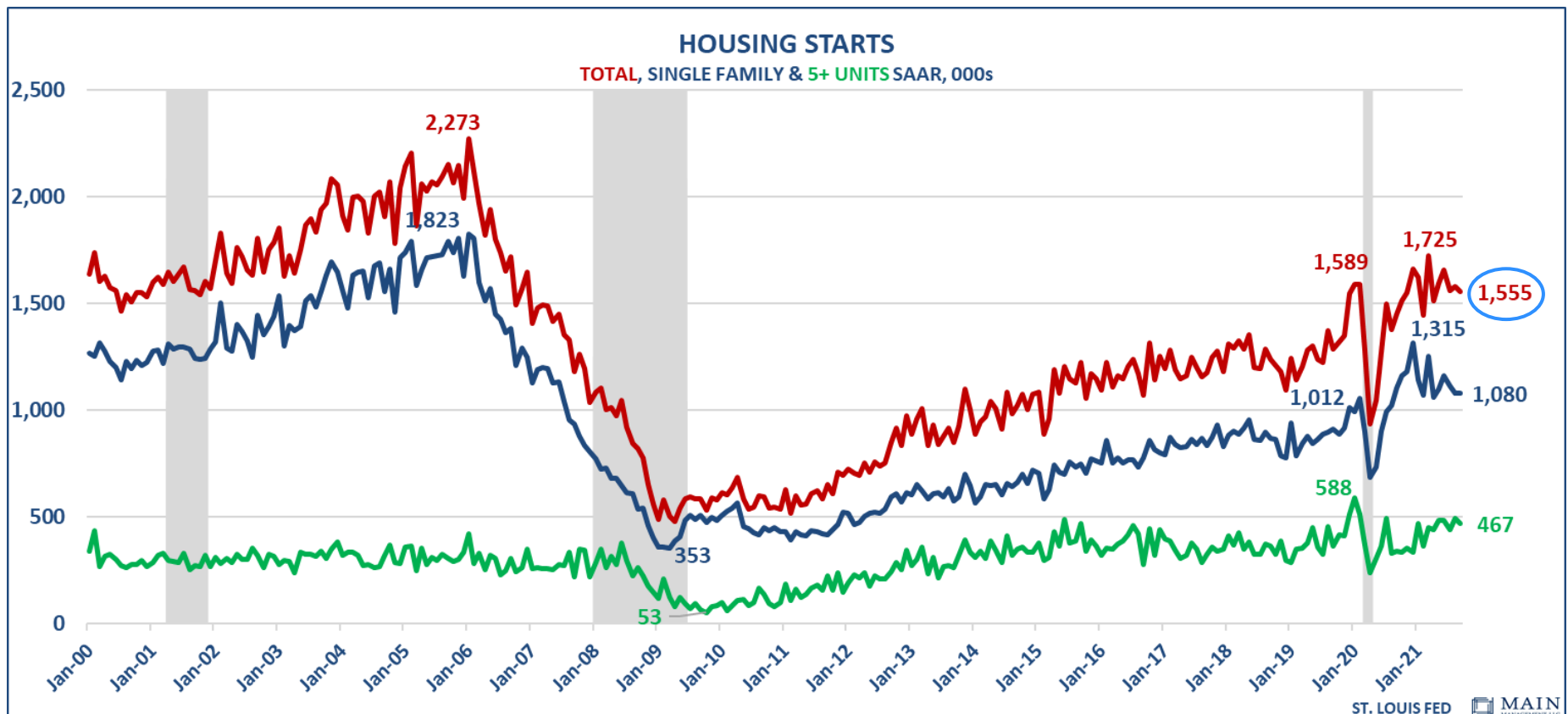
Housing Starts

Total Housing Starts were down -1.6% M/M in September, with August being revised lower as well. Single Family Starts were flat M/M while Multi-Family Starts fell -5.1% M/M.



