

THE ECONOMY AT A GLANCE

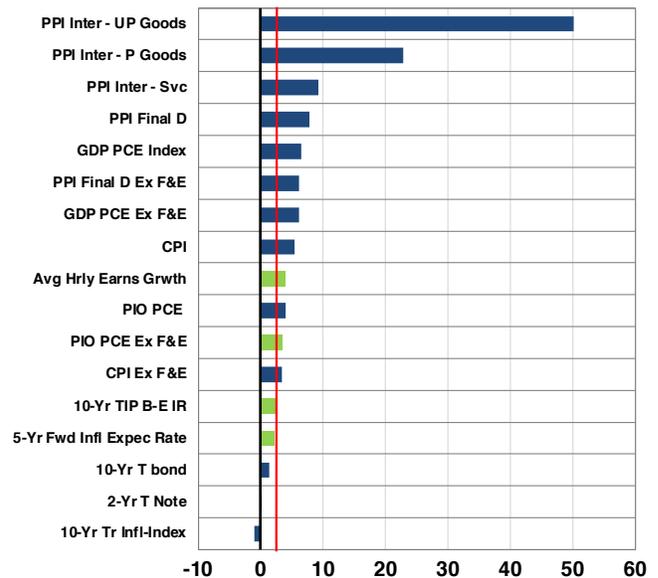
ECONOMIC HIGHLIGHTS

September 13, 2021
 Vol. 88, No. 132

CORE INFLATION COOLS

Pricing pressures are hot, primarily at the producer level. After months of below-target inflation readings, mainstream measures of inflation are ticking higher as well, compared to the deflationary lows of the early months of the pandemic. Even so, we don't think the U.S. Federal Reserve is planning to change its approach to low interest rates. Chairman Powell has said that the central bank is willing to let inflation rise above its 2% target in exchange for a continued decline in unemployment. We track 18 inflation measures on a monthly basis. On average, they indicate that prices are rising at a 7.9% rate, ahead of last month's 7.6% reading. But drilling down to core inflation, our reading is 2.9%, with the all-important five-year inflation target at 2.2%. The big increases in recent months have come at the producer level, as the PPI for intermediate unprocessed goods, for example, was up 50% year-over-year in August and the PPI for intermediate processed goods was up 23% year-over-year. Much of this price activity has been driven by the recent recovery in commodity prices, including oil, which has more than tripled year-over year. The Federal Reserve's inflation forecasts now call for core inflation readings of 3.4% in 2021 and 2.1% in 2022.

INFLATION MEASURES (% CHANGE Y/Y)

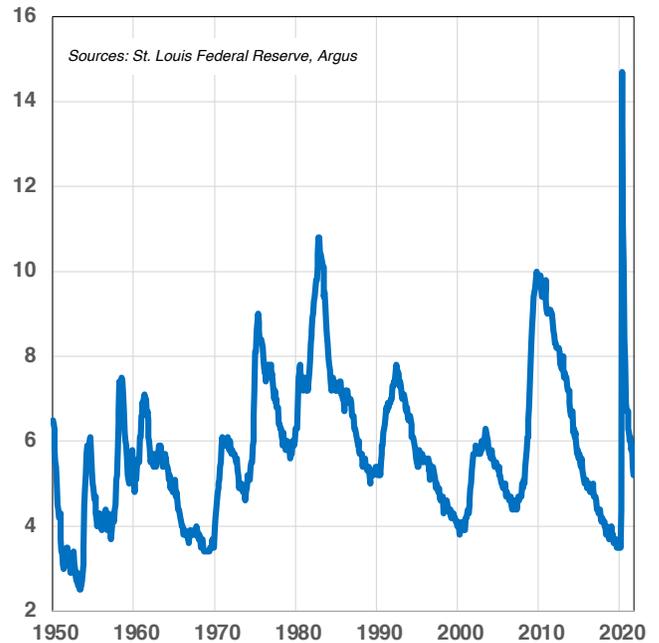


ECONOMIC HIGHLIGHTS (CONTINUED)

JOBS GROWTH SLOWS IN AUGUST

In a sign that the Delta variant is having a negative impact on the economic recovery, the U.S. economy added just 235,000 nonfarm payroll jobs in August, below the 750,000 consensus call. In a better sign, total nonfarm payroll employment for June was revised up by 24,000, from 938,000 to 962,000, and July was revised up by 110,000, from 943,000 to 1,053,000. All told, nonfarm employment has risen by 17.0 million since April 2020 but is down by 5.3 million, or 3.5%, from its pre-pandemic level in February 2020. In August, notable job gains occurred in professional and business services, transportation and warehousing, private education, manufacturing, and other services. Employment in retail trade declined. Though generally trending in the right direction, the latest jobs numbers indicate that the employment environment is still under stress. We expect that the unemployment rate will remain above 4.0% -- and that the Federal Reserve will thus keep interest rates low -- into late 2022 or early 2023.

