



THOUGHT LEADERSHIP

# Visualizing Market Dynamics: A Guide to Market Trends - Year End

Helping Build Solid  
Investment Foundations  
  
December 2023



FOUNDRY  
PARTNERS

As the year comes to an end and a new one approaches, it has become a tradition to formulate resolutions for the upcoming New Year. This customary practice traces back to the ancient Babylonians who initiated the custom four millennia ago as an offering to the gods in hopes of a prosperous crop season<sup>1</sup>.

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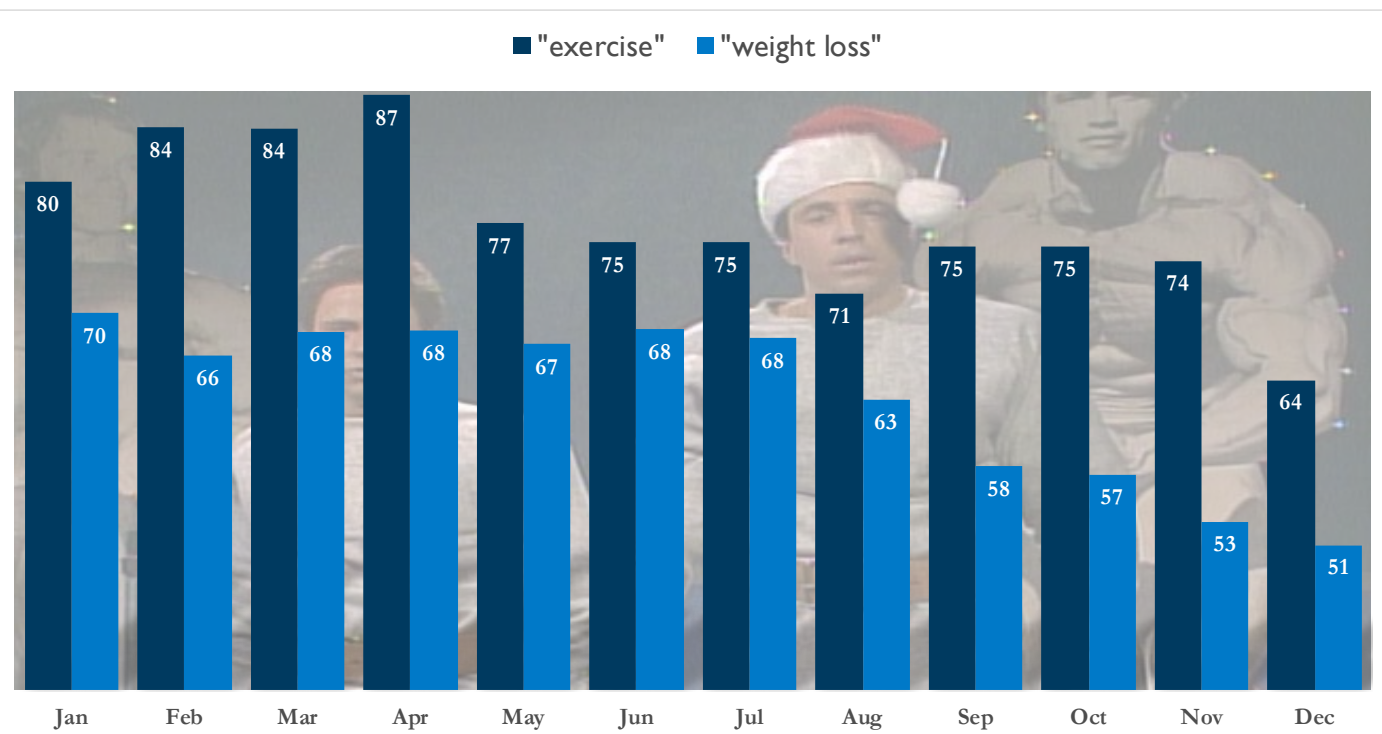
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Today our resolutions predominantly revolve around self-improvement. The surge in interest in exercise and weight loss typically occurs after January 1st and persists until spring, after which our intentions for a fresh start tend to wane with the onset of summer.

Exhibit 1 below illustrates the average monthly Google search interest in the terms "weight loss" and "exercise" dating back to 2004.

**Exhibit 1: Google Trends<sup>2</sup> average monthly search interest in “exercise” and “weight loss” since 2004 illustrates a declining trend throughout the year**



Source: Google, Foundry Partners LLC, NBC.com

<sup>1</sup> <https://www.history.com/news/the-history-of-new-years-resolutions>  
<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.”

The end of the year also prompts reflection on the events of the past several months, as evident in Google's year in review, and speculation on forthcoming events, such as end-of-year budgets. This (our) [semi-annual that is published in June](#)<sup>3</sup> and December differs from these two activities. Rather than predicting future events or conducting a post-mortem analysis of recent months, we assert that events and their underlying dynamics evolve gradually.

Examining data over market cycles can furnish a framework for capturing emerging trends and enhance our behavioral / fundamental approach to stock selection.

In light of this perspective, we present the twelve most compelling charts integral to a larger mosaic. These charts capture topics that include:

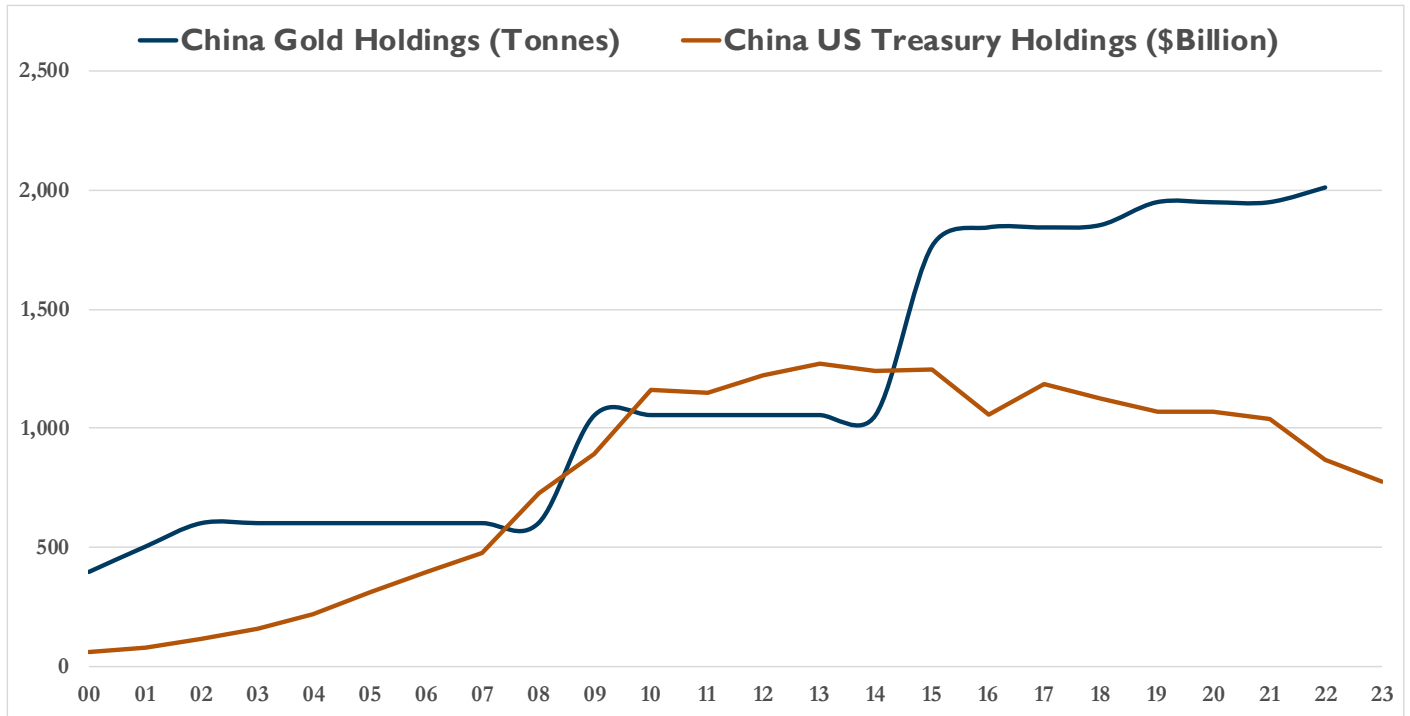
- **Central Bank Gold Holdings**
- **Total Market Cap of Stocks Trading Above 10x Price to Sales Ratio**
- **Home Ownership Demographics and the Positive Impact of Rising Rates on Consumer Balance Sheets**
- **The Unloved Commodity Market**
- **Heightened Volatility in the Small Cap and Bond Markets**
- **Culminating with an Emerging Narrative of Interest Rate Cuts Anticipated in 2024**

Regarding resolutions, much like the Babylonians, we are consistently seeking ways to refine our investment process and leverage new technology to enhance our pursuit of capturing alpha – our equivalent of a bountiful crop season.

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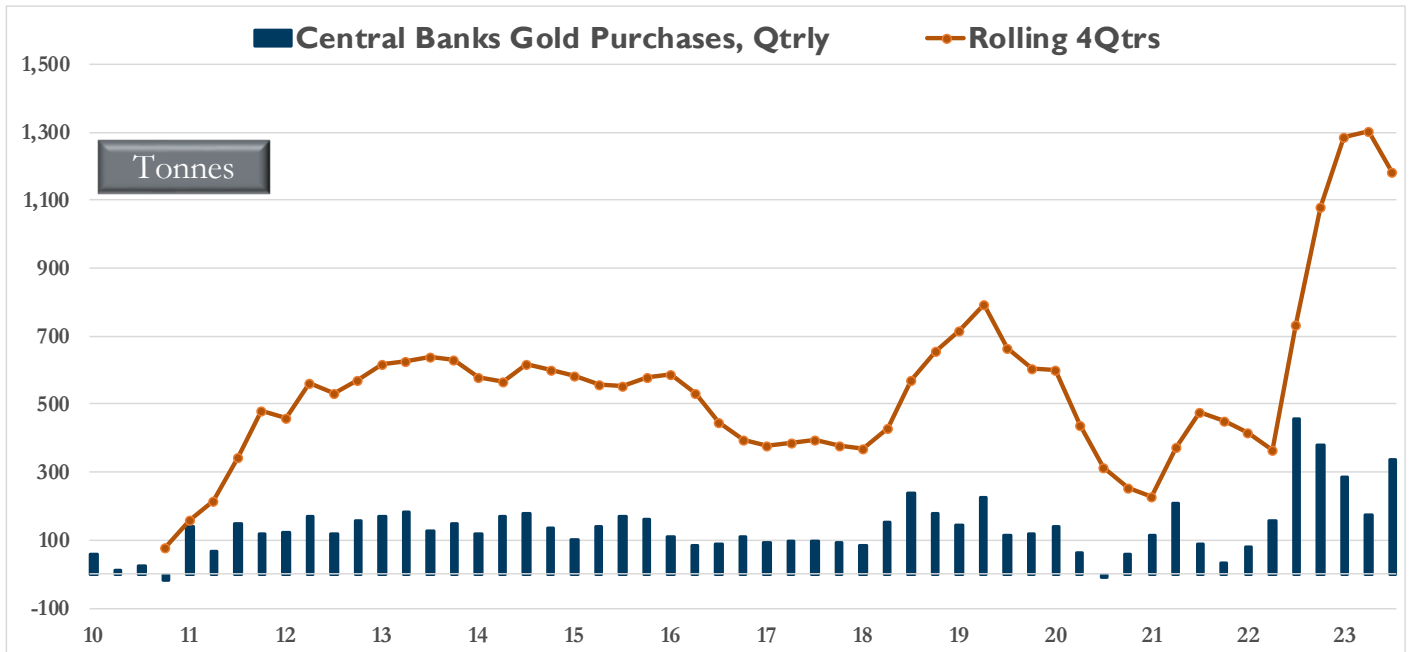
<sup>3</sup> <https://foundrypartnersllc.com/july-2023-visualizing-market-dynamics/>

