

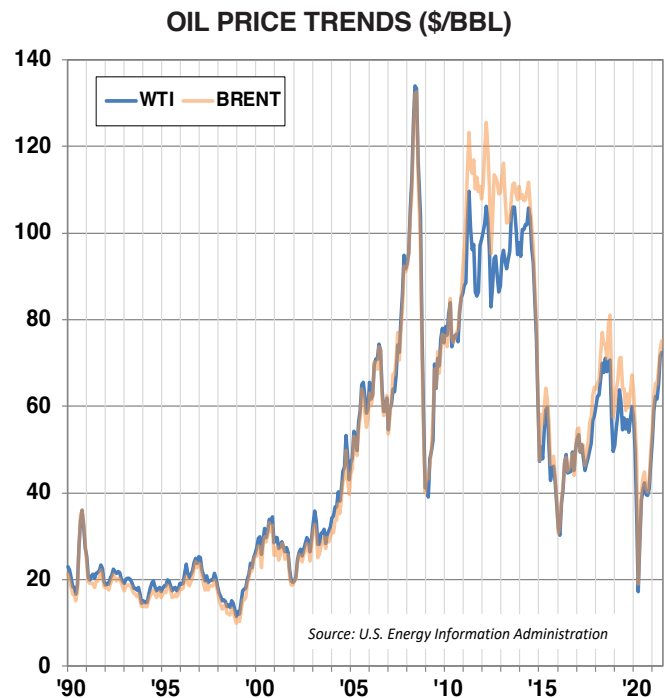
THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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ARGUS RESEARCH ADJUSTS OIL PRICE FORECAST

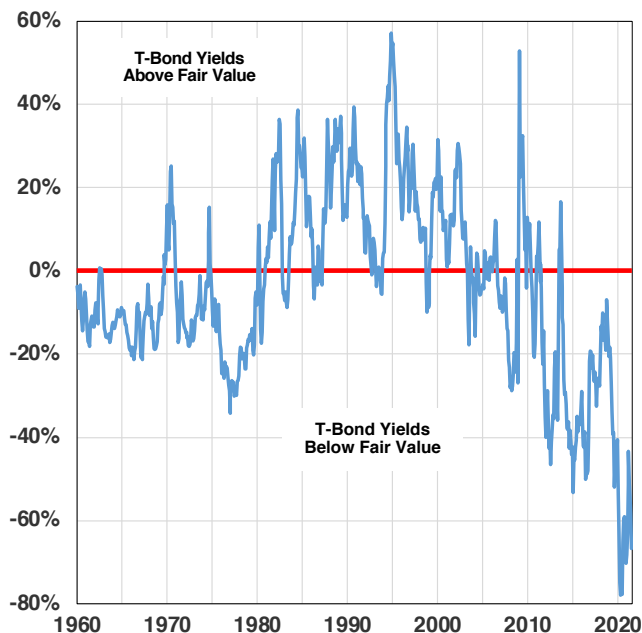
Argus' 2021 forecast for the average price of a barrel of West Texas Intermediate crude oil is now \$65, up from our preliminary forecast of \$59. Our estimates assume OPEC and OPEC+ members continue to coordinate on production and that there will be gradually improving global economic activity this year and next. Our target price also takes into account the long-term downtrend for crude prices as Peak Oil approaches. Here are the recent average annual prices: \$40 in 2020, \$57 in 2019, \$65 in 2018, \$51 in 2017, \$43 in 2016, \$49 in 2015, \$93 in 2014, and \$98 in 2013. As well, we anticipate that President Biden's policies will continue to favor clean energy rather than carbon-based energy solutions. Our range through 2022 is now \$70 on the upside and \$50 on the downside. We recently lowered our rating on the Energy sector to Under-Weight from Market-Weight. The year-to-date surge in Energy stocks has not been matched by rising production levels. Instead, companies in the Energy sector continue to cut production as additional electric vehicles are introduced and as utilities redouble their efforts to add to renewable generation sources. Within the Energy sector, we favor companies with strong balance sheets and a history of growing dividends.



BOND PRICES NO BARGAIN

Our proprietary Treasury Bond Yield Model is signaling that bond yields, which have declined more than 40 basis points since late March, are too low based on fundamentals. Our model takes into account factors such as yields, GDP growth, and long-term inflation, as well as stock prices and earnings, in order to make an asset-allocation recommendation between stocks and bonds. We smooth trends out over a five-year period to avoid short-term momentum swings. Our current 10-year T-bond fair value yield is 3.4%. The normal valuation range has a floor of 2.1% and a ceiling of 4.7%. The current 10-year bond yield is around 1.25%, below the low end of the fundamental range and about 60% below fair value. Why is this the case, especially given recent GDP growth and inflation trends, not to mention aggressive fiscal stimulus spending from Washington during the pandemic? In our view, the low U.S. yields more likely reflect technical factors such as heavy buying from overseas investors seeking safety, rather than economic fundamentals. From an asset allocation standpoint, we still think bonds remain fully valued compared to stocks, and recommend that long-term investors modestly favor equity securities in diversified portfolios.