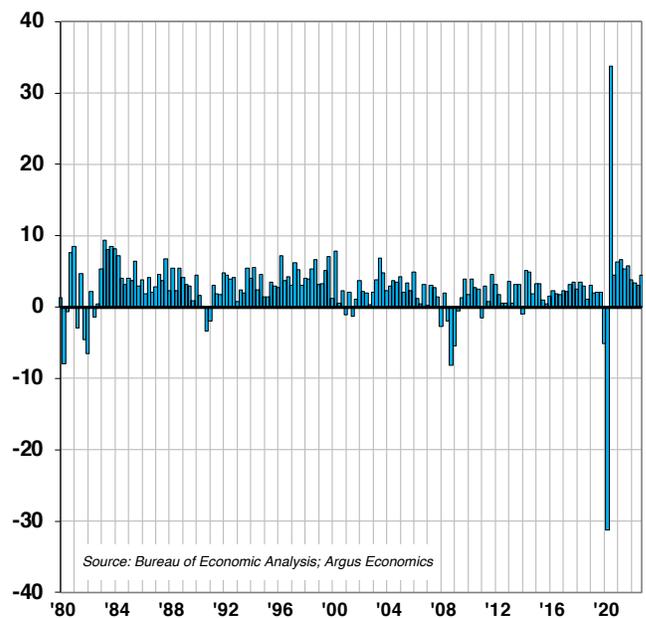
U.S. UNEMPLOYMENT RATE (%)



SLIGHT REDUCTION IN THE ARGUS 3Q GDP FORECAST

Recent data indicates that the economy is still expanding, though some white-hot growth rates in certain sectors are starting to cool. As we do each month, we have reviewed more than 25 important demographic and economic data points, from all sectors of the economy, including consumer, housing, automotive, manufacturing, and exports. We also pay close attention to Federal Reserve activity, oil prices, the dollar, and trends in COVID-19. Rolling all the data up, and looking out two years, our GDP model now calls for a 5.3% increase in GDP in 3Q21, down from our earlier forecast of 5.8%. We expect good growth in 4Q as well, before rates fall more sharply in 2022. On an annual basis, we look for overall GDP growth of approximately 6.0% in 2021 and 3.7% in 2022. Our estimates are consistent with consensus forecasts and the outlook from the Federal Reserve, which call for growth of 4%-7% in 2021. The GDPNow Forecast from the Federal Reserve Bank of Atlanta is 5.3% for 3Q21.

GDP TRENDS & OUTLOOK (% CHANGE)

