



THOUGHT LEADERSHIP

# Visualizing Market Dynamics: A Guide to Market Trends

Helping Build Solid  
Investment Foundations  
July 2023



FOUNDRY  
PARTNERS

**Visual representation tools have been essential in the progress of civilizations. During ancient times early settlers created geographical maps to guide travelers through uncharted territories while others depicted the constellations in almanacs to help with the planting and harvest seasons.**

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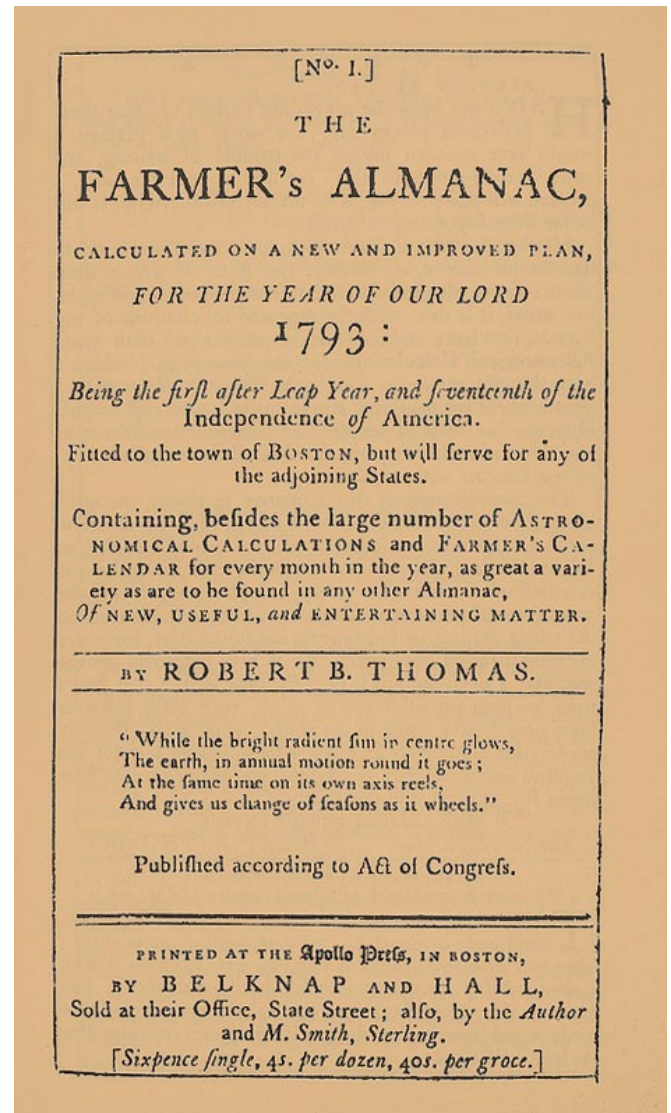
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It was not until the late 1700s when a Scottish Economist published the first line charts and bar graphs in a piece that examined British trade and debt entitled “The Commercial and Political Atlas”. William Playfair was seeking an easier way to relay complex information and wrote “And it is hoped, that, with the assistance of these charts, such information will be got, without the fatigue and trouble of studying the particulars of which it is composed.”<sup>1</sup>

This Inaugural piece entitled Visualizing Market Dynamics: A Guide to Market Trends has been created in that same vein as the aforementioned Scotsman and primitive cartographers: to provide a snapshot for investors through a handful of visualizations on some of the most influential macro drivers impacting the markets today.

The charts that follow are not an exhaustive list nor does the order in which they are conveyed matter. They are also not meant to predict the future nor be studied in isolation.



