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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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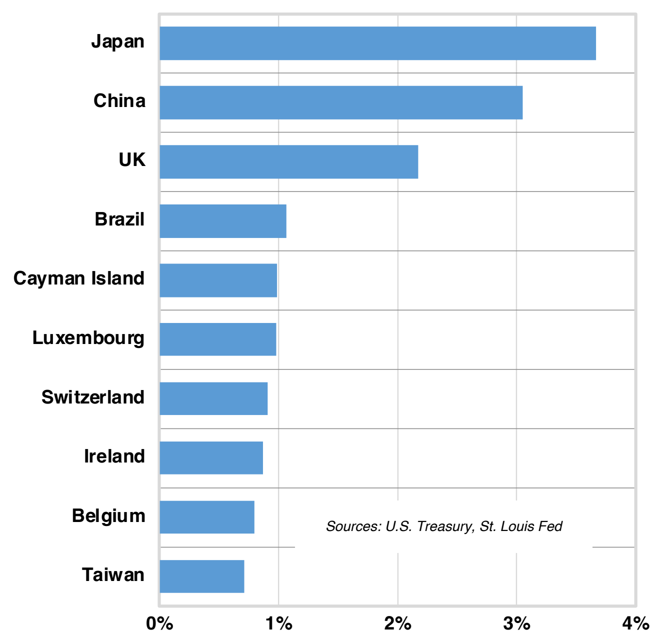
GLOBAL DEMAND FOR U.S. DEBT

We think that the big move higher in longer-duration U.S. Treasury yields has already occurred this cycle, and that yields may drift only modestly higher in 2023. In part, that is due to the substantial foreign ownership of U.S. Treasuries. Total public debt owed by the U.S. federal government was $30.6 trillion at the end of 2Q22. Outside of U.S. investors, the two largest holders of U.S. public debt are Japan, which owns 3.7% of the debt, and China, which owns 3.1%. Other nations among the top 10 holders own 7.7% of the debt -- so the top 10 collectively own 14.5%. The grand total of U.S. debt owned by foreign holders is $7.3 trillion, or about 24%. While the absolute holdings number is down about 6% year-to-date, we believe that these foreign owners are unlikely to dump their holdings in the medium term. Historically, Japan's holders have been long-term in nature, and their local sovereign bond yields near zero are not particularly enticing. China also has little reason to sell a large portion of its holdings: the increase in supply would merely depress the price of the balance of its holdings -- and may even weaken the dollar, setting off trade repercussions. Indeed, when some nations sharply lower their holdings (Hong Kong has sold 20% of its stake in U.S. Treasuries this year), others have stepped in to buy (such as Belgium, which has increased its holdings by 20%). We think this foreign demand for U.S. Treasuries should help keep a lid on long-term yields in 2023.