**Exhibit 2a: Since 2015, China has been progressively boosting its gold reserves while concurrently divesting from US Treasuries**



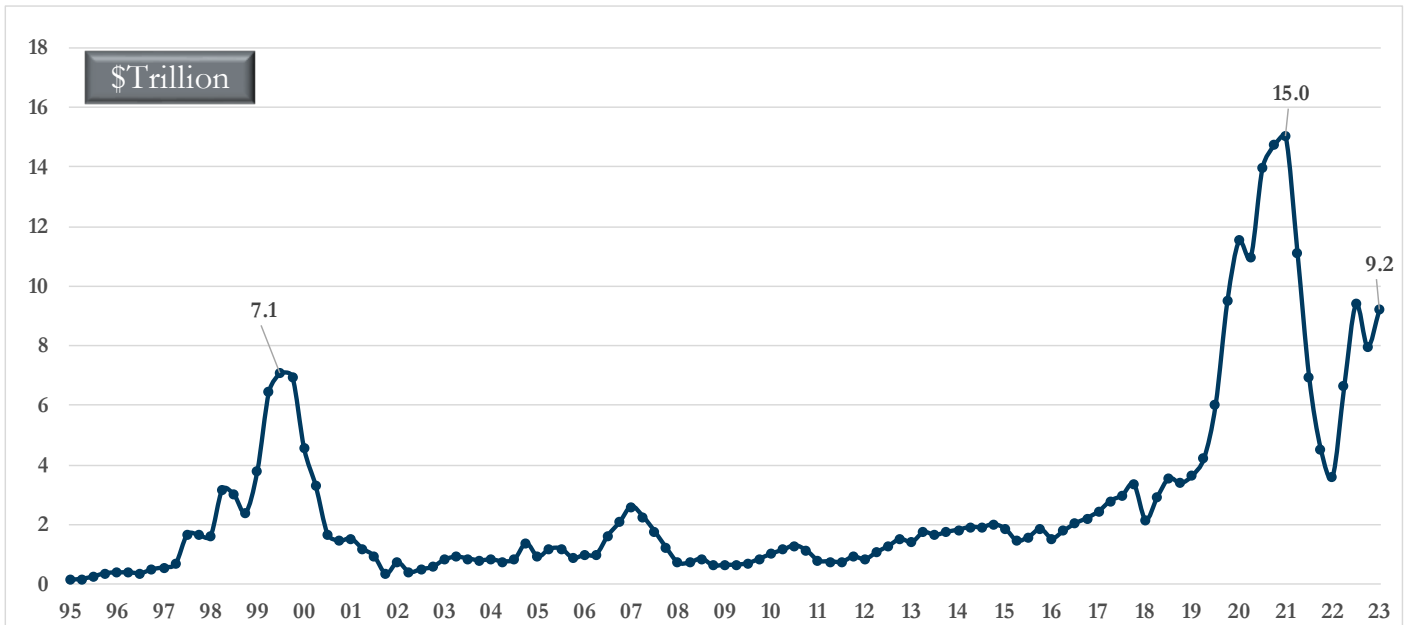
Source: World Gold Council, US Dept. of Treasury

**Exhibit 2b: Central banks across the globe have stepped up their purchase of gold since Q122**



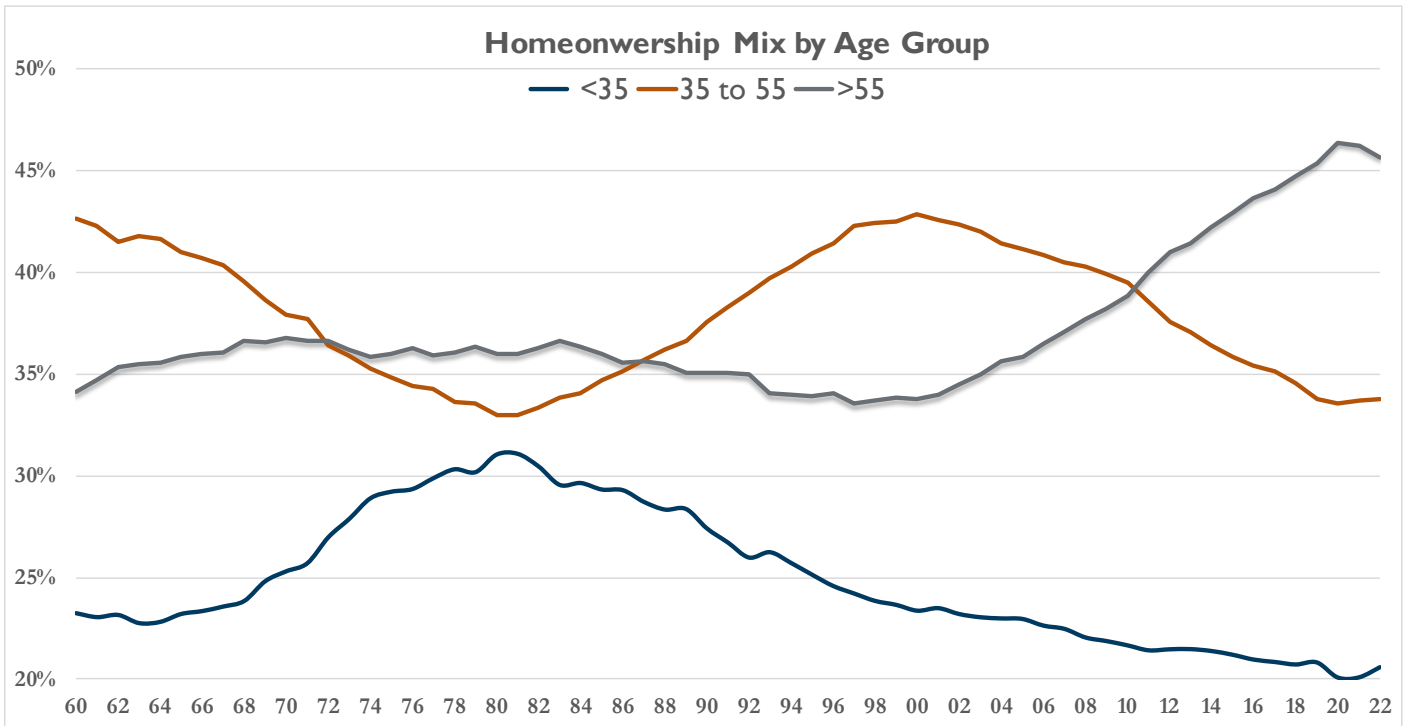
Source: World Gold Council, US Dept. of Treasury