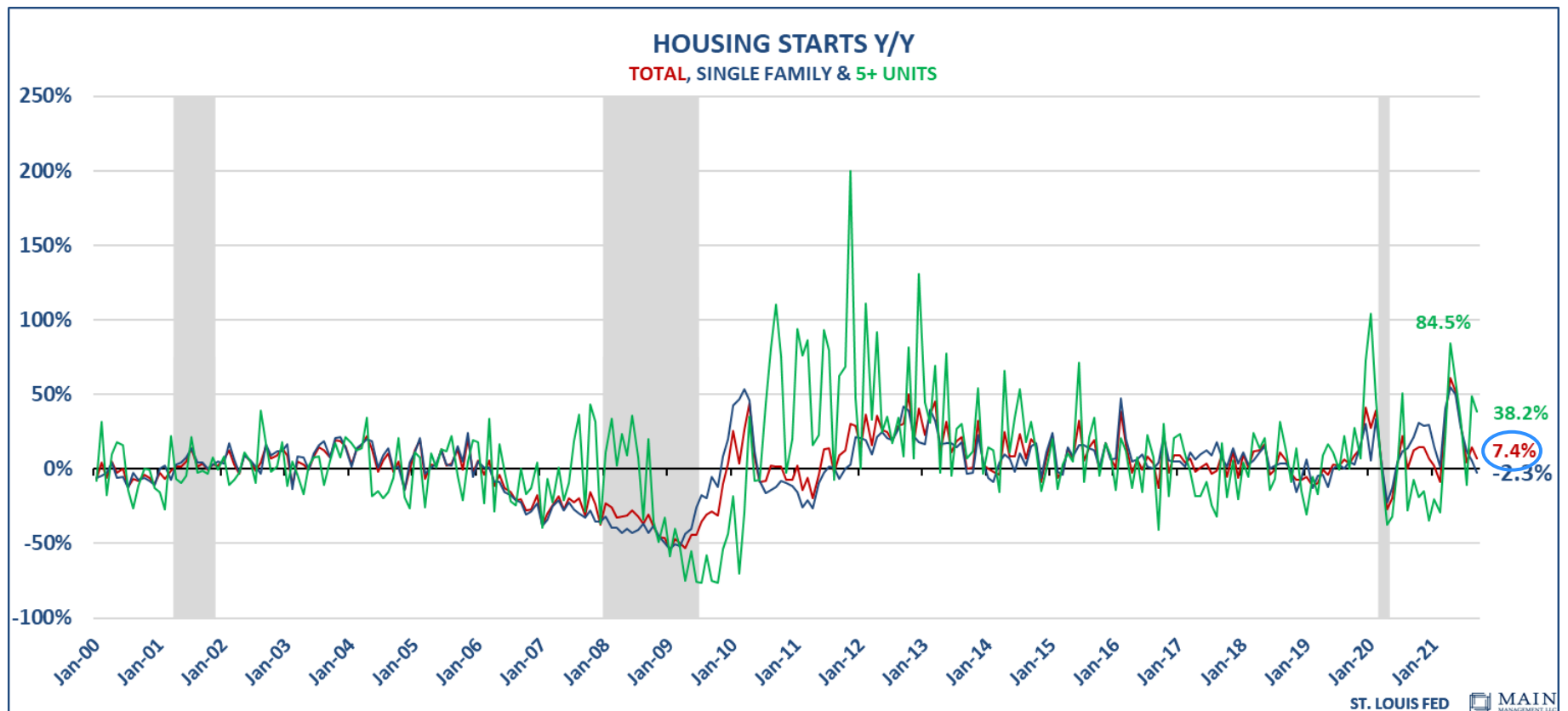
Housing Starts

Total Starts slowed to a seasonally adjusted annual rate of 1.555 million, below expectations of 1.62 million. That's the slowest rate in 5 months as labor and material shortages continue to weigh on the market. Single Family Starts were flat at 1.08 million units while Multi-Family Starts slowed to 467,000 units.