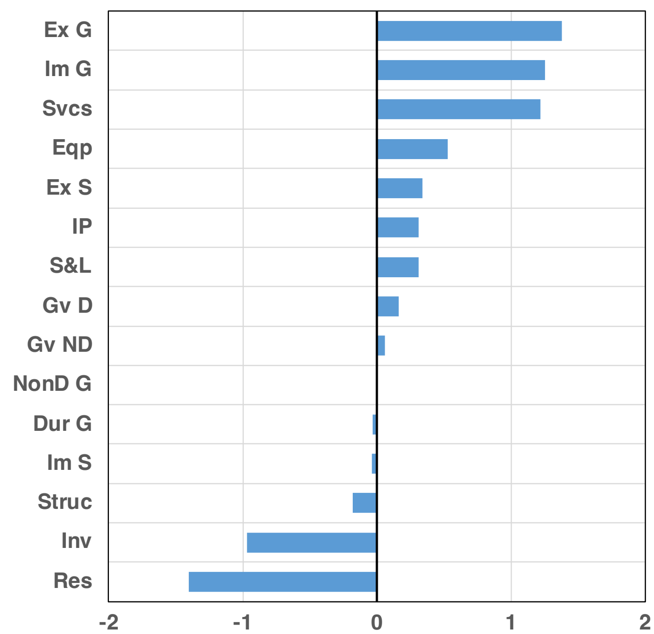
LARGEST FOREIGN U.S. DEBT HOLDERS



3Q GDP GROWTH REVISED UPWARD

The Commerce Department recently said that 3Q22 GDP advanced at a 2.9% rate -- up by three tenths of a percent from the advance estimate announced last month. During the quarter, trends in consumer spending were mixed, as spending on services contributed materially to GDP growth but spending on durable and nondurable goods had a modestly negative impact. In the investment category, capital expenditures on intellectual property products extended a strong recent run, adding to GDP, as did expenditures on equipment; meanwhile, capital spending on structures and residences had a negative impact. Exports were a bright spot. Net exports contributed to GDP for the first time in seven quarters, led by exports of both goods and services. Government spending was also a contributor, as federal defense and nondefense spending both increased modestly; state and local spending also rose. The third-quarter GDP report included more signs of strength than in the previous two quarters, though higher interest rates are likely to reduce demand in the coming quarters.

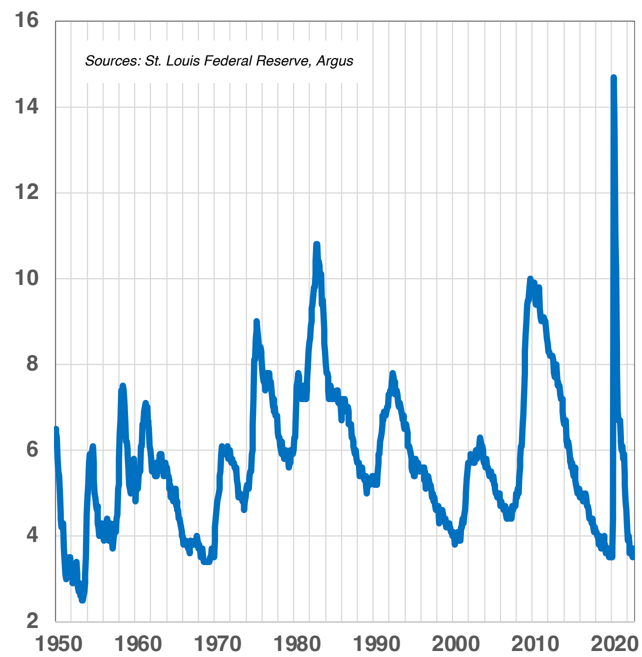
CONTRIBUTION TO 3Q GDP CHANGE (%)



263,000 NEW JOBS CREATED IN NOVEMBER

The U.S. economy generated 263,000 new jobs in November, ahead of consensus expectations and above our forecast of 200,000. The unemployment rate held steady at 3.7%. Average hourly earnings rose 0.6% from the prior month and 5.1% from the prior year, up from 4.7% growth in October. Revisions to the job totals for September and October subtracted 23,000 jobs. In November, employment gains occurred in leisure and hospitality, healthcare, government, construction, and information-related industries. The retail and transportation industries lost jobs. The employment data, though down from the prior month (as October jobs gains were increased to 284,000), suggests that the consumer sector of the economy is likely to remain on a growth track over the next few months, despite the impact of Fed rate hikes, the Russian invasion of Ukraine, and still high prices at the gas pump. But the news on the inflation front was more worrisome, as wage growth picked up a bit. In all, the November report signals that the Federal Reserve has further to go on rate hikes as it seeks to cool the economy.

