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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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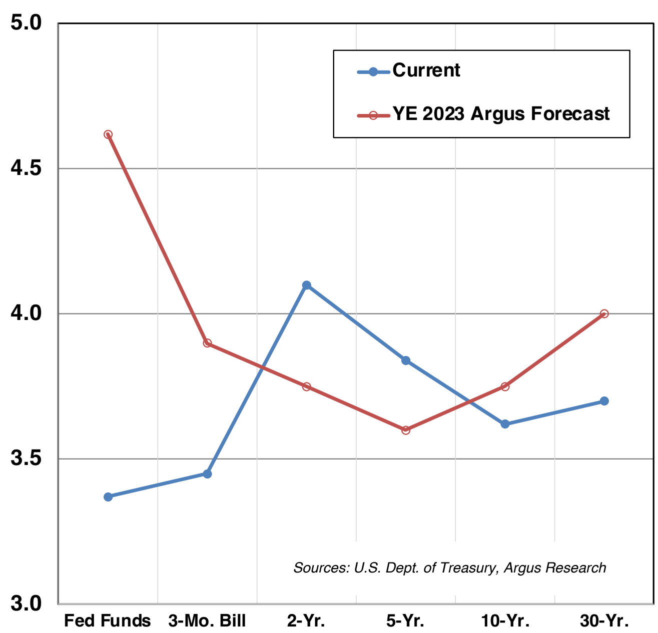
INVERTED YIELD CURVE MAY FLATTEN IN 2023

Bonds have not provided a safe haven in 2022, with the benchmark Core U.S. Aggregate Bond Index down almost 15.5% year-to-date. We think that the worst of the damage at the long end of the curve for this cycle has been done. Our forecasts for the 10-year Treasury call for an increase of approximately 100 basis points through 2023, compared to the 215-basis-point jump in the first nine months of this year. At the short end of the curve, we look for an aggressive move higher into 2023. We expect the Fed to hike the federal funds rate 75 basis points at its November meeting and another 50 basis points in December. At that point, the fed funds rate could be 4.50%-4.75%, in line with the Fed's forecast of 4.5% inflation by the end of 2022. What will these hikes do to the economy? Right now, the economy is in a growth mode and may be able to handle higher rates for another quarter, but it may not be long before the housing market stumbles and unemployment starts to rise toward 5.0%. What will the hikes do to the yield curve? Right now, the yield curve is inverted, as investors expect the Fed to overshoot and push the economy into recession. If the central bank can avoid a downturn -- no easy task now that GDP has fallen for two straight quarters -- the yield curve should again slope upward, which is our forecast for the end of next year. What will modestly higher long-term rates do to the stock market? They will limit most appreciation from multiple expansion, and thus require strong earnings to drive returns.

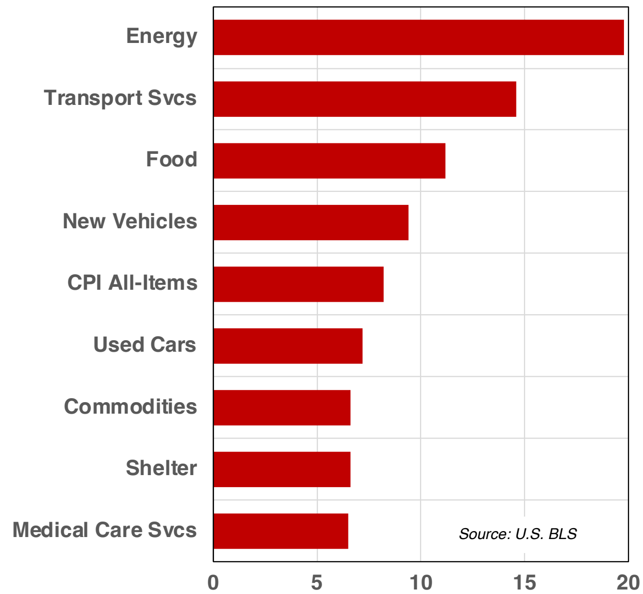
YIELD CURVE & OUTLOOK (%)



ONCE AGAIN, LITTLE IMPROVEMENT IN INFLATION

The recent CPI report showed broad-based inflationary pressures in the U.S. The Bureau of Labor Statistics reported an 8.2% year-over-year increase in overall inflation in September, little changed from the 8.3% increase in August. The core inflation rate, excluding food and energy prices, rose to 6.6% in September from 6.3% in August. The overall rate benefited primarily from falling energy prices, as well as from lower prices for used cars, apparel, and medical commodities. Food prices were steady, but shelter and new vehicle prices continued to rise, as did transportation costs. We think that the 9.1% CPI rate in July will prove to be the peak reading for the index in 2022, as gas prices slide and the housing market cools. Even so, the Fed still has a lot of wood to chop to bring core inflation down to its 2.0% target. We continue to look for a 75-basis-point rate hike by the central bank at its meeting in November, and another 50-basis-point increase in December.