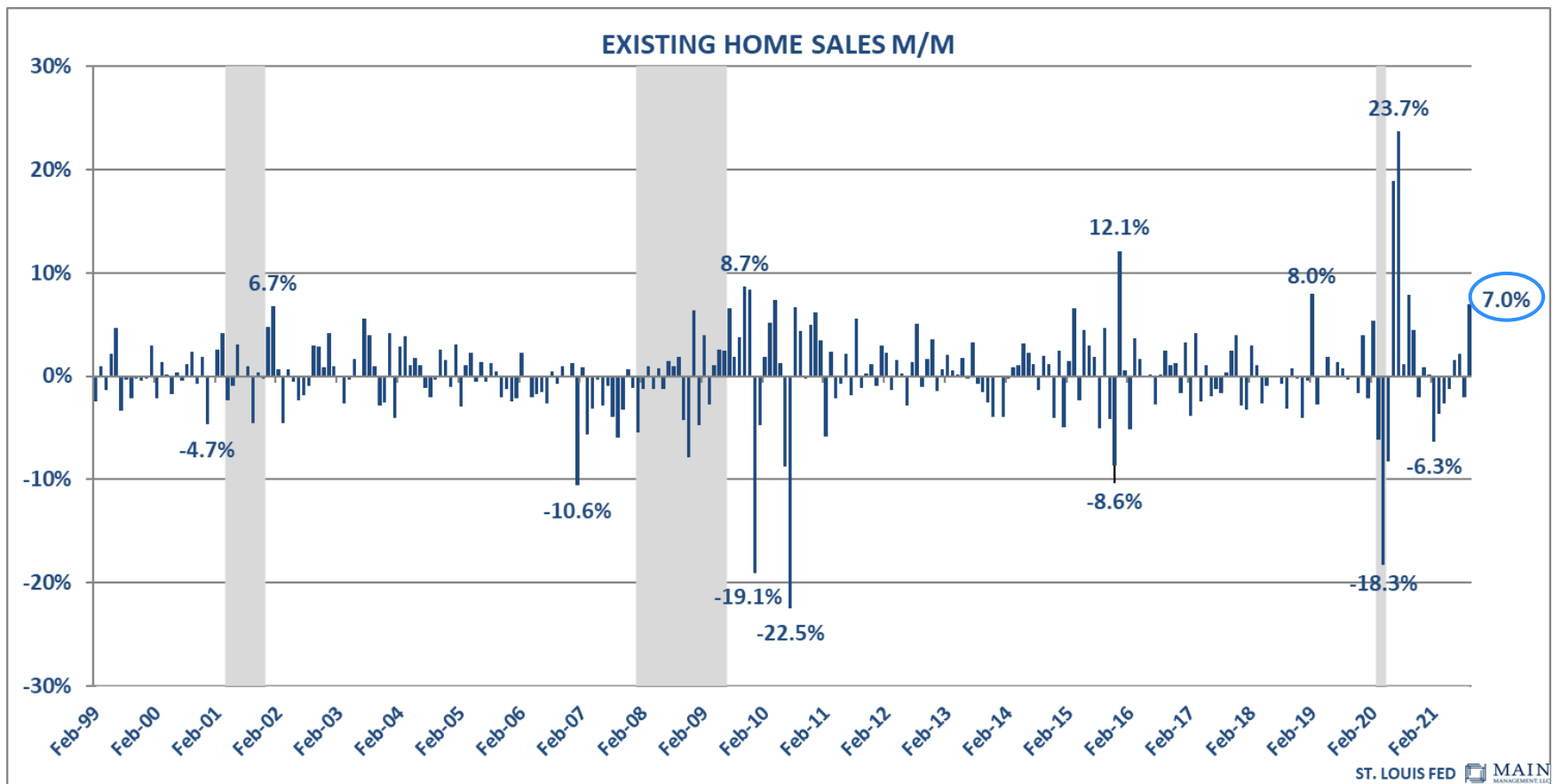
Housing Starts

On a Y/Y basis, Total Housing Starts are up +7.4%, Single Family Starts are down -2.3%, and Multi-Family Starts are up +38.2%.