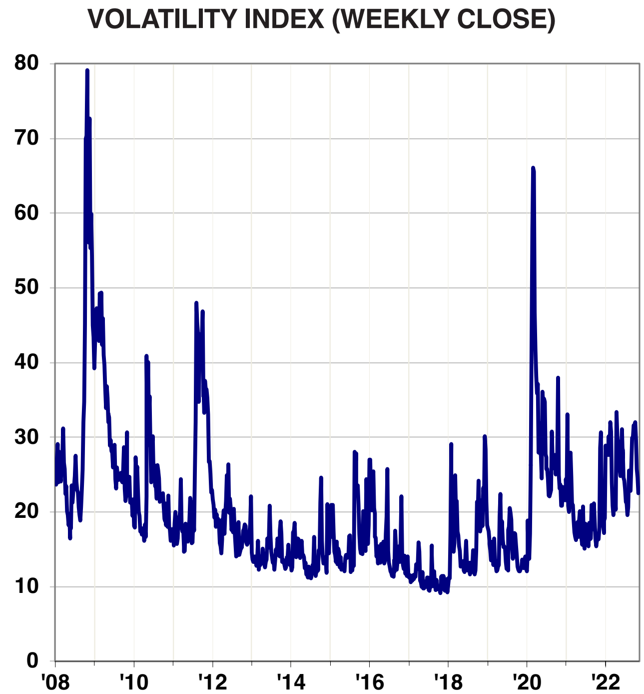
U.S. UNEMPLOYMENT RATE (%)



FINANCIAL MARKET HIGHLIGHTS

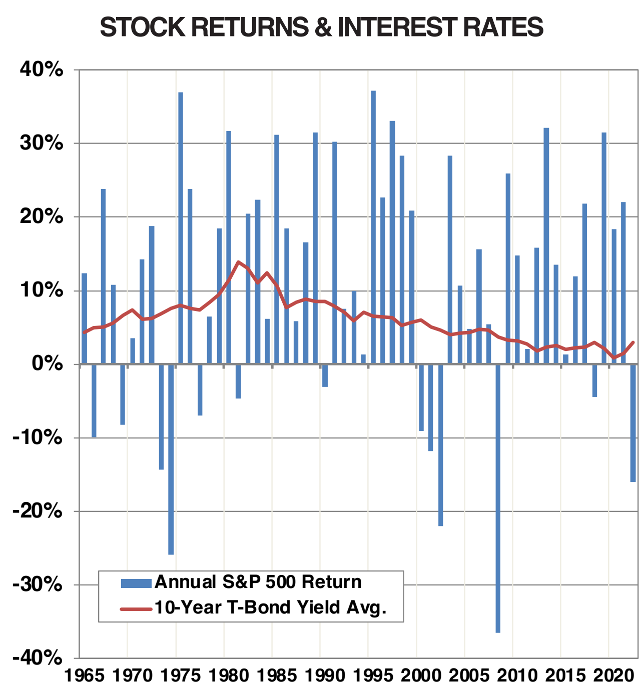
VIX CALMS (FOR NOW)

The equity markets have calmed in recent weeks, but the VIX Volatility Index has not yet closed below 20 in 2022 and is still above the 10-year historical average of 18. What are investors concerned about now? Issues range from still high inflation to a Federal Reserve that continues to raise rates. Meanwhile, Europe is bracing for a cold winter as Vladimir Putin uses his country's oil stocks as a weapon. In addition, the U.S. economy is on the brink of (or already in) a recession. The VIX is a key gauge of investor sentiment and has been above 20 for most of the past two years. On a recent day when the Dow Jones Industrial Average popped by 199 points, the VIX closed at 23, down from 30 a month earlier. Still, the coast is not yet clear -- especially with unemployment likely headed higher as the Fed maintains its hawkish stance. In this environment, we think that investors should focus on well-managed companies with clear growth objectives and clean balance sheets.