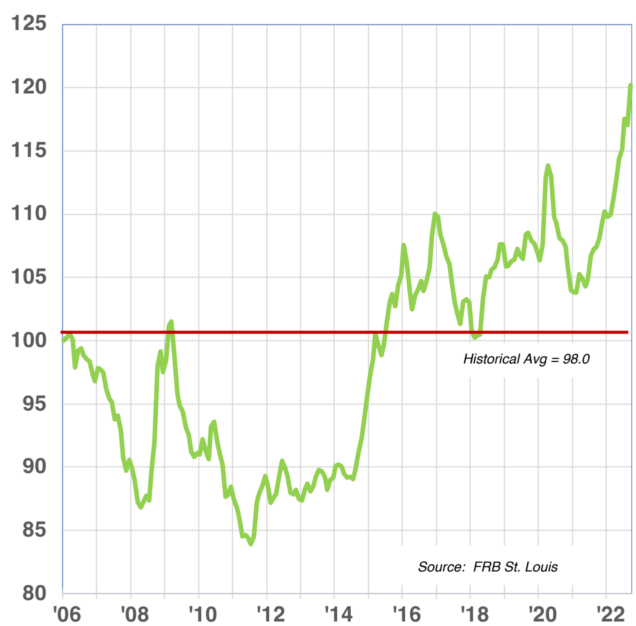
INFLATION FACTORS (% CHANGE Y/Y)



DOLLAR CLIMBS TO HIGHS

The dollar is up 9% year-to-date and back at cycle highs. The greenback spiked early in the pandemic, as global investors flocked to the security of assets denominated in U.S. currency. Indeed, the dollar in 2020 surpassed the cycle highs set initially in 2001-2002 and then again in late 2016. But after peaking in April 2020, the greenback declined into 2021. In 2022 (in the wake of the Russian invasion of Ukraine, spiking inflation, and rising global interest rates), the dollar has surpassed its previous cycle highs. Currently, on a real trade-weighted basis, the dollar is 20% above its average valuation over the past 20 years. The fully valued U.S. currency reflects several factors, but primarily the relative strength of the U.S. economy and global investor confidence in the U.S. Federal Reserve and Department of Treasury. We anticipate a trading range near current levels for the greenback into 2023. That's because we think that U.S. GDP will start to cool as the Fed raises rates to tame inflation. What's more, with Treasury prices likely headed lower as the Fed addresses inflation, global investors may be selling their T-bills and bonds and reinvesting in their own sovereign debt. Lastly, the lofty current valuation of the greenback implies that other currencies -- and even gold or other commodities -- are possibly undervalued, and we would expect traders to bid up those values over time.

U.S. DOLLAR TREND
REAL TRADE-WEIGHTED U.S. DOLLAR INDEX



FINANCIAL MARKET HIGHLIGHTS

THE BEAR MARKET LENGTHENS

What's next as the bear market approaches its tenth month? The record is not pretty. Bear markets do not tend to be short, with an average duration of 16 months for the past six downturns (so we are possibly more than halfway through). The average peak-to-trough decline for those bear markets has been 38%; that would drop the S&P 500 down to 2,974. From a technical standpoint, we see support for the S&P 500 near 3,500, which is a 50% retracement of the bull market's gains. The 61.8% retracement level is 3,200. On the fundamentals, the current market P/E ratio of 16-times forward earnings is not far from the historical average, but there are questions about the durability of earnings. If we review dividend yield, the historical average yield for the S&P 500 is 1.9%; the current market yield is not far from that at 1.82%. The worst bear market in the past six decades occurred during the Great Recession, when stocks dropped 57%. That kind of move would take the S&P 500 down to 2,060. We have yet to see a model that can accurately predict when stock prices will bottom, but we suspect that investors will take their cues from leading inflation indicators such as the price of gold, commodities, and inventory levels.