**Exhibit 3: The total market cap of stocks trading > 10 Price to Sales are above DotCom bubble levels (currently \$9.2 Trillion)**



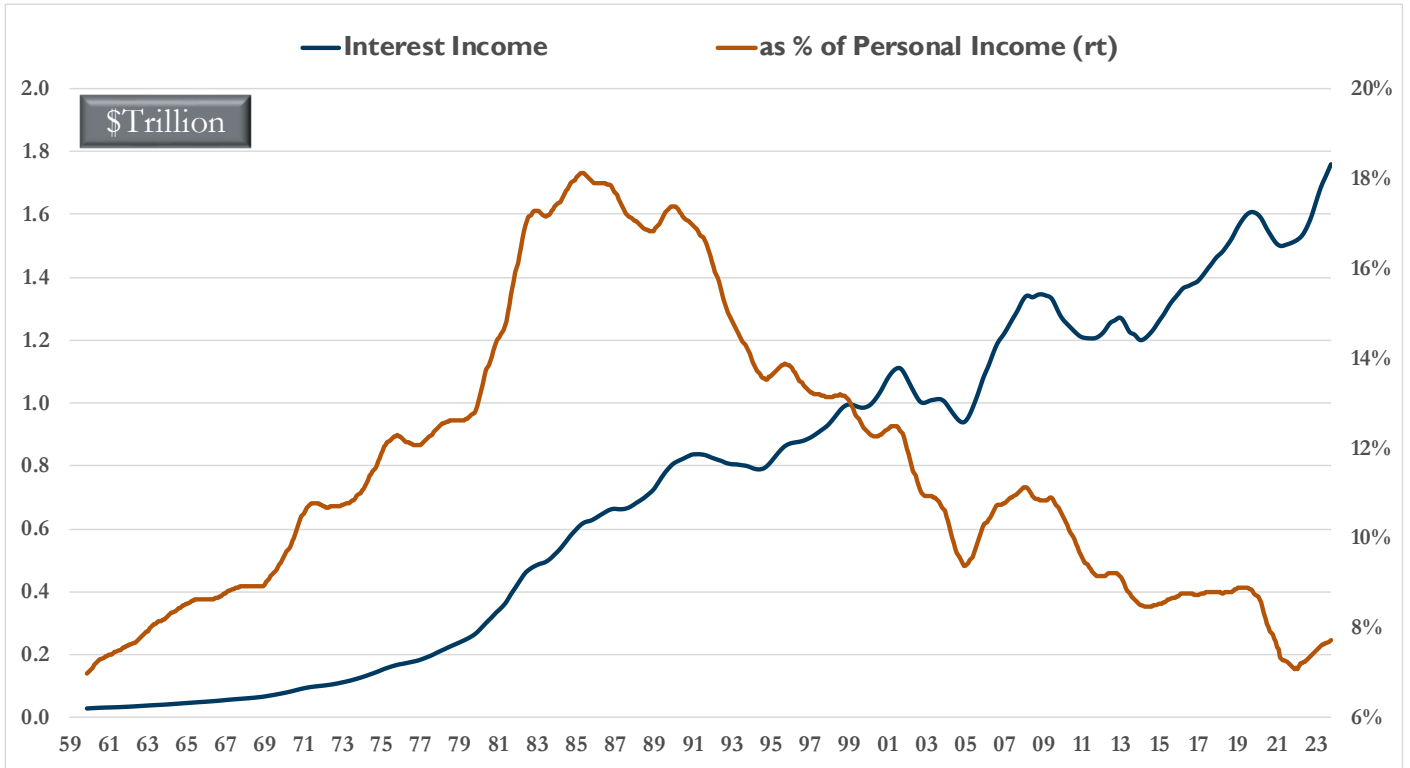
Source: FactSet, Foundry Partners LLC; as of December 3rd, 2023