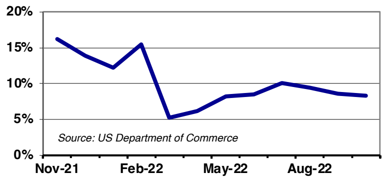


ARGUS'S PRELIMINARY MARKET OUTLOOK FOR 2023

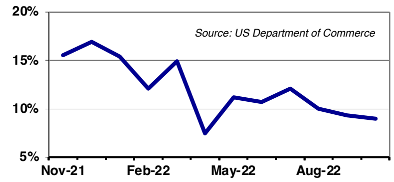
The long-term trend in the U.S. stock market has been higher, but this year has been a clunker, as stocks entered a bear market in June. As we look to 2023, we see a stock market that is more likely to generate normal returns, even if volatility remains high. The start of the year may be difficult, as the Fed hikes rates further, the economy flirts with recession, and the Russian invasion of Ukraine continues. Earnings growth may be minimal in the first half, as margins are high and the consumer-led economy stalls a bit. At the same time, the Fed should gradually move to the sidelines and interest rates at the long and short end are unlikely to climb as far and as fast as they did in 2022. This will help equity valuations, which already have come back from nosebleed levels in 2022. Indeed, the bond market often leads the Fed, and investors may be pushing long-term rates lower next year. Likewise, stocks historically have led the economy out of recession, typically bottoming during the middle of the pullback and then recovering. Given low unemployment, we don't think an economic recession in 2023 will be particularly long or deep, allowing for an earnings recovery in 2H23. In addition, the third year of the presidential cycle is typically strong, as the party in power spends to generate electoral momentum.



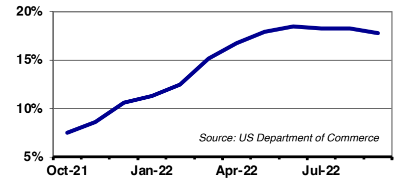
Release:	**Retail Sales**
Date:	12/15/2022
Month:	November
Previous Report:	8.3%
Argus Estimate:	8.0%
Street Estimate:	NA



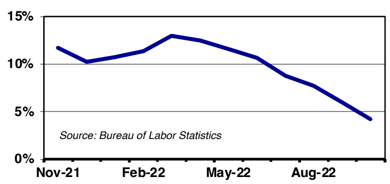
Release:	**Retail Sales; ex-autos**
Date:	12/15/2022
Month:	November
Previous Report:	9.0%
Argus Estimate:	8.5%
Street Estimate:	NA



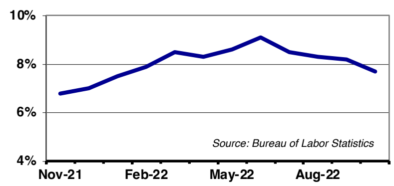
Release:	**Business Inventories**
Date:	12/15/2022
Month:	October
Previous Report:	17.8%
Argus Estimate:	16.0%
Street Estimate:	NA



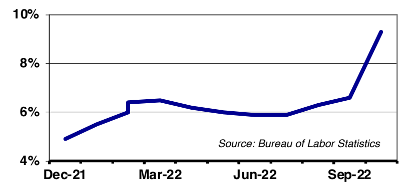
Release:	**Import Price Index**
Date:	12/14/2022
Month:	November
Previous Report:	4.2%
Argus Estimate:	3.1%
Street Estimate:	3.1%



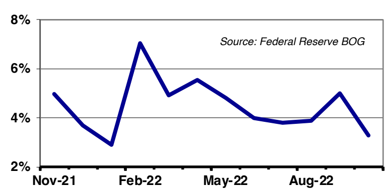
Release:	**Consumer Price Index**
Date:	12/13/2022
Month:	November
Previous Report:	7.7%
Argus Estimate:	7.4%
Street Estimate:	7.3%



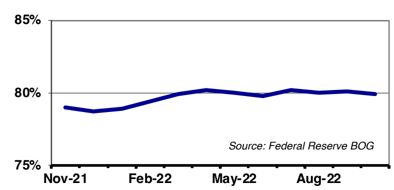
Release:