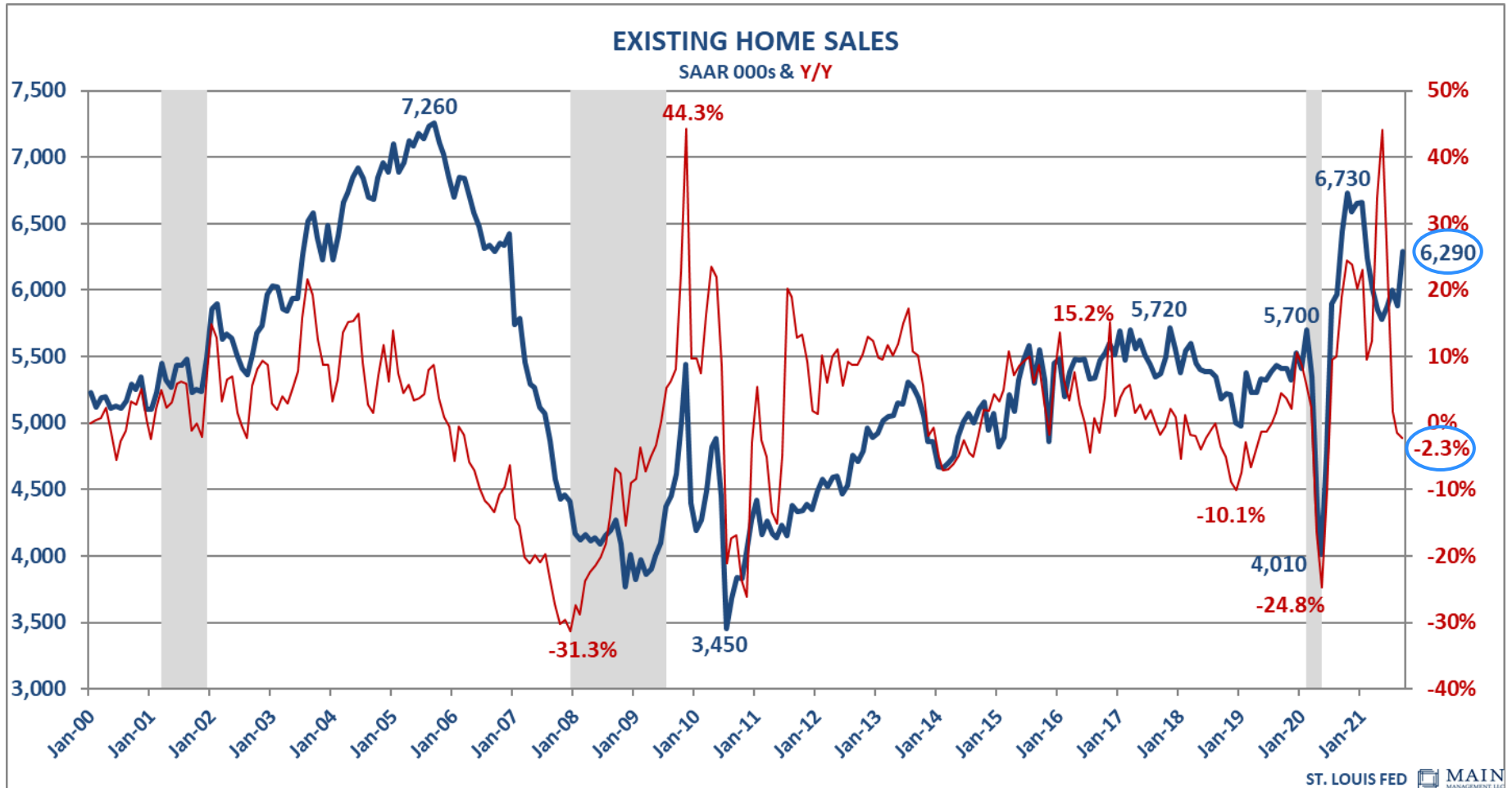
Existing Home Sales

Existing Home Sales jumped +7.0% M/M in September, the biggest gain since September 2020. A slight decline in the mortgage rate is credited with some of this strength.