<sup>1</sup>Harvard Business Review

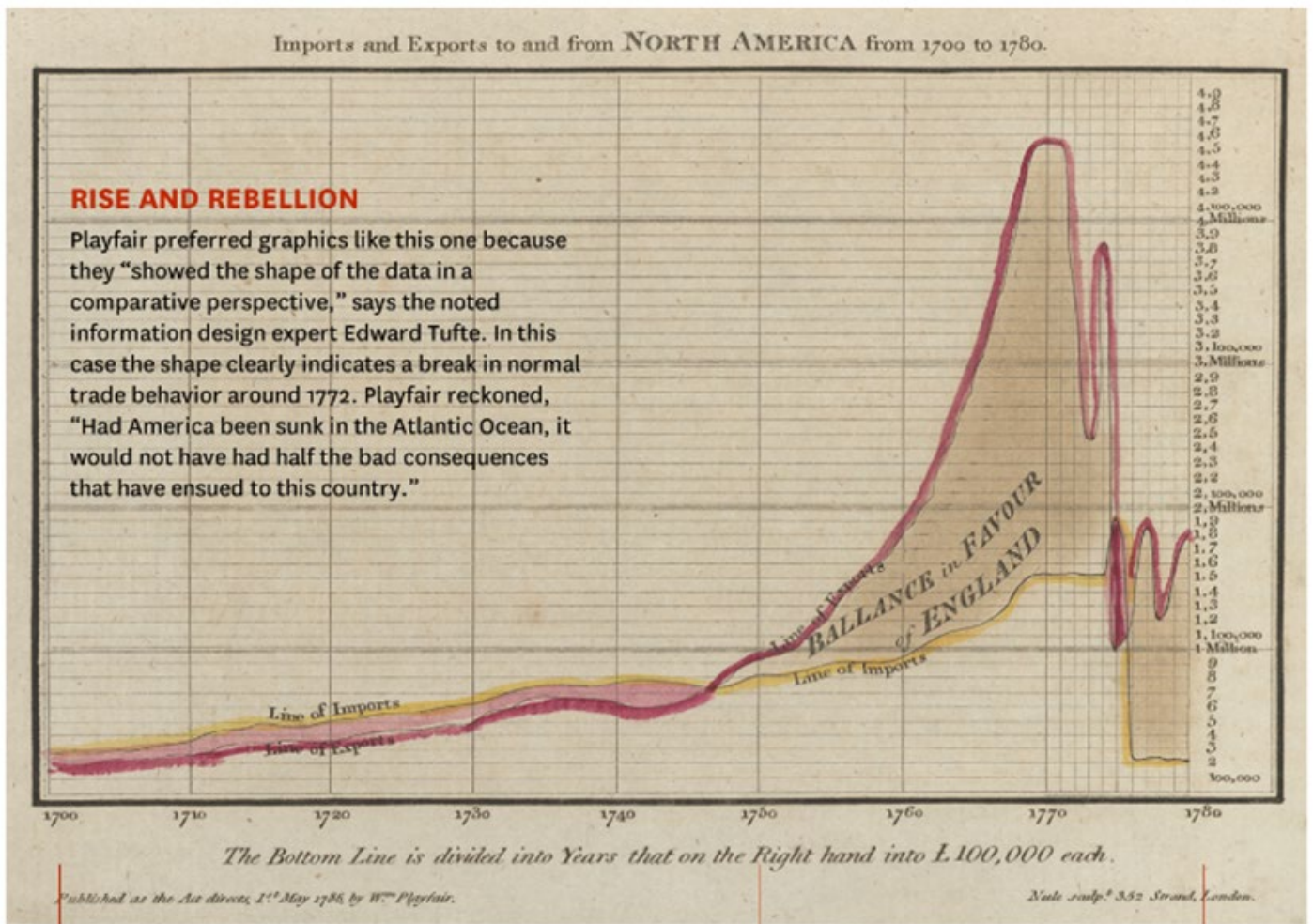


Most of the data in these charts are backward looking and are updated with a lag. There exist better tools to capture current market movements which we discussed in our recent thought piece “Power of Narratives: How stories shape investor behaviors“

Nonetheless, they form a part of a grand mosaic and are examined by the Foundry Small Cap Team to augment our behavioral and fundamental approach to stock picking. They provide a framework for historical relationships and an understanding of dynamics that are glacial in nature.

We plan on publishing these charts twice a year, around June and December. Some visuals will recur while others will change depending on the market. We will attempt to keep the number of visuals around ten and the written commentary to a minimum. Our hope is that this visual storytelling will provide a road map to further discovery and act as a resource to navigate turbulent terrain. Much like the Farmer’s Almanac, the result of a bumper crop is not only dependent upon when to plant and seed, but the experience of the farmer, the land, the equipment used and a plethora of other factors that make for a bountiful harvest.

**Exhibit 1: William Playfair’s Line Chart**



**1700–1750**

“For the first fifty years,” wrote Playfair, “we observe the simple and regular growth, from poverty to wealth, of a new country.”

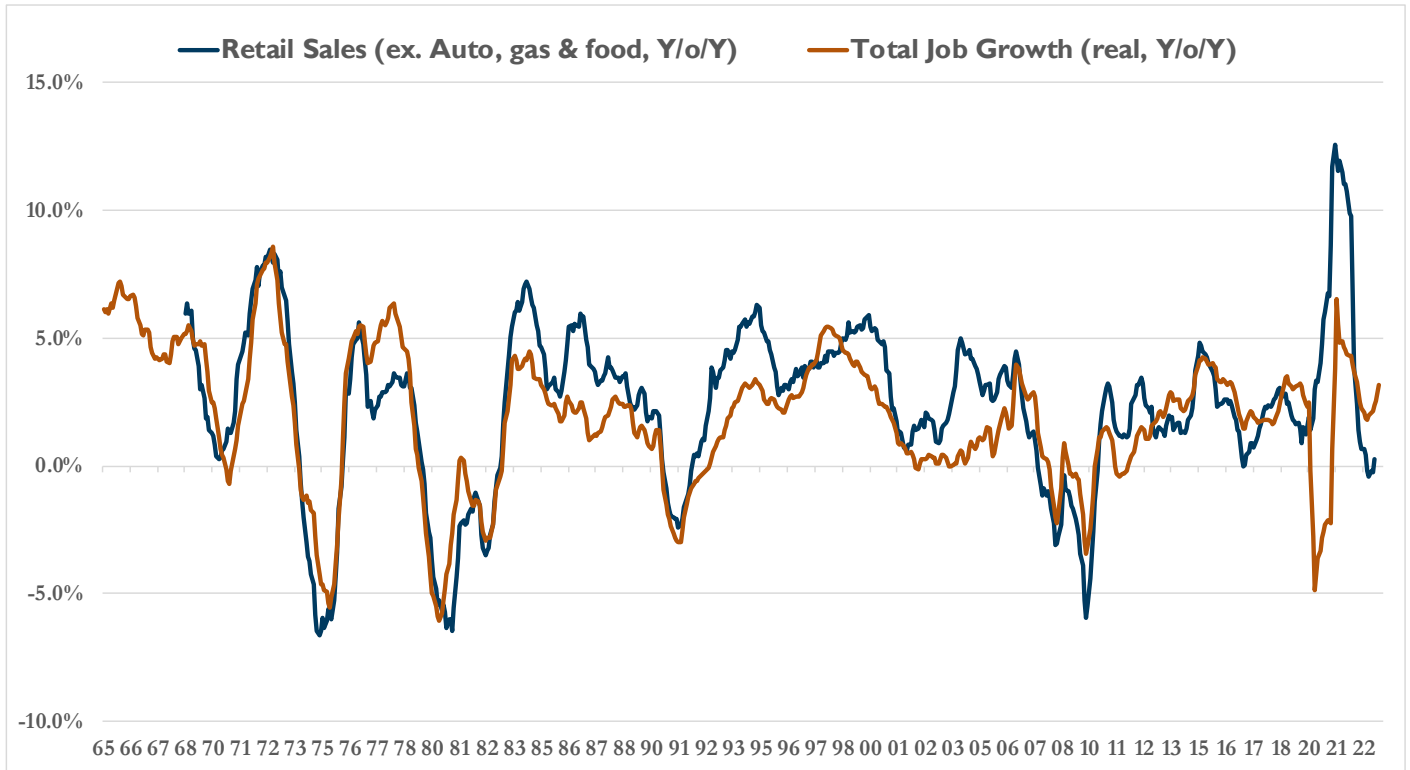
**1750–1770**

“During the succeeding twenty years,” he continued, “we are astonished at the extent and operation of a mad mercantile speculation carried on by our own country.”

