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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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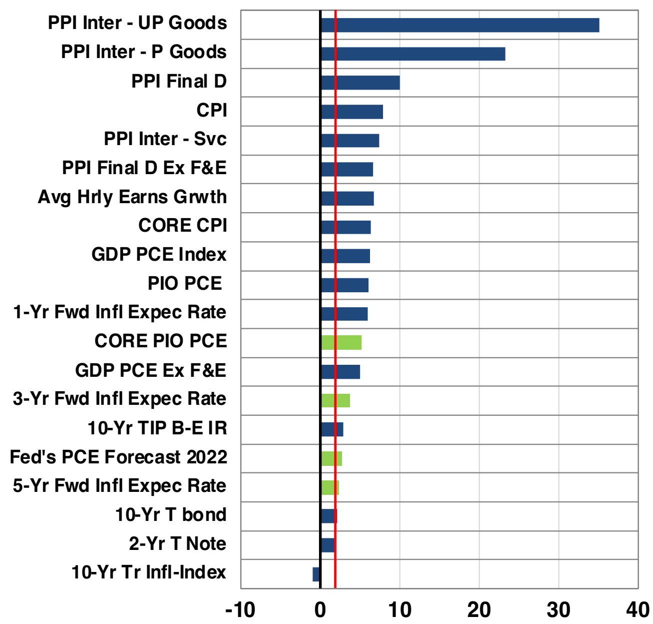
INFLATION RUNNING HOT

Pricing pressures are hot and the Fed is taking action. We track 20 inflation measures on a monthly basis. On average, they indicate that prices are rising at a 7.1% rate, slightly below last month's reading of 7.4% due to a modest pullback in producer prices. Drilling down to core inflation -- which we obtain by averaging core CPI, core GDP PCE, market-based PCE ex-food & energy, the five-year forward inflation expectation rate, and the 10-year TIPs breakeven interest rate -- our reading is 4.2%, with the all-important five-year target rate at 2.35%. The Labor Department reported a 7.9% increase in overall inflation in February, driven by 26% higher energy prices, 41% higher used-car prices, 12% higher commodity prices, and 9% higher food prices. The only category that is below recent historical trends is medical care services, which are up 2.4%. According to recent surveys, consumers expect inflation to decline back toward the Fed's target of 2.0% over the next five years. The Fed's forecasts now call for a core inflation reading of 2.7% in 2022. If the central bank is to be proven correct, inflation data will need to start declining soon.

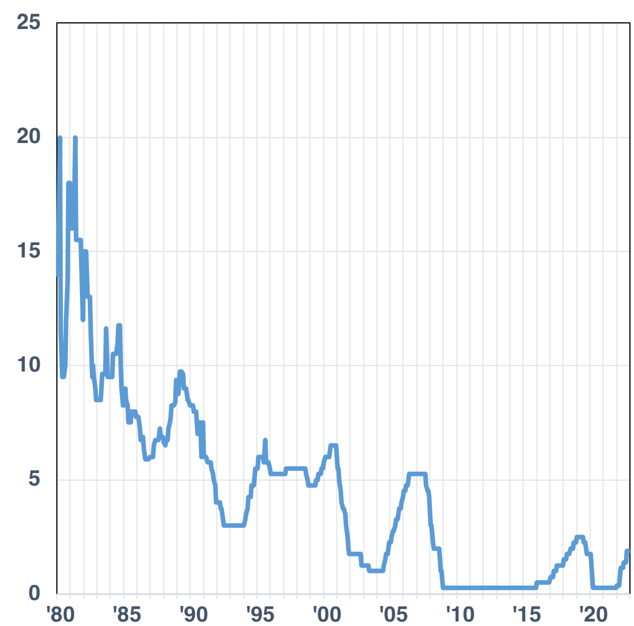
INFLATION MEASURES (% CHANGE Y/Y)



SURPRISE! SIX MORE RATE HIKES ON THE WAY

The Federal Reserve held its latest FOMC meeting and, as expected, raised the fed funds rate to 0.25%-0.50%. This is the first increase since the central bank lowered the rate to the rock-bottom level of 0.00%-0.25% early in the pandemic. What was unexpected was that the majority of voting Fed officials now think that the fed funds rate will be increased six more times this year. Prior to the meeting, the Fed's consensus was for four hikes in 2022. At this point, the Fed is targeting a 1.9% federal funds rate at year-end, and another four increases, to 2.8%, in 2023. The aggressive stance is in response to inflation that has been persistent and accelerating rather than transitory. Indeed, the Fed now expects PCE inflation to rise at a 4.3% rate in 2022 -- up from its prior forecast of 2.6%. (The early look at inflation in 2023 calls for PCE pricing pressures of 2.7%, according to the Fed.) The higher short-term interest rates are expected to cool the economy, and the central bank's projections now call for 2022 GDP growth of 2.8%, down from its previous forecast of 4.0%. Our 2022 GDP forecast is 3.1%.