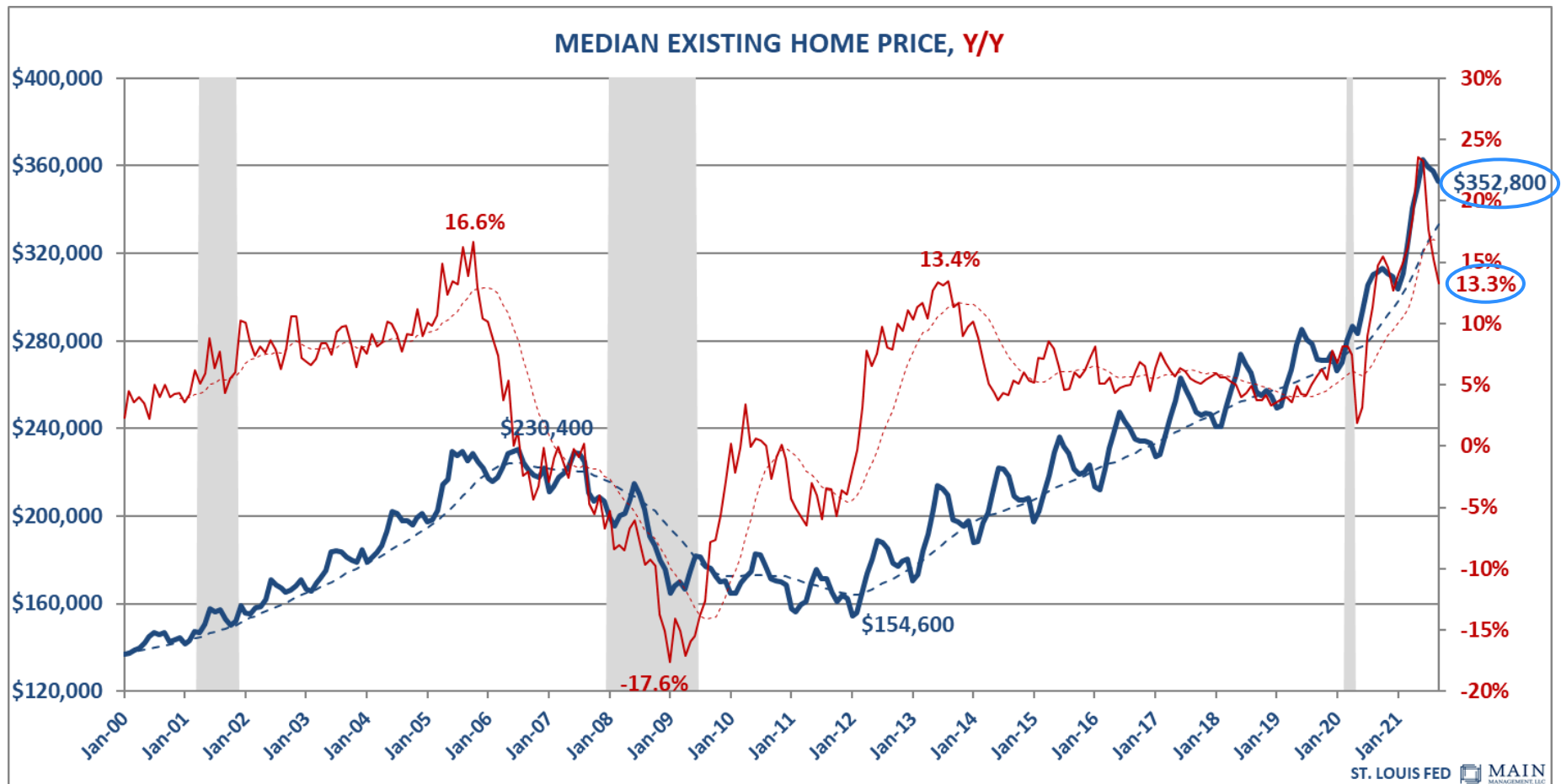
Existing Home Sales

Existing home sales rose to 6.29 million units on a seasonally adjusted annual rate, the fastest rate in 8 months. However, they're still down -2.3% Y/Y.