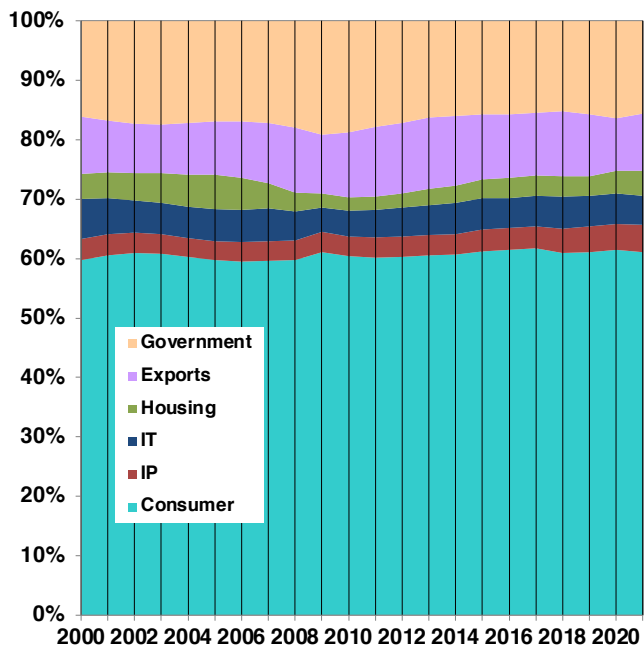
TREASURY BOND VALUATION MODEL



GDP SEGMENTS RECOVER AT DIFFERENT RATES

The Commerce Department reported that 2Q21 GDP rose at a 6.6% annualized rate. In 2Q, Personal Consumption Expenditures grew at a 12% pace and contributed 61% of core demand. This is in line with the 10-year average, as the Consumer sector, the most important component of the economy, continues to recover from the pandemic. Capital investments into Equipment rose 12% and accounted for a consistent 4.9% of total GDP, while capital investments into Intellectual Property rose 15% and accounted for a high 4.6% of GDP, above the historical average of 3.8%. (We expect this trend to continue, with investments in IP growing at a faster rate than Equipment, as long as interest rates remain low.) Exports remained under pressure -- accounting for 9.6% of GDP compared to a historical average of 10.8% -- as did Government Spending, which accounted for 15.6% compared to a historical average of 16.5%. We believe that as U.S. GDP recovers from the pandemic, various sectors of the economy will recover at different rates. We look for Consumer Spending and Capital Investments into IP to be among the leading contributors to the recovery.

GDP CONTRIBUTORS

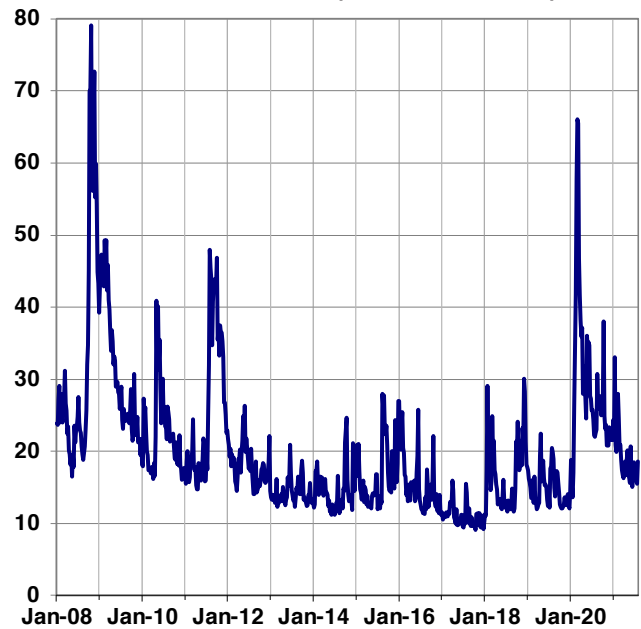


FINANCIAL MARKET HIGHLIGHTS

VOLATILITY RISES ALONG WITH COVID CASES

The VIX Volatility Index had been averaging in the mid-teens for five straight years before spiking to an average of 29 in 2020. And, of course, that average masked the worst readings of last year – as high as 85 in March as the U.S. economy shut down at the onset of the pandemic. The VIX has been slowly pushing back toward those mid-teens readings, enduring speed bumps such as a recession, a divisive presidential election, inflation fears, a series of pandemic waves, and the spread of new coronavirus variants. Indeed, last week, the VIX index jumped 20% on inflation and Delta variant concerns, and the DJIA dropped almost 400 points. While stocks are almost 20% higher for the year, investors are cautioned to remain alert: Since 1920, the S&P 500 has recorded a 5% pullback three times a year on average and a 10% correction once every year and a half. On our S&P 500 valuation model, stocks are currently priced for perfection. In this environment, we continue to recommend that investors focus on high-quality stocks with strong balance sheets and experienced management teams.