**Exhibit 4: Millennials and Gen Zs own less of the housing market versus prior generations at their age**



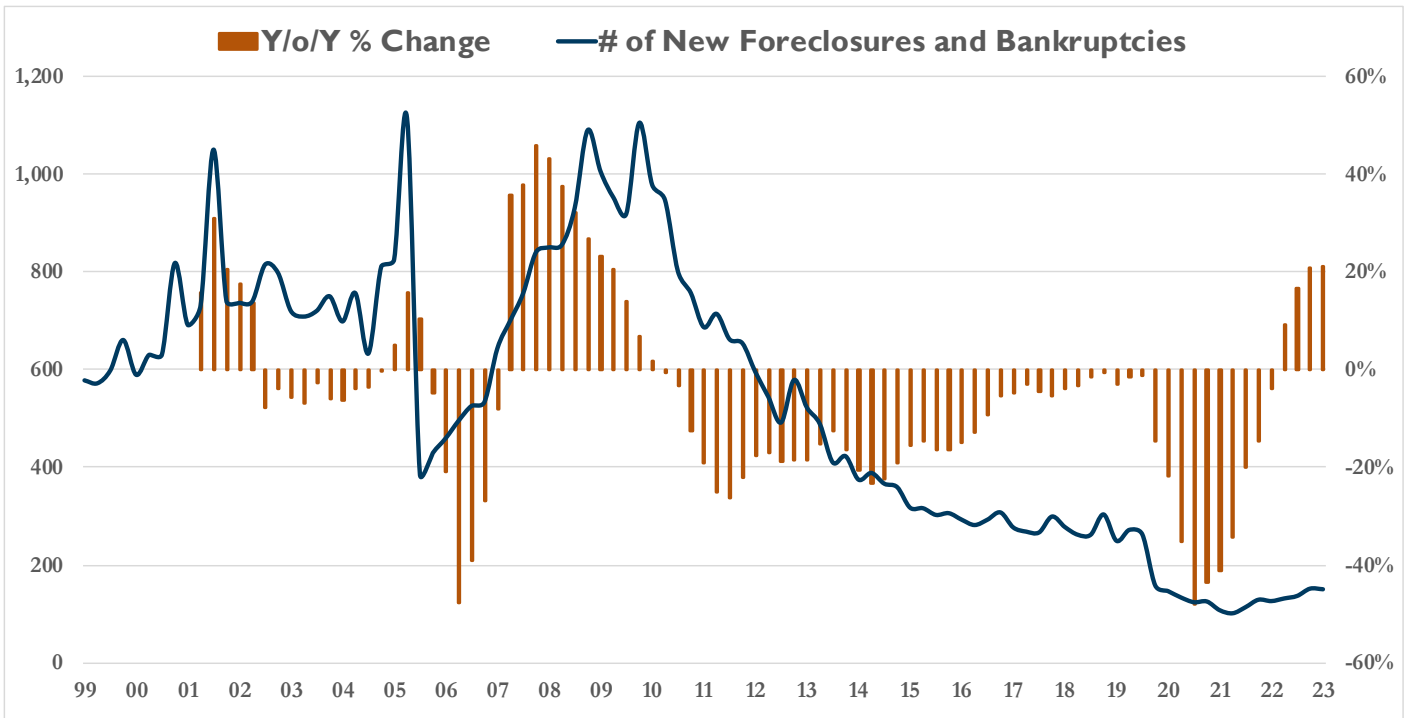
Source: Census, Foundry Partners LLC

**Exhibit 5: Savers are benefitting from higher rates as interest income approaches \$2 Trillion**



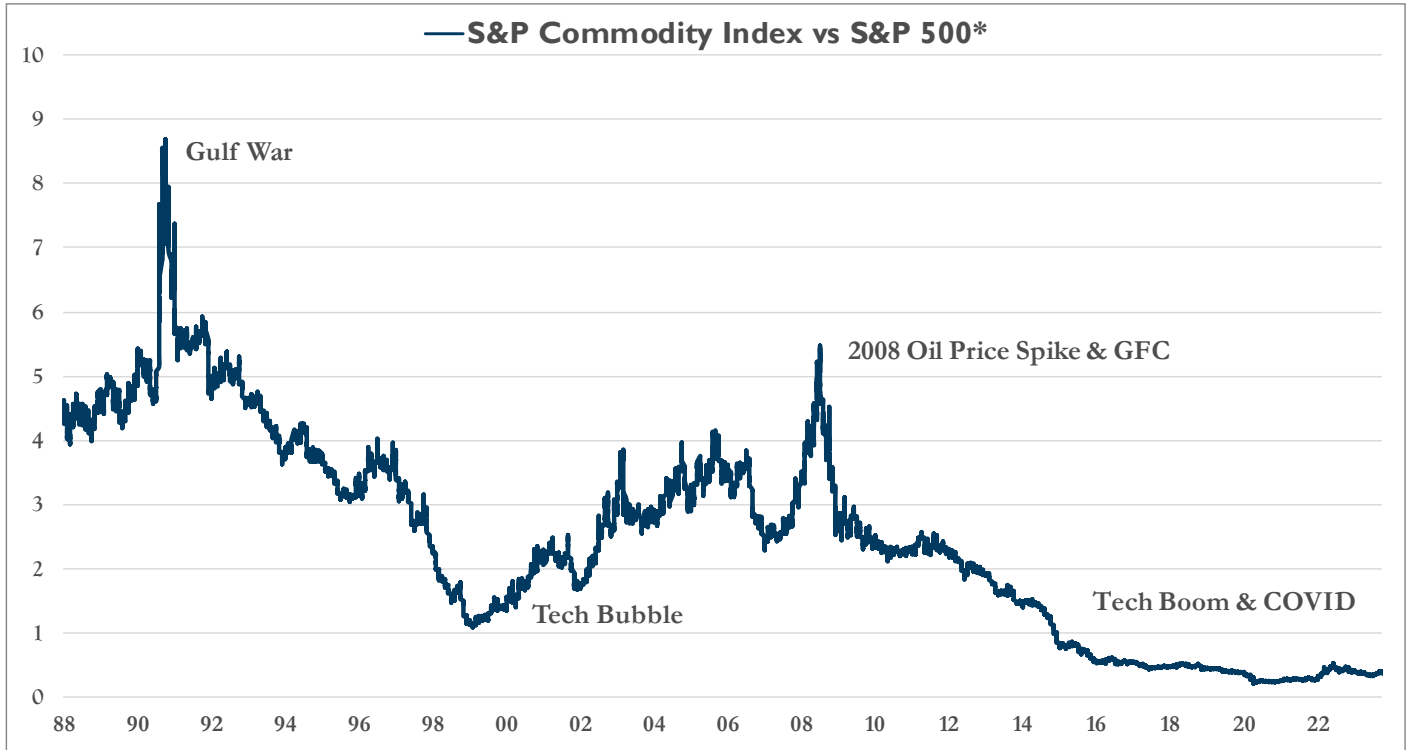
Source: U.S. Bureau of Economic Analysis, as of October 2023