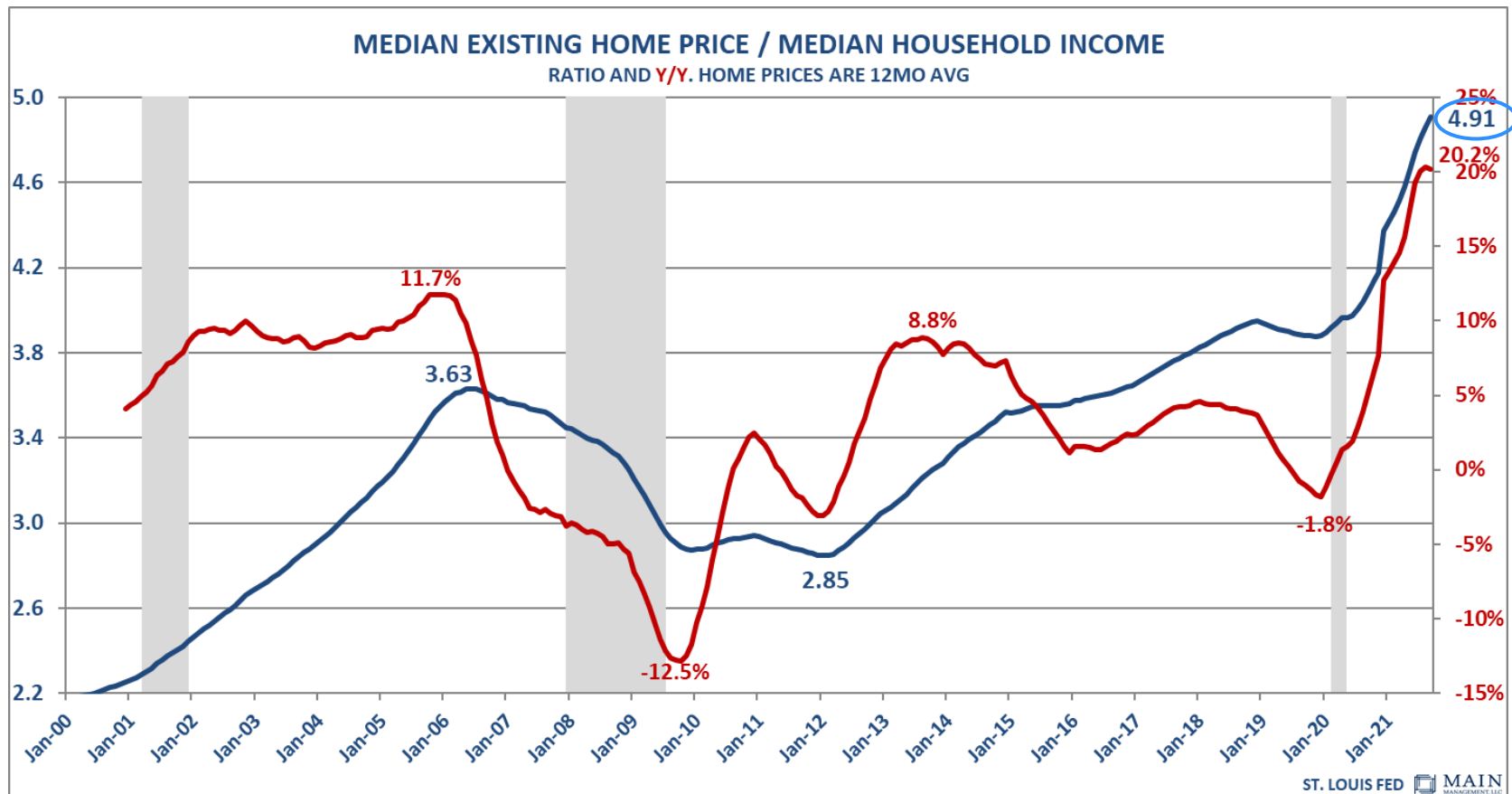
Existing Home Sales

The Median Existing Home Price declined to \$352,800 in September but is still up +13.3% Y/Y. For some perspective, we haven't had a negative Y/Y reading on existing home prices since February 2012! That's 115 straight months!!