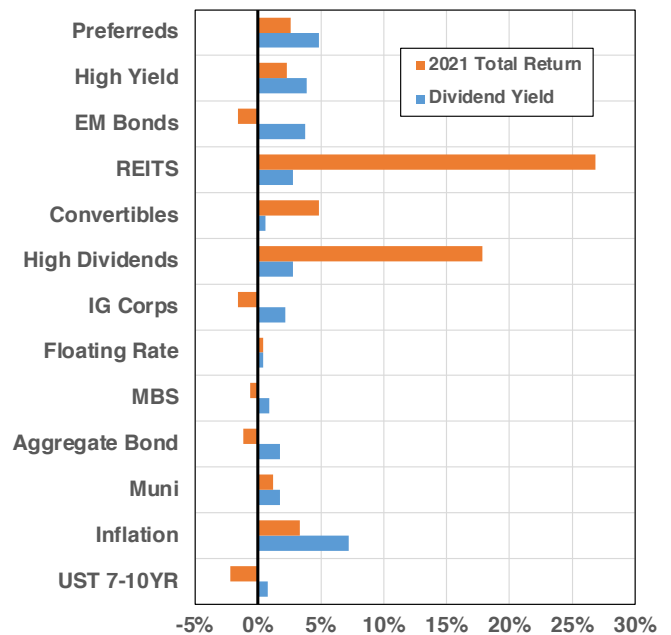
VOLATILITY INDEX (WEEKLY CLOSE)



FIXED INCOME PERFORMANCE LAGS

The performance of income-oriented securities is mixed in 2021, as the benchmark 10-year Treasury yield jumped from 0.9% in January to 1.75% in March and then dropped back to the current 1.25% range. The pack is generally led by income securities that have an equity component, such as REITs and high-yield dividend stocks, which are up 27% and 18%, respectively. (Note: we measure performance by reviewing category-specific ETFs.) Convertibles have returned almost 5% this year, while preferreds have risen 3%. At the other end of the spectrum, the major upward move in the bond benchmark earlier this year has impacted U.S. government bond performance, as that group is down 2.0%. Investors are worried about emerging market economies as well, and returns are also down about 2.0% for that group. The overall fixed-income security benchmark AGG is down 1.2% year-to-date. At this point in the macro cycle, we see better value in intermediate (3- to 7-year) U.S. Treasuries and securitized-debt securities from a risk/reward perspective. We would also continue to add a small position in inflation-protected securities due to the recent rise in long-term rates and expectations for economic improvement. In addition, we would look to add shorter-duration investment-grade securities or ETFs as the risk of higher long-term rates (duration risk) outweighs the low coupons.

ETF INCOME YIELDS & PERFORMANCE



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
31-Aug	Consumer Confidence	August	129.1	129.0	124.0	NA
1-Sep	ISM Manufacturing	August	59.5	59.0	59.0	NA
	Construction Spending	July	0.1%	0.4%	0.3%	NA
2-Sep	Trade Balance	July	-\$75.7 Bln.	-\$70 Bln.	-\$73.7 Bln.	NA
	Factory Orders	July	1.5%	0.5%	0.6%	NA
	Non-farm Productivity	2Q	4.3%	2.3%	2.4%	NA
	Unit Labor Costs	2Q	-2.8%	1.0%	0.9%	NA
3-Sep	ISM Non-Manufacturing	August	64.1	63.0	62.7	NA
	Non-farm Payrolls	August	943 K	800 K	775 K	NA
	Average Weekly Hours	August	34.8	34.8	34.8	NA
	Average Hourly Earnings	August	0.4%	0.3%	0.3%	NA
	Unemployment Rate	August	5.4%	5.5%	5.2%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
14-Sep	Consumer Price Index	August	0.5%	NA	NA	NA
	CPI ex-Food & Energy	August	0.3%	NA	NA	NA
15-Sep	Import Price Index	August	0.3%	NA	NA	NA
	Industrial Production	August	0.9%	NA	NA	NA
	Capacity Utilization	August	76.1%	NA	NA	NA
16-Sep	Retail Sales	August	-1.1%	NA	NA	NA
	Retail Sales; ex-autos	August	-0.4%	NA	NA	NA
	Business Inventories	July	0.8%	NA	NA	NA

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