STOCKS PRICES & RECESSIONS

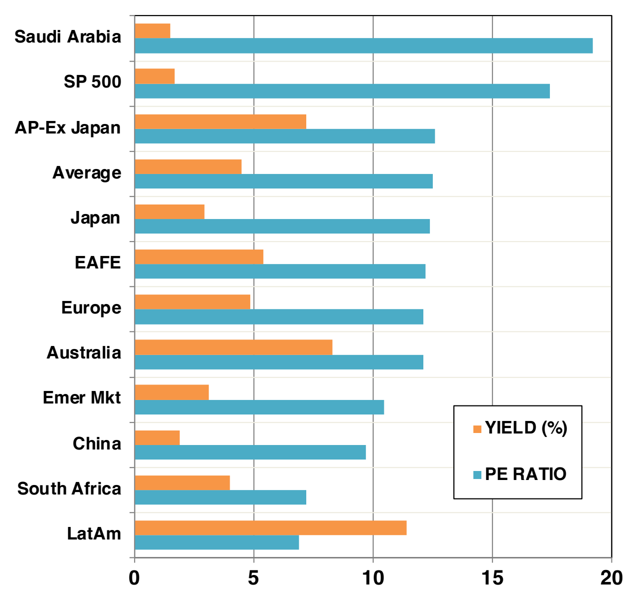
Bear Market Start	Bear Market Length (months)	Overlapping Recession?	Bear Market Returns	12-Month Returns after Bear Ends	Length to Recovery from Bear Trough (months)
1946	36.5	Yes	-30%	42%	11.9
1956	14.7	Yes	-22%	31%	11.1
1961	6.4	No	-28%	33%	14.3
1966	7.9	No	-22%	33%	6.9
1968	17.9	Yes	-36%	44%	21.4
1973	20.7	Yes	-48%	38%	69.5
1980	20.5	Yes	-27%	58%	2.7
1987	3.3	No	-34%	21%	19.7
2000	30.5	Yes	-49%	34%	55.7
2007	17.0	Yes	-57%	69%	48.7
2020	1.1	Yes	-34%	75%	4.9
2022	9.0	????	-23%	????	????
Average	15.5		-34%	43%	24.3

Sources: Bloomberg, Wells Fargo, Yahoo Finance

GLOBAL STOCKS AT DISCOUNT TO U.S. (EXCEPT FOR MIDEAST)

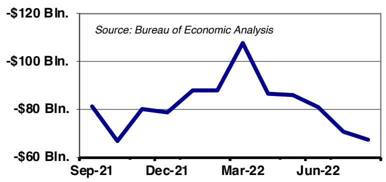
As global markets stumble along, one thing has not changed: U.S. stocks are more expensive than most global stocks on numerous metrics. The P/E ratio on the S&P 500 is 16, above the global average of 12.5 and well above the average P/E range of 6-9 for stocks in emerging markets. The current dividend yield for the S&P 500 is 1.8%, versus the global average of 4.5%, and Asian, Australian, and Latin American yields of 7%-11%. The foreign region that does not fit the pattern is the Middle East. The average P/E on a Saudi Arabian stock is a high 19.2 and the yield is a low 1.5%. That can be blamed on high oil prices. Investors generally are willing to pay a higher price for North American securities because of the transparency of the U.S. financial system. What is more, global returns can be volatile across individual countries given currency, security, political, and geopolitical risks. Indeed, U.S. stocks are outperforming the EAFE year-to-date in 2022 -- as well as over the past five years. Even so, we recommend that growth investors have approximately 5%-10% of their equity allocations in international stocks to take advantage of the value.

GLOBAL EQUITY VALUATION METRICS

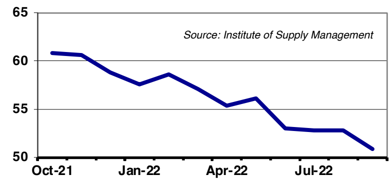


ECONOMIC TRADING CALENDAR

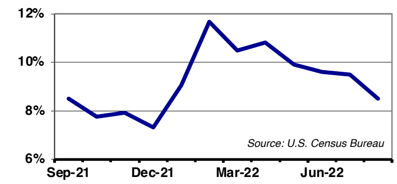
Release:	**Trade Balance**
Date:	11/3/2022
Month:	September
Previous Report:	-$67.4 Bln.
Argus Estimate:	-$65.0 Bln.
Street Estimate:	-$67.0 Bln.



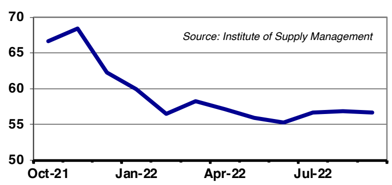
Release:	**ISM Manufacturing**
Date:	11/1/2022
Month:	October
Previous Report:	50.9
Argus Estimate:	50.5
Street Estimate:	49.9



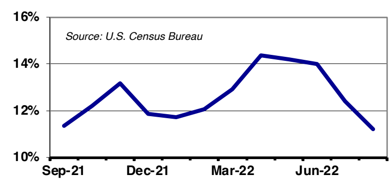
Release:	**Construction Spending**
Date:	11/1/2022
Month:	September
Previous Report:	8.5%
Argus Estimate:	8.0%
Street Estimate:	NA