**Exhibit 6: Despite a pickup in foreclosures and bankruptcies, both remain near lows**



Source: New York Fed Consumer Credit Panel/Equifax; as of Q3 2023

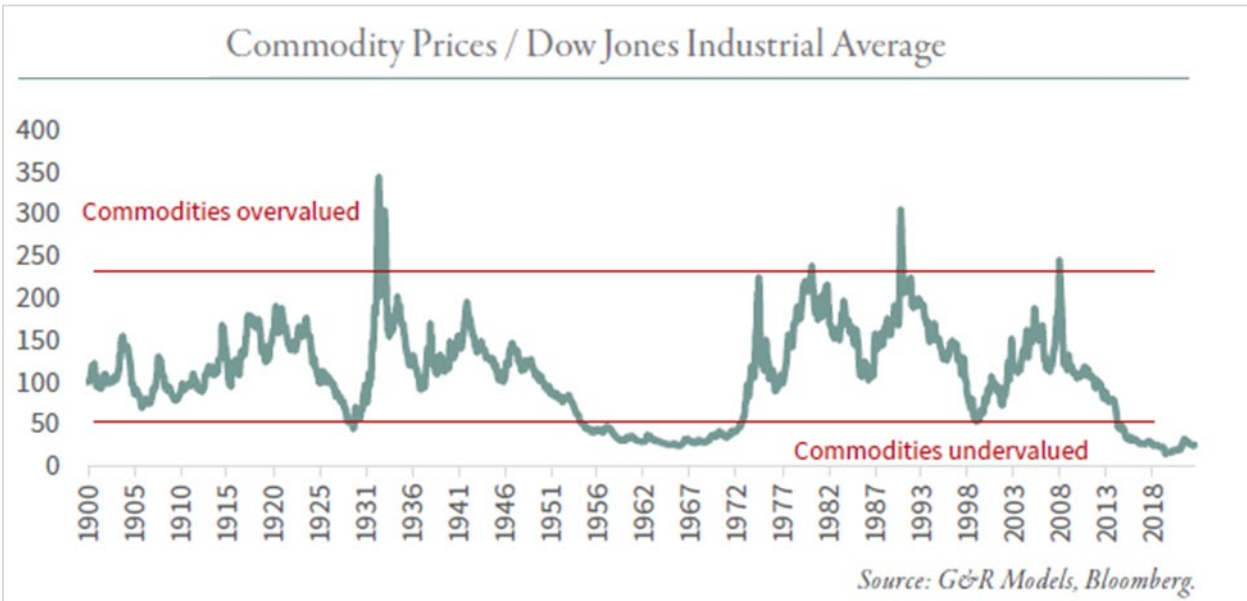
**Exhibit 7a: Commodities have been an unloved part of the market for a better part of the past decade**



\*The chart represents the ratio of the S&P Commodity Total Return Index versus the S&P 500 Total Return Index

Source: FactSet & Foundry Partners LLC; as of December 18th, 2023

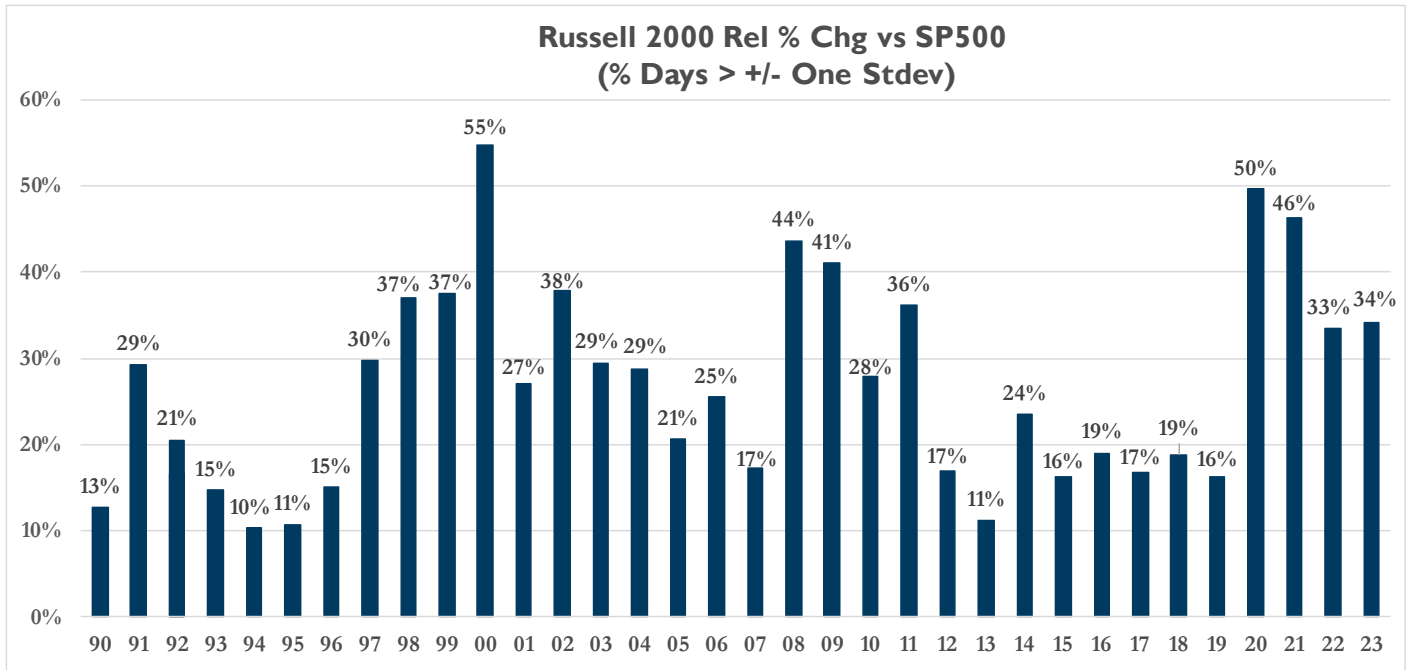
**Exhibit 7b: The 1960s were the last time commodities were this undervalued**



Source: G&R Models, Bloomberg.