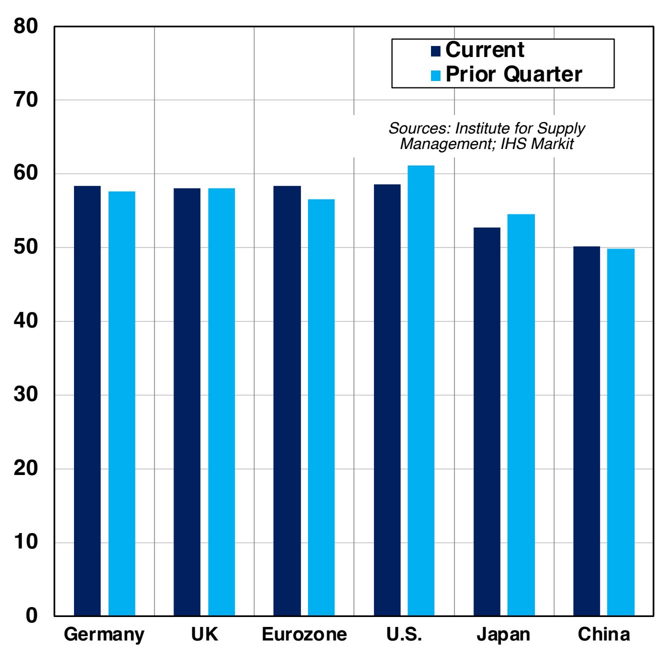
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



MANUFACTURING COOLS IN EUROPE, CHINA

The outlooks of purchasing managers -- and the manufacturing sectors they represent -- have softened in recent months due to supply-chain woes, COVID variants, and now the Russian invasion of Ukraine. Conditions are still expansionary, but not as robust as they were last summer. Consider the Eurozone, which had a PMI reading of 63.1 in July and is now down to 58.4. In manufacturing stalwart Germany, the PMI has fallen to 58.4 from 64.4. And the latest UK reading is 58.0 versus 64.2 last summer. China is only barely expanding; the most recent PMI reading in the world's second-largest economy was 50.2, as COVID cases rise. (Note: any PMI reading above 50 indicates economic expansion.) Meanwhile, the U.S. is holding on, with a PMI of 58.6 in February. Drilling deeper into the U.S. report, the new order index is signaling strength, with a reading of 61.7, but the backlog index has reversed trend and is headed higher at 65.0.

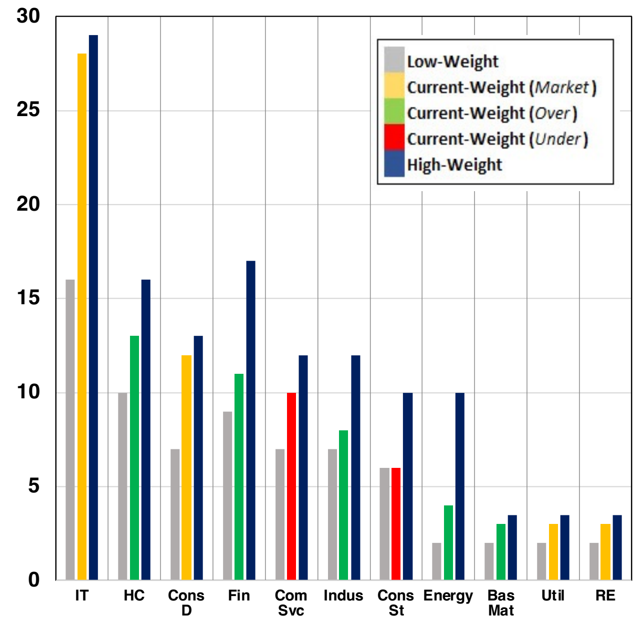
GLOBAL PMI SURVEY RESULTS



ARGUS ADJUSTS SECTOR RATINGS

We adjusted our recommended sector allocations in March. The following reflects our guidance for the calendar second quarter of 2022. We have raised our rating on the Energy sector to Over-Weight from Market-Weight, and have lowered our rating on the Technology sector to Market-Weight from Over-Weight. We have also lowered our rating on the Communication Services sector to Under-Weight from Market-Weight and have raised our rating on the Utility sector 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 Basic Materials, Energy, Financial Services, Healthcare, and Industrials. Our current Market-Weight sectors are Consumer Discretionary, Technology, Real Estate, and Utilities. Our Under-Weight sectors are Communication Services and Consumer Staples. Argus suggests that advisors and investors leverage this consistent and comprehensive process to tweak weightings within balanced equity portfolios.