**1770–1780**

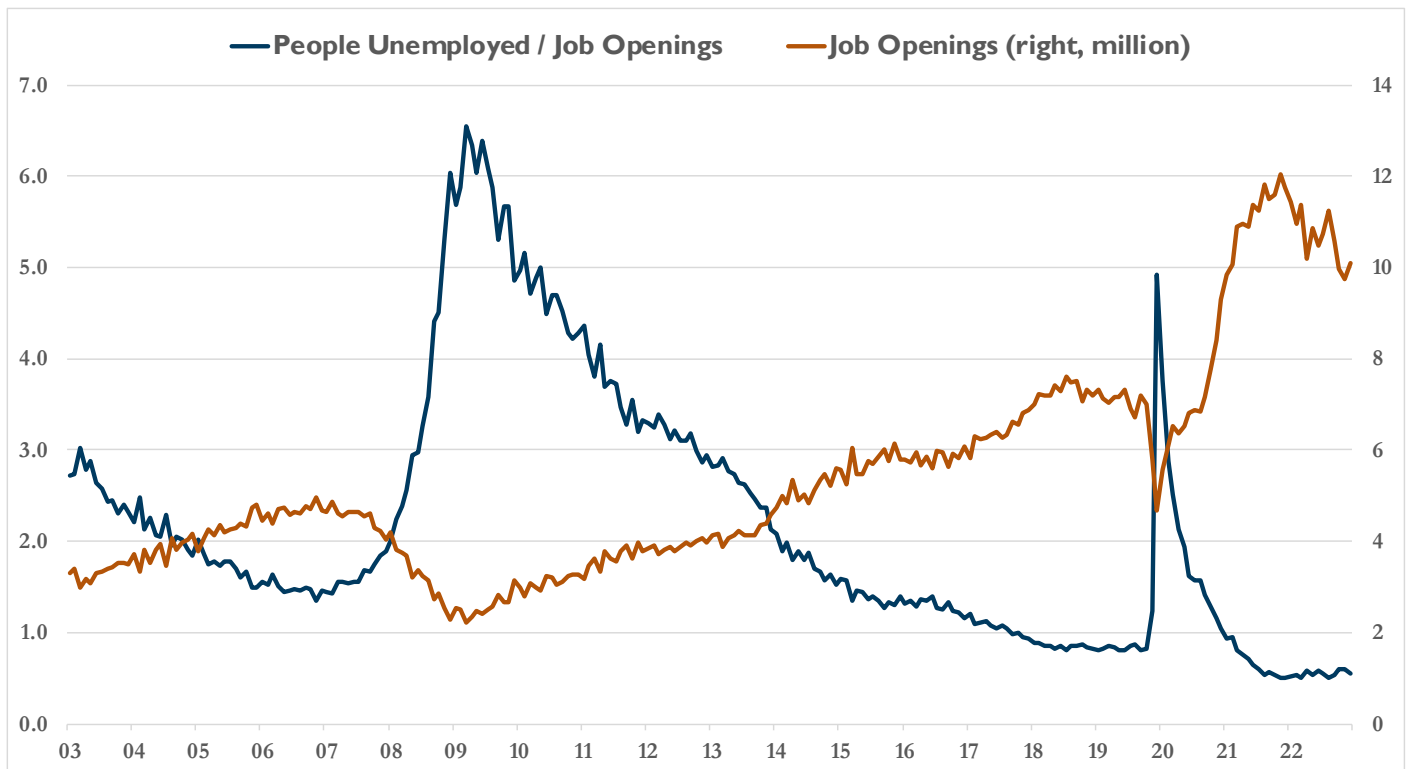
“The last short period shews the catastrophé that so airy and so ill-founded a project was likely, sooner later, to experience.” Ouch.

**Exhibit 2: Employment is Still a Larger Driver of Retail Spend Despite Pockets of Deviation (Housing Bubble & COVID Stimulus)**



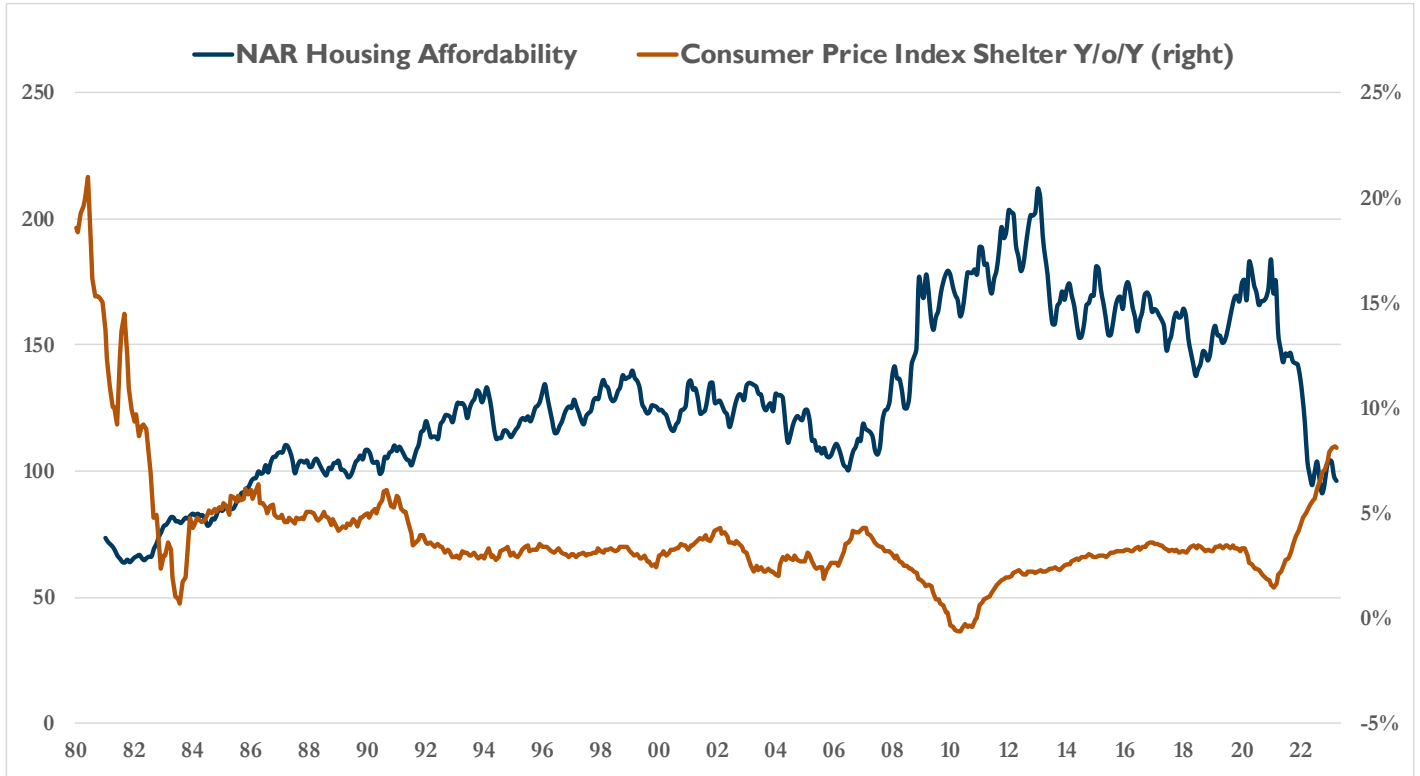
Source: Census Bureau, U.S. Bureau of Labor Statistics & Foundry Partners LLC; as of June 30th, 2023)