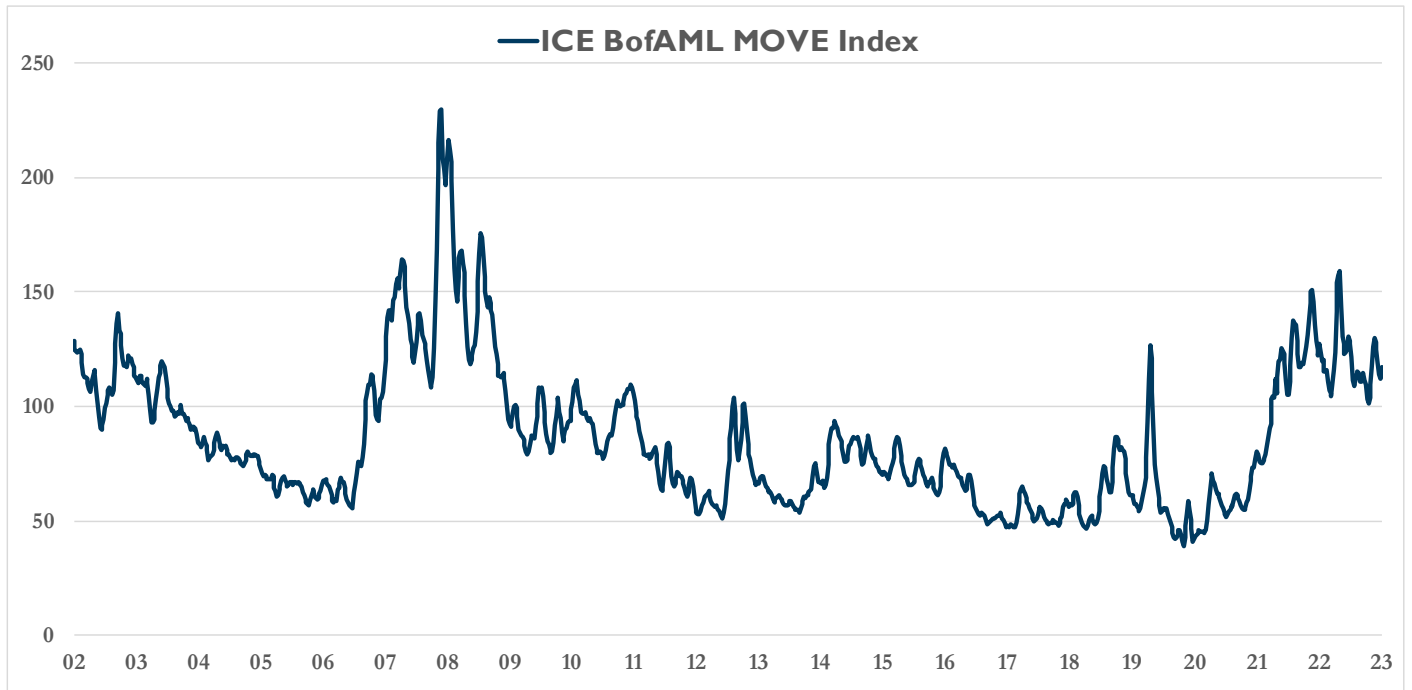
Source: Goehring & Rozenwajg Second Quarter 2023 Natural resource Commentary

**Exhibit 8a: While the VIX remains benign, volatility within the small cap space remains elevated versus the S&P 500**



Source: FactSet & Foundry Partners LLC; as of December 6th, 2023

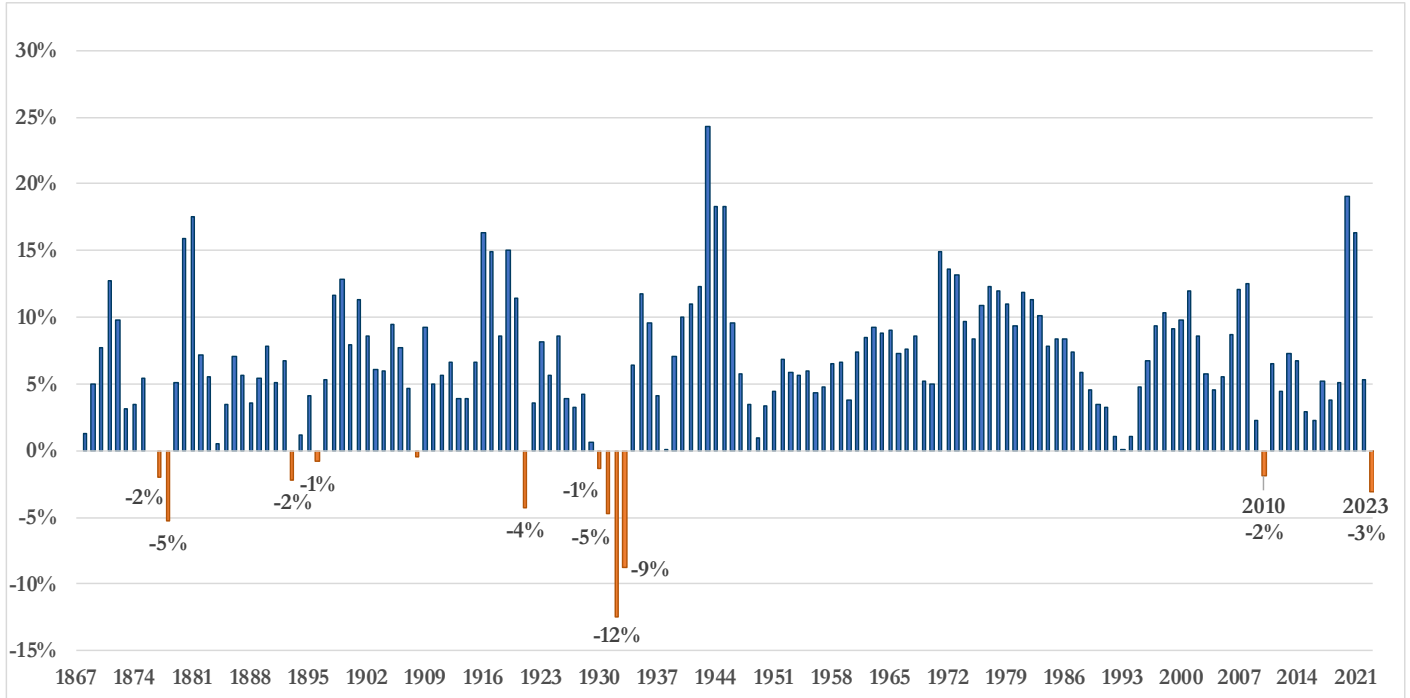
**Exhibit 8b: The volatility in the bond market remains elevated as well**