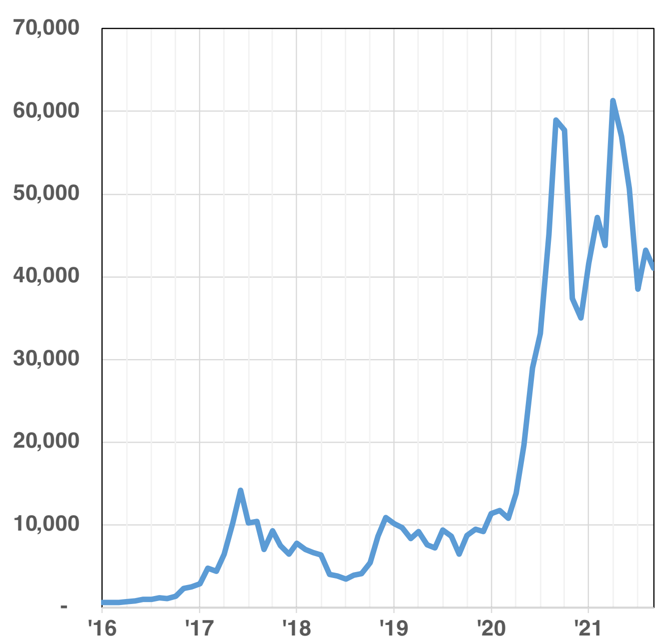
SECTOR WEIGHTS (% OF S&P 500)



MORE VOLATILITY IN CRYPTO MARKETS

The approximately $2.0 trillion cryptocurrency market (Bitcoin, Dogecoin, Ethereum, etc.) has been under pressure amid high volatility and a risk-off move in the financial markets. For consumers, cryptocurrency can cut out the intermediary in a transaction of value. That said, we think that crypto volatility is currently too high to consider paying for a tank of gas (or even a Tesla) with Bitcoin. For traders, the ups and downs of cryptocurrencies are a major opportunity -- as long as they are on the right side of Elon Musk's tweets or rapidly changing Chinese regulations. For investors, the main question is how far crypto is from becoming a mainstream security? We estimate that global equity market capitalization is approximately $110 trillion. Gold is about $10 trillion. For crypto to make it onto the radar for most investment managers' asset-allocation models, we would expect to see it approximately triple in value to $5-$6 trillion. Then it could account for 2%-3% of total portfolio assets and could be used as a growth alternative. By then, there could also be more uses for, and regulations to define, the asset class, and more fundamentals to support valuation.

BITCOIN PRICE TRENDS (USD)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
28-Mar	Wholesale Inventories	February	0.8%	2.2%	2.0%	NA
29-Mar	Consumer Confidence	March	110.5	108.0	107.8	NA
30-Mar	Real GDP	4Q	7.0%	7.0%	7.1%	NA
	GDP Price Index	4Q	7.1%	7.1%	7.1%	NA
31-Mar	Personal Income	February	0.0%	0.3%	0.5%	NA
	Personal Spending	February	2.1%	1.2%	0.6%	NA
1-Apr	ISM Manufacturing	March	58.6	58.8	58.6	NA
	Construction Spending	February	1.3%	1.2%	1.0%	NA
	Non-farm Payrolls	March	678 K	500 K	450 K	NA
	Average Weekly Hours	March	34.7	34.7	34.7	NA
	Average Hourly Earnings	March	0.0%	0.2%	0.4%	NA
	Unemployment Rate	March	3.8%	3.9%	3.7%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Apr	Consumer Price Index	March	0.8%	NA	NA	NA
	CPI ex-Food & Energy	March	0.5%	NA	NA	NA
13-Apr	PPI Final Demand	March	0.8%	NA	NA	NA
	PPI ex-Food & Energy	March	0.2%	NA	NA	NA
14-Apr	Retail Sales	March	0.3%	NA	NA	NA
	Retail Sales; ex-autos	March	0.2%	NA	NA	NA
	Business Inventories	February	1.1%	NA	NA	NA
	Business Inventories	March	1.4%	NA	NA	NA
	U. of Michigan Sentiment	April	59.4	NA	NA	NA
15-Apr	Industrial Production	March	0.5%	NA	NA	NA
	Capacity Utilization	March	77.6%	NA	NA	NA

Investors