**Exhibit 3: The Level of Job Openings Remains Near All Time Highs**



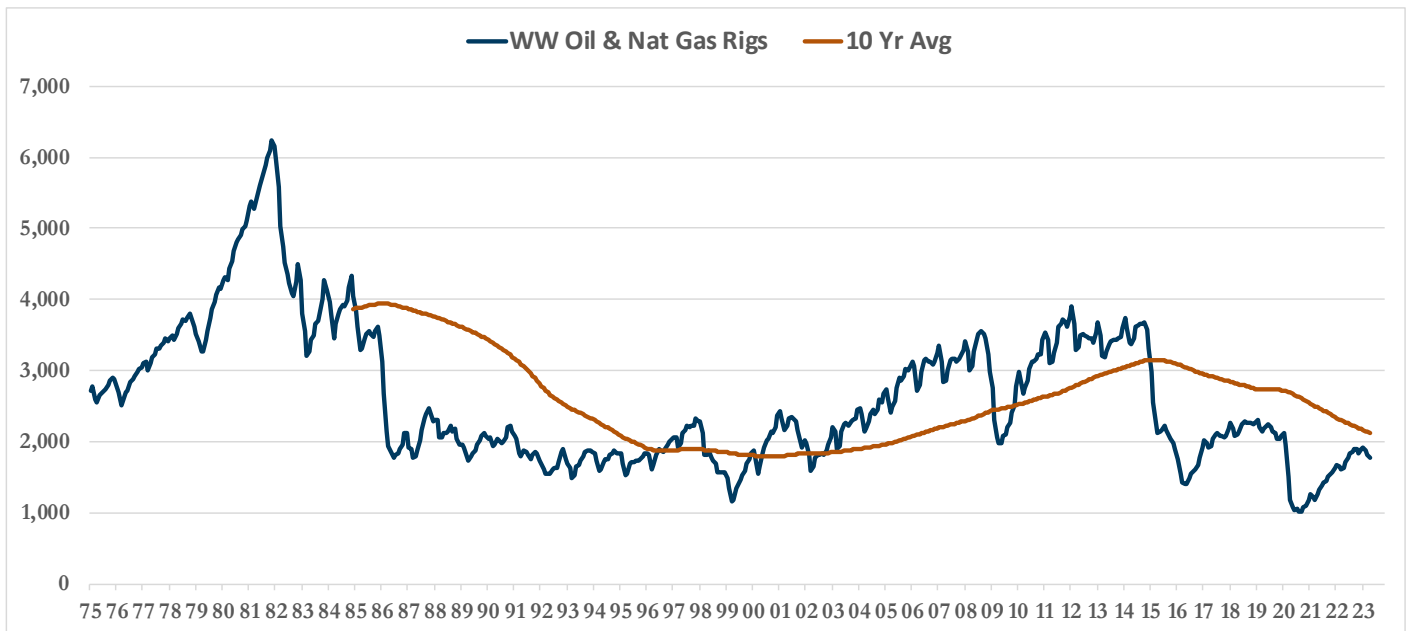
Source: Census Bureau, U.S. Bureau of Labor Statistics & Foundry Partners LLC; as of June 30th, 2023)