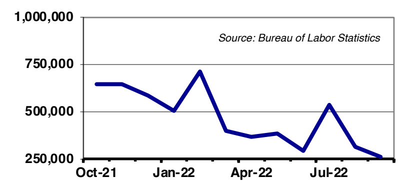
Release:	**ISM Services Index**
Date:	11/3/2022
Month:	October
Previous Report:	56.7
Argus Estimate:	55.0
Street Estimate:	56.0



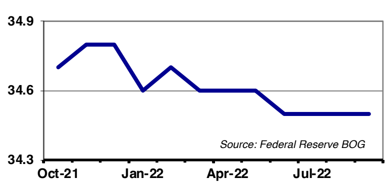
Release:	**Factory Orders**
Date:	11/3/2022
Month:	September
Previous Report:	11.2%
Argus Estimate:	8.0%
Street Estimate:	NA



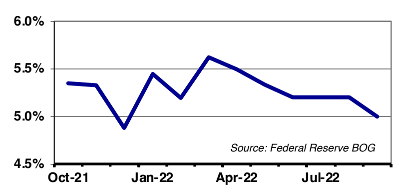
Release:	**Nonfarm Payrolls**
Date:	11/4/2022
Month:	October
Previous Report:	263000
Argus Estimate:	220000
Street Estimate:	200000



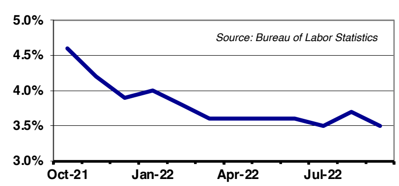
Release:	**Average Weekly Hours**
Date:	11/4/2022
Month:	October
Previous Report:	34.5
Argus Estimate:	34.5
Street Estimate:	34.5



Release:	**Average Hourly Earnings**
Date:	11/4/2022
Month:	October
Previous Report:	5.0%
Argus Estimate:	5.0%
Street Estimate:	NA



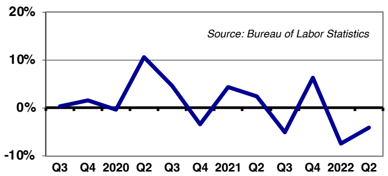
Release:	**Unemployment Rate**
Date:	11/4/2022
Month:	October
Previous Report:	3.5%
Argus Estimate:	3.6%
Street Estimate:	3.6%



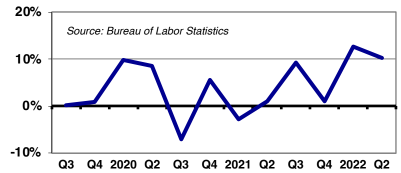
Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CALENDAR

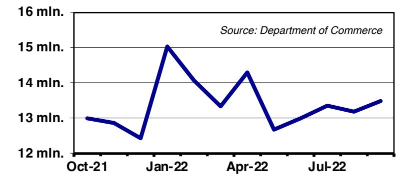
Release: **Nonfarm Productivity**
Date: 11/3/2022
Month: 3Q
Previous Report: -4.1%
Argus Estimate: 0.0%
Street Estimate: -0.2%



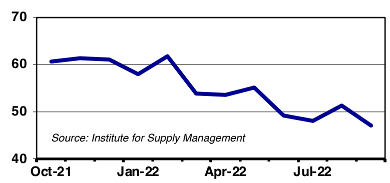
Release: **Unit Labor Costs**
Date: 11/3/2022
Month: 3Q
Previous Report: 10.2%
Argus Estimate: 4.0%
Street Estimate: 3.9%



Release: **Total Vehicle Sales**
Date: 11/1/2022
Month: October
Previous Report: 13.49 mln.
Argus Estimate: 13.60 mln.
Street Estimate: 13.75 mln.



Release: **ISM New Orders**
Date: 11/1/2022
Month: October
Previous Report: 47.1
Argus Estimate: 48.0
Street Estimate: NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Oct	Consumer Confidence	October	108.0	108.0	105.7	NA
26-Oct	Wholesale Inventories	September	25.1%	20.0%	NA	NA
	New Home Sales	September	685 K	650 K	615 K	NA
27-Oct	GDP Annualized QoQ	3Q	-0.6%	1.0%	2.0%	NA
	GDP Price Index	3Q	9.0%	5.0%	5.1%	NA
	Durable Goods Orders	September	11.3%	9.5%	NA	NA
28-Oct	Personal Income	September	3.9%	3.5%	NA	NA
	Personal Spending	September	8.2%	7.5%	NA	NA
	PCE Deflator	September	6.2%	6.0%	NA	NA
	PCE Core Deflator	September	4.9%	4.8%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
10-Nov	Consumer Price Index	October	8.2%	NA	NA	NA
	CPI ex-Food & Energy	October	6.6%	NA	NA	NA

Investors