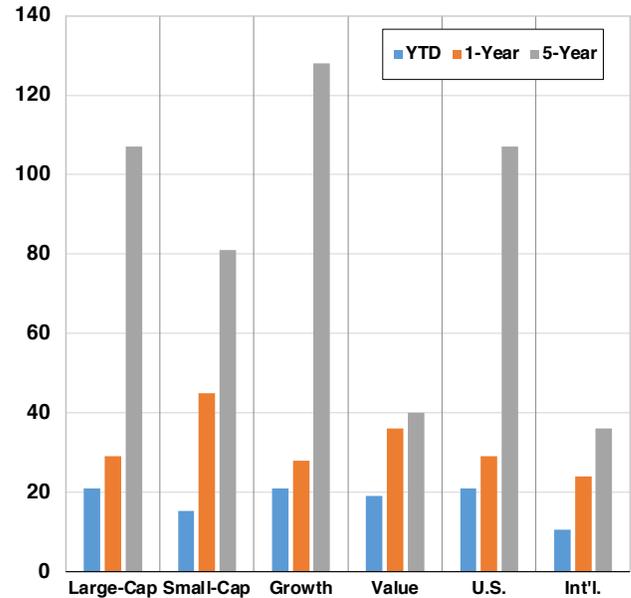


FINANCIAL MARKET HIGHLIGHTS

ARGUS'S FAVORED CLASSES, SEGMENTS

Stocks continued to charge ahead in August, maintaining a sizable performance lead over bonds heading into a challenging part of the year (the back half of 3Q). Looking ahead, our Stock-Bond Barometer model is close to equally balanced between stocks and bonds for long-term investors. In other words, these asset classes should be near their normal weights in diversified portfolios. We have looked for large-cap companies with strong balance sheets and experienced management teams to be the leaders during the recovery from COVID-19. This has played well, and now, with vaccines being distributed, small-cap risks are reduced. Our recommended exposure to small- and mid-caps is now 15% of equity allocation, in line with the benchmark weighting. U.S. stocks have outperformed global stocks over the trailing one- and five-year periods. We expect this trend to continue over the long term, given volatile global economic and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 15%-18% of equity exposure to the group. Value had been a surprise leader in 2021. We anticipate that growth, led by Tech and Healthcare, will recover and outperform value, led by Energy and Materials, as long as interest rates remain low.

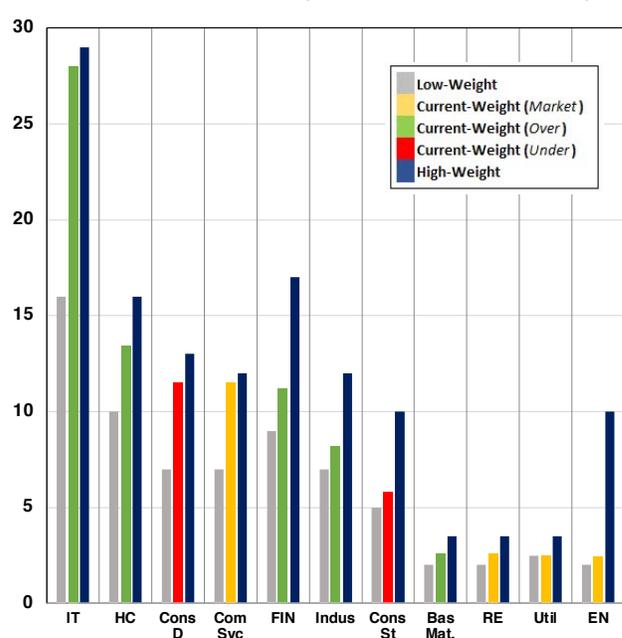
MARKET SEGMENT RETURNS 2021
(% THROUGH 8/31/21)



ARGUS ADJUSTS SECTOR RATINGS

We have adjusted our recommended sector allocations. The following reflects our guidance for the calendar fourth quarter of 2021. We have raised Basic Materials to Over-Weight from Market-Weight. We have lowered Communication Services to Market-Weight from Over-Weight. We have lowered Consumer Staples to Under-Weight from Market-Weight. Finally, we have raised Energy to Market-Weight from Under-Weight. The rebalancing process takes place four times a year, early in the months of March, June, September, and December. Our current Over-Weight sectors are Technology, Healthcare, Financial Services, Industrial, and Basic Materials. Our Market-Weight sectors are Communication Services, Energy, Utilities, and Real Estate. Our Under-Weight sectors are Consumer Staples and Consumer Discretionary. Argus suggests that advisors and investors leverage this consistent and comprehensive process to tweak weightings within balanced equity portfolios.

SECTOR WEIGHTS (5-YRS., % OF S&P 500)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
14-Sep	Consumer Price Index	August	0.5%	0.5%	0.4%	NA
	CPI ex-Food & Energy	August	0.3%	0.3%	0.3%	NA
15-Sep	Import Price Index	August	0.3%	0.3%	0.3%	NA
	Industrial Production	August	0.9%	0.4%	0.5%	NA
	Capacity Utilization	August	76.1%	76.2%	76.4%	NA
16-Sep	Retail Sales	August	-1.1%	-0.8%	-0.7%	NA
	Retail Sales; ex-autos	August	-0.4%	-0.3%	-0.3%	NA
	Business Inventories	July	0.8%	0.8%	0.5%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
28-Sep	Consumer Confidence	September	113.8	NA	NA	NA
30-Sep	Real GDP	2Q	6.6%	NA	NA	NA
	GDP Price Index	2Q	6.1%	NA	NA	NA
1-Oct	Personal Income	August	1.1%	NA	NA	NA
	Personal Spending	August	0.3%	NA	NA	NA
	U. of Michigan Sentiment	September	70.3	NA	NA	NA
	ISM Manufacturing	September	59.9	NA	NA	NA
	Construction Spending	August	0.3%	NA	NA	NA

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.