**Exhibit 4: Housing Affordability Remains Near Decade Lows While the Pace of Rental Cost Remains High**



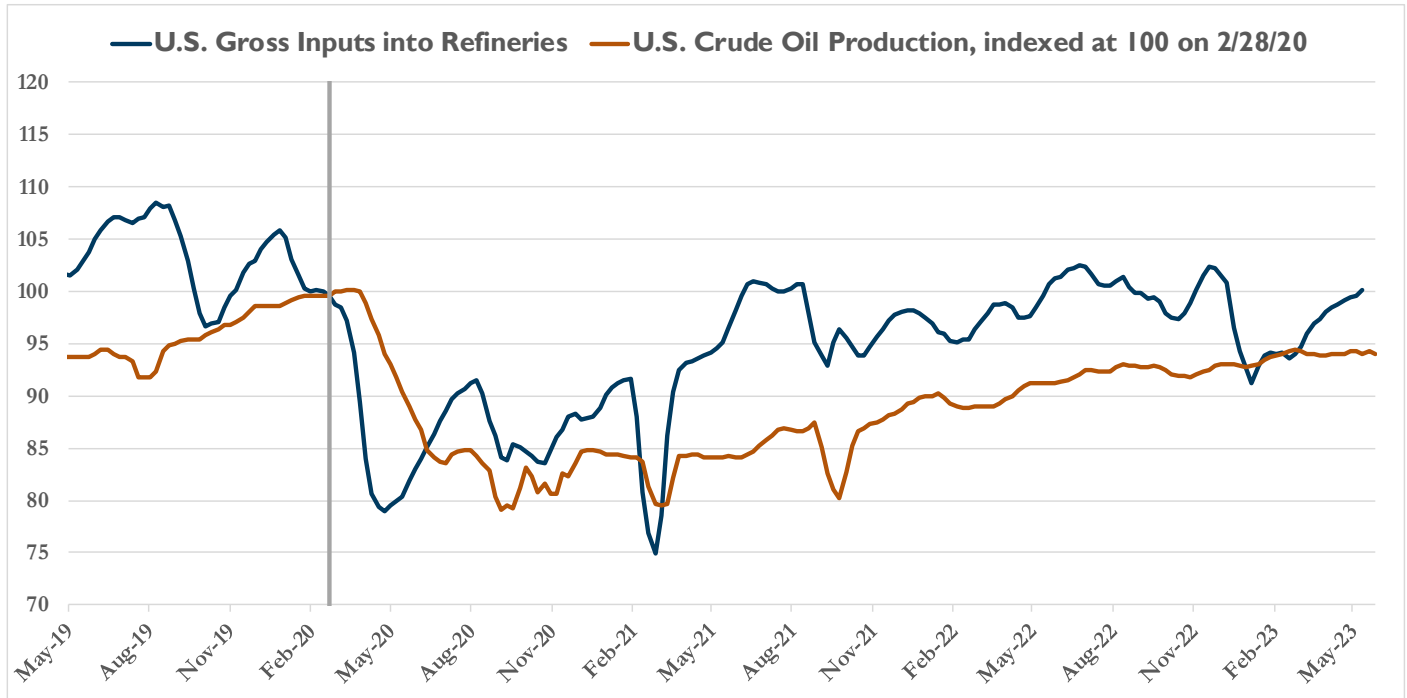
Source: National Association of Realtors, U.S. Bureau of Labor Statistics; as of June 30th, 2023

**Exhibit 5: WorldWide Oil & Nat Gas Rig Count Have Been in a Declining Trend Since 2015**



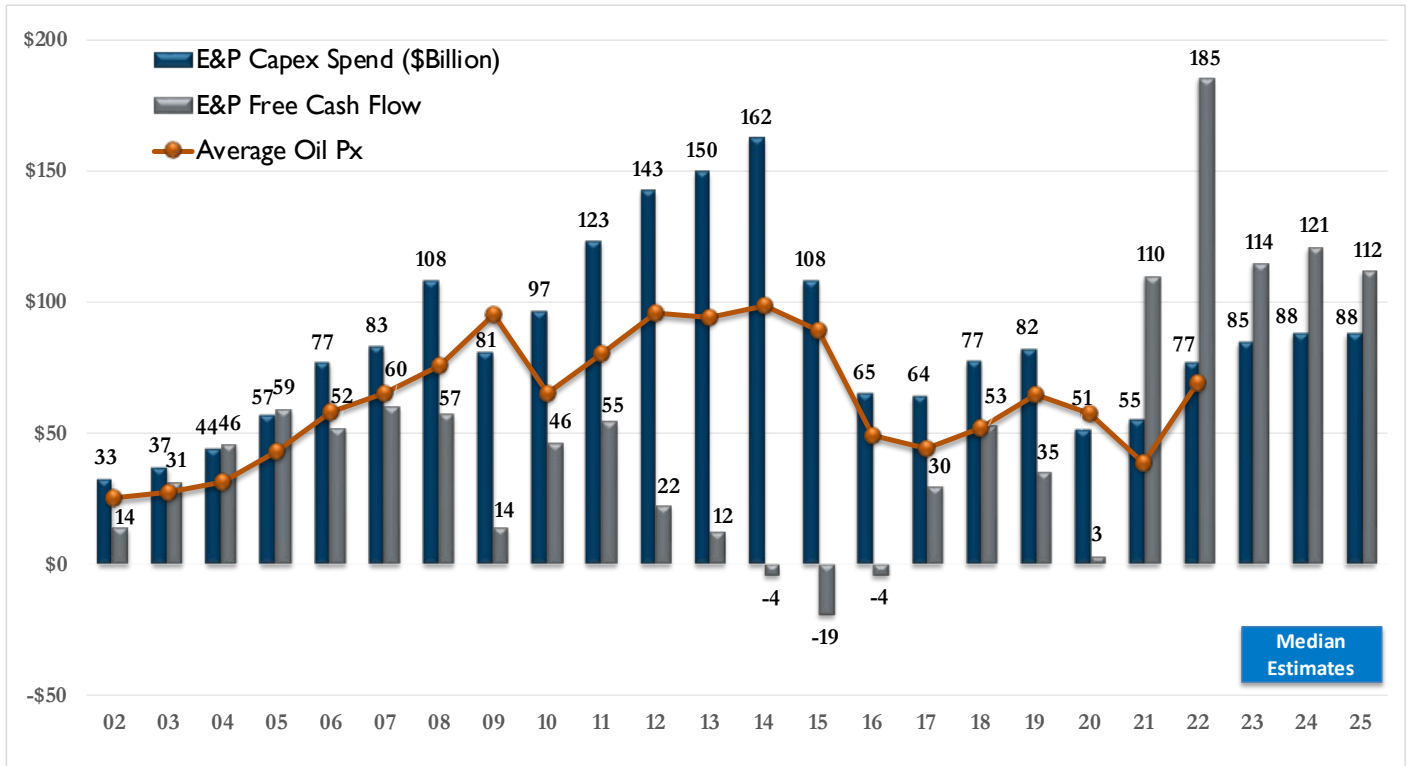
Source: Baker Hughes & Foundry Partners LLC; as of June 30th, 2023