Source: FactSet & Foundry Partners LLC; as of December 6th, 2023

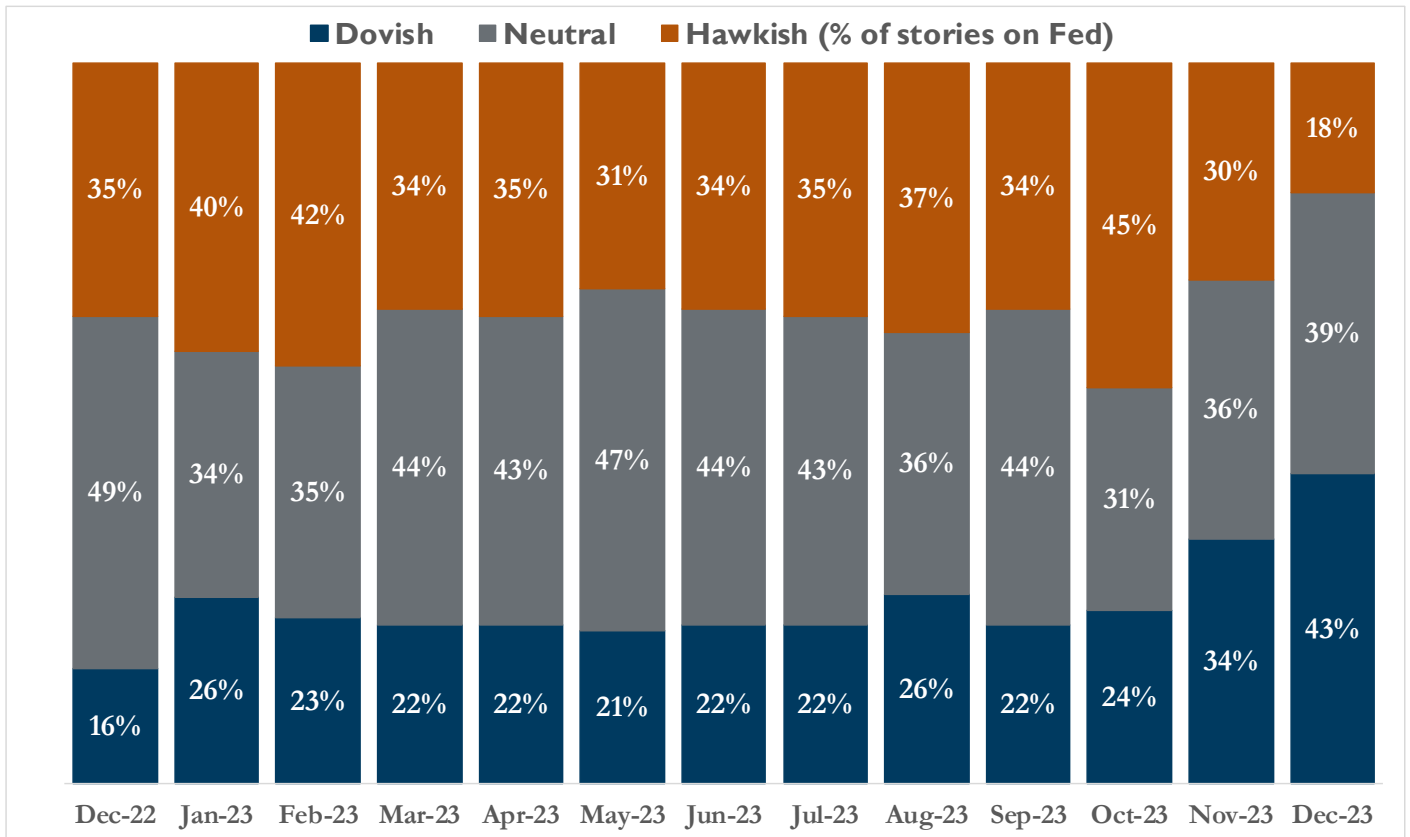


**Exhibit 9: This year will mark the only 2nd time in the post WWII era where money supply has declined**



Source: St Louis Fed, Nowandfutures.com, Federal Reserve

**Exhibit 10: The Narrative on Fed Speak has shifted to more Dovish over the past several weeks aligning with the hopes of rate cuts in 2024**



Source: Quid, Foundry Partners LLC; as of December 7th, 2023

## About The Authors:



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Mario Tufano is a Portfolio Manager on the Small and Micro Cap Value Strategies 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 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).



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Mark Roach is a Lead Portfolio Manager on the Small and Micro Cap Value Strategies 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.

## 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 Cap Value team (and assets) from Dreman Value Management.

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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