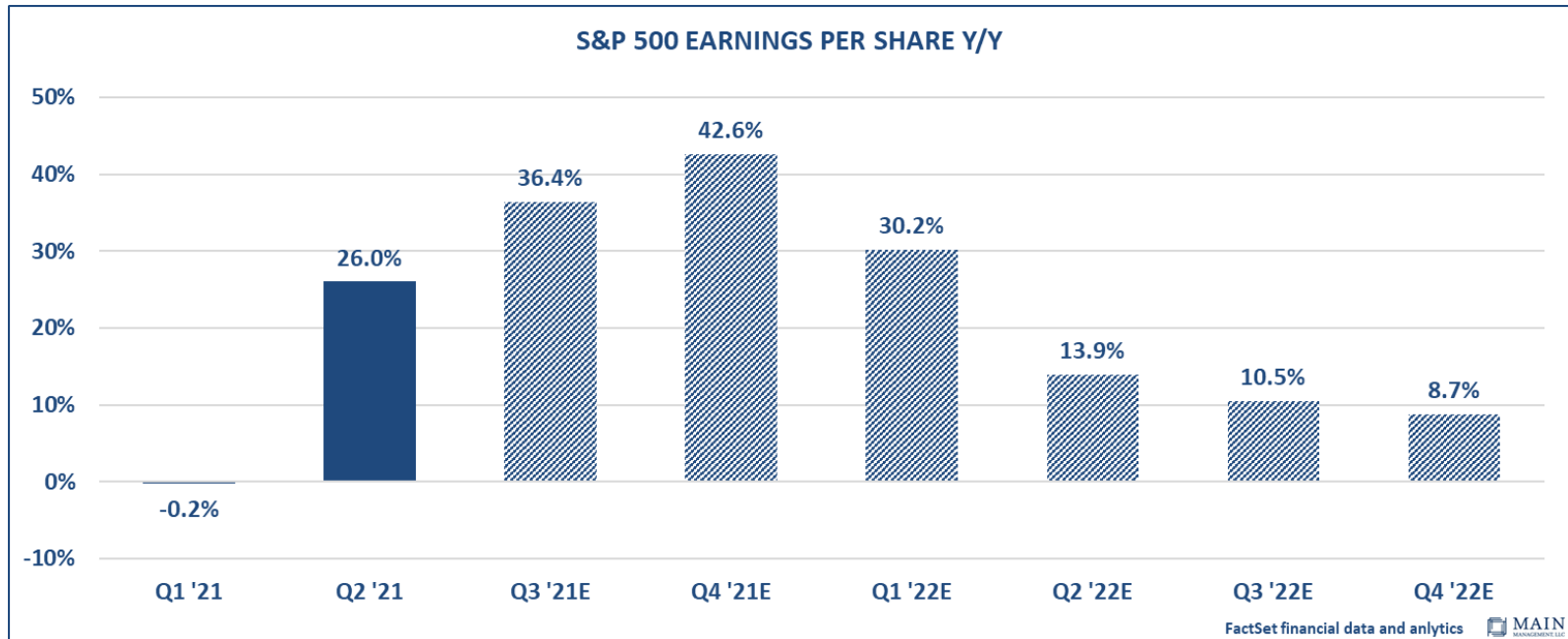


Existing Home Sales

Affordability continues to take a hit, as the median existing home price is now 4.91x the median household income. Granted, there are more elements at play here, like the down payment size and cost of servicing mortgage debt which is basically at an all-time low, but still, you get the idea. And even with near-record prices, demand remains solid.



S&P 500 Earnings Estimates

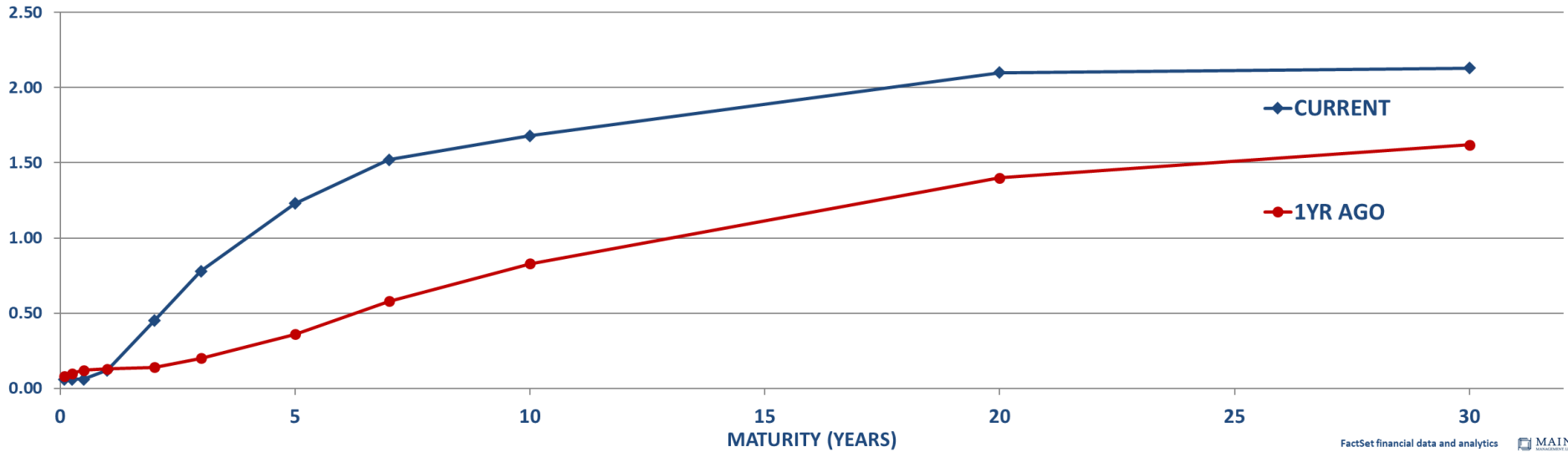


| S&P 500 EARNINGS ESTIMATES | | | | CHANGE | | | |
|----------------------------|----------|----------|----------|--------|---------|--------|---------|
| PERIOD | 10/22/21 | 1WK AGO | 1MO AGO | 1WK %Δ | 1WK \$Δ | 1MO %Δ | 1MO \$Δ |
| 1Q21 | \$48.62 | \$48.62 | \$48.62 | -- | -- | -- | -- |
| 2Q21 | \$52.26 | \$52.26 | \$52.26 | -- | -- | -- | -- |
| 3Q21E | \$49.99 | \$49.38 | \$48.36 | 1.24% | \$0.61 | 3.37% | \$1.63 |
| 4Q21E | \$51.02 | \$50.97 | \$50.56 | 0.10% | \$0.05 | 0.91% | \$0.46 |
| 1Q22E | \$51.53 | \$51.36 | \$51.24 | 0.33% | \$0.17 | 0.57% | \$0.29 |
| 2Q22E | \$54.52 | \$54.45 | \$54.27 | 0.13% | \$0.07 | 0.46% | \$0.25 |
| 3Q22E | \$55.90 | \$55.68 | \$55.51 | 0.40% | \$0.22 | 0.70% | \$0.39 |
| 4Q22E | \$57.58 | \$57.47 | \$57.36 | 0.19% | \$0.11 | 0.38% | \$0.22 |
| 2020 | \$138.68 | \$138.68 | \$138.68 | -- | -- | -- | -- |
| 2021E | \$200.59 | \$200.20 | \$198.80 | 0.19% | \$0.39 | 0.90% | \$1.79 |
| 2022E | \$218.81 | \$218.46 | \$217.71 | 0.16% | \$0.35 | 0.51% | \$1.10 |

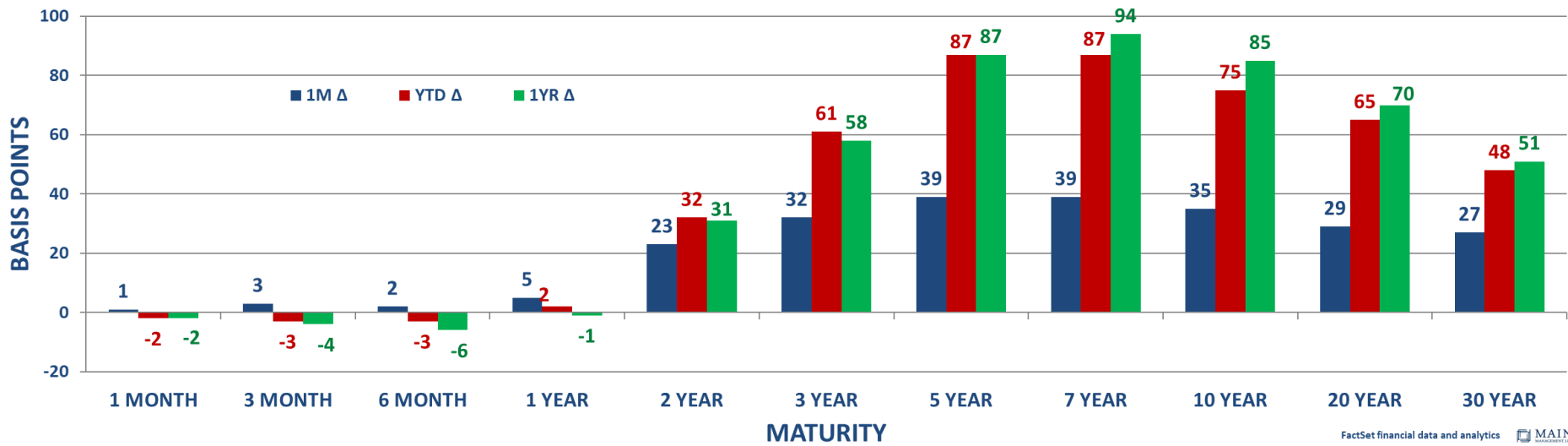
FactSet financial data and analytics

Yields

YIELD CURVE AS OF 10/21/21



YIELD CHANGES AS OF 10/21/21
BPS



Disclosures

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