**Exhibit 6: Energy Production in the US is Still Below Pre-Covid Levels While Consumption is Rising Above**



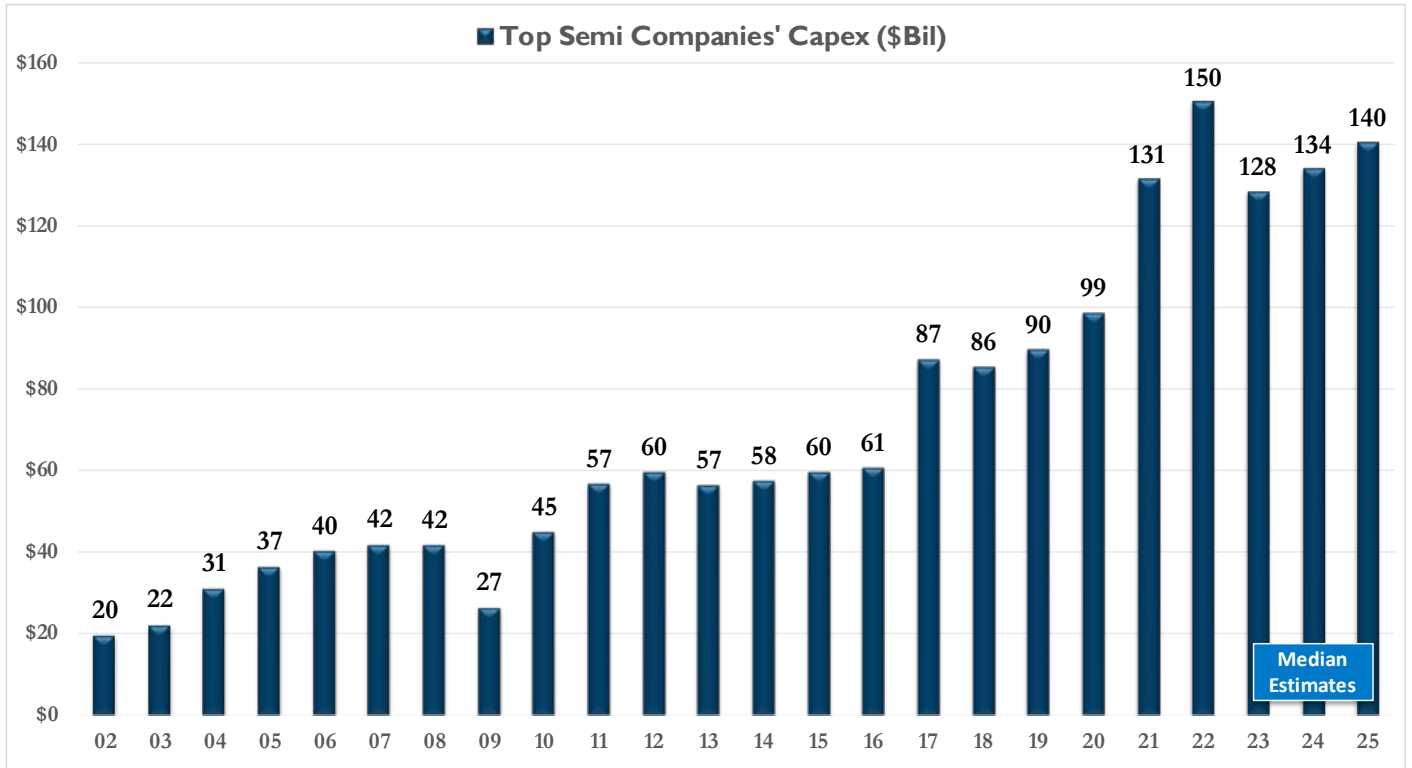
Source: EIA & Foundry Partners LLC; as of June 30th, 2023

**Exhibit 7: Energy Companies are Generating a Considerable Amount of Cash**



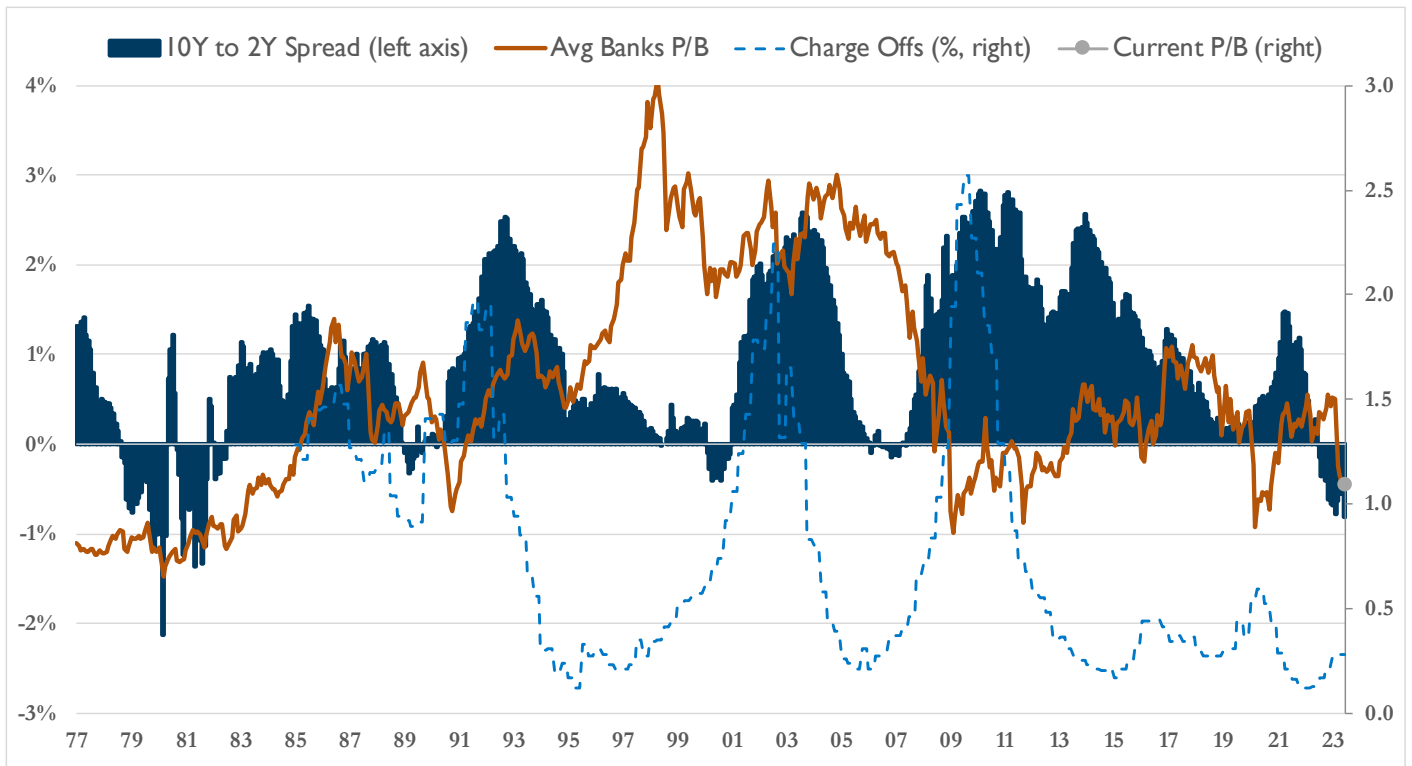
Source: FactSet & Foundry Partners LLC; as of June 30th, 2023

**Exhibit 8: Semi Capex Spend Expected to Remain Robust**



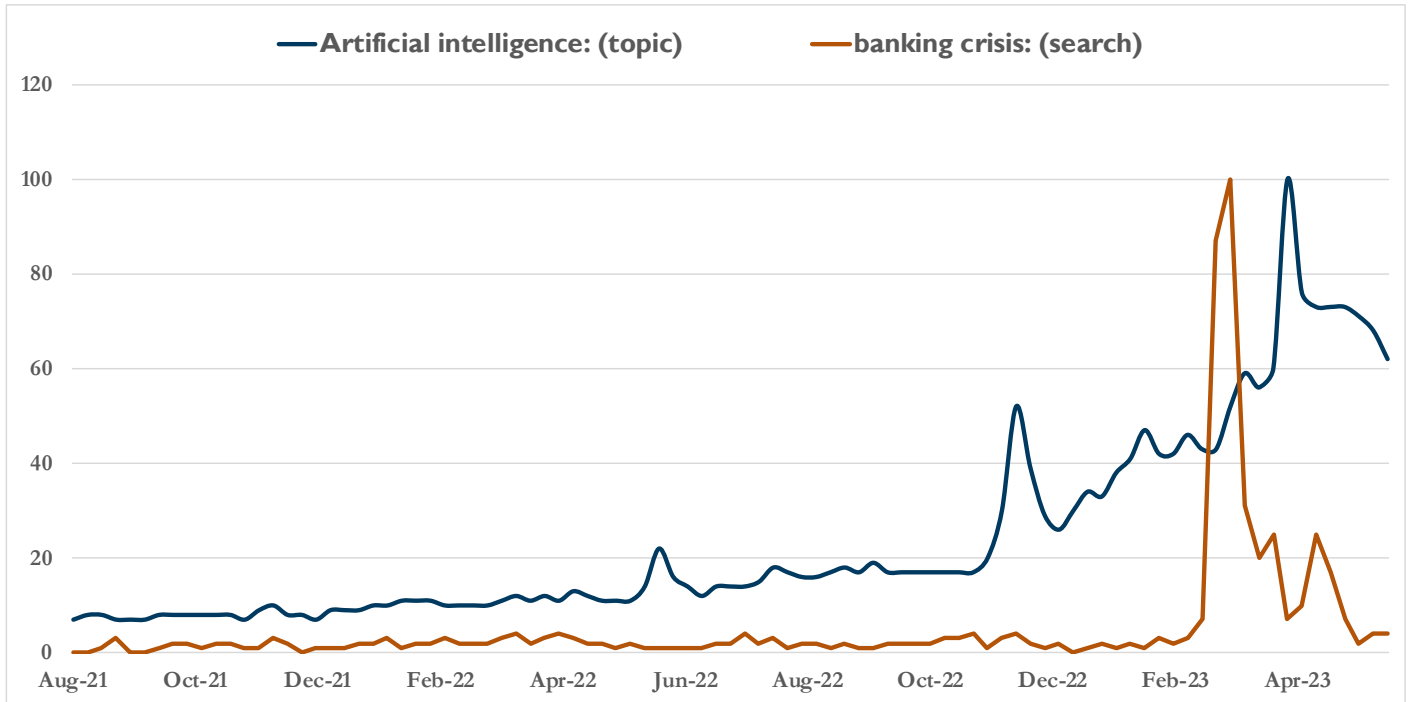
Source: FactSet & Foundry Partners LLC; as of June 30th, 2023

**Exhibit 9: Bank Valuations Have Fallen Since the Deposit Crisis, But Remain Above Lows Reached During Credit Crisis**



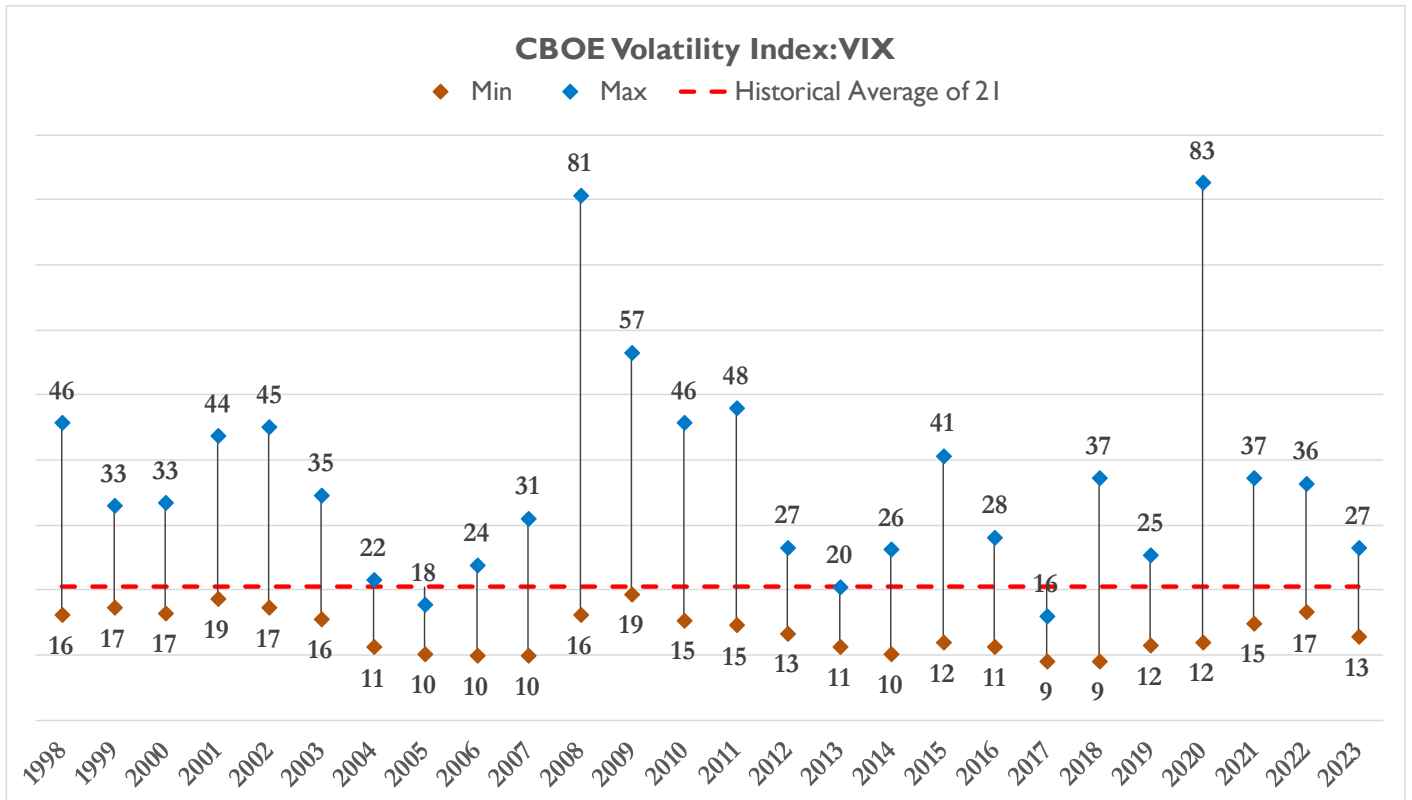
Source: Federal Reserve, FactSet & Foundry Partners LLC; as of June 30th, 2023

**Exhibit 10: The Two Dominate Themes for the First Half of 2023 Reached Peak Interest in March (banking crisis) and April (AI) according to Google Trends<sup>2</sup>**



Source: Google Trends, Foundry Partners LLC; as of June 30th, 2023

**Exhibit 11: Despite the Bank Failures, Volatility Remains Subdued**



Source: FRED, FactSet & Foundry Partners LLC; as of June 30th, 2023

<sup>2</sup>Google Trends measures “search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term.”



## About The Authors:



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Mark Roach is the Lead Portfolio Manager on the Fundamental Small Cap Value team for Foundry Partners. Mark started in the industry in 1995 and has been with Foundry Partners since the company's transaction with Dreman Value Management (DVM) in June of 2016. He was with DVM from late 2006-June 20, 2016 in a similar capacity. Prior to joining DVM, Mr. Roach was a Portfolio Manager at Vaughan Nelson Investment Management, managing a small cap product from 2002 through 2006. Mr. Roach has significant experience in working with institutions, pensions and endowments and is well known in the consulting and high net worth community. Mr. Roach served as a security analyst from 1994 to 2001 for various institutions including Fifth Third Bank, Lynch, Jones & Ryan and USAA.

Mr. Roach graduated from Baldwin Wallace College with a B.A. in Business, and earned a MBA from the University of Chicago's Booth School of Business. In addition, Mr. Roach is a former board member on the Rice University Wright Fund.



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Mario Tufano is a Portfolio Manager on the Fundamental Small Cap Value team for Foundry Partners. Mario started in the industry in 2002 and has been with Foundry Partners since the company's transaction with Dreman Value Management (DVM) in June of 2016. He joined DVM in 2007 as a Senior Securities Analyst and was promoted to Associate Portfolio Manager in 2010. He is responsible for research of new investment ideas as well as current portfolio holdings for the firm's Small and Mid Cap Value products. Prior to joining the firm, he was an Associate Director and Equity Analyst at UBS Investment Bank covering the Consumer Staples and Discretionary sectors.

Mr. Tufano graduated from Pennsylvania State University with a B.S. in Finance. He is a CFA charterholder and is a member of the New York Society of Security Analysts (NYSSA).

## About Foundry Partners:

Foundry Partners, LLC, is a boutique asset management company that specializes in active management. Established in September of 2012, the company officially began managing assets in February 2013. The firm originated after its founders, former Fifth Third Asset Management Employees, acquired the growth and value products/assets from Fifth Third Asset Management, Inc. As part of Foundry's long term plan to grow both organically and strategic acquisition, Foundry Partners added to its Cleveland office with the acquisition of the Small and Mid-Cap Value team (and assets) from Dreman Value Management. This was followed by acquiring growth manager, Arbor Capital Management in Minneapolis. As part of each transaction, the accompanying portfolio management teams transitioned over to Foundry Partners.

The firm was formed out of a desire to create a unique and independent atmosphere. With an average of over 25 years of investment experience per manager, our autonomous investment teams are able to offer a diverse product set while bringing the stability and confidence needed to navigate a variety of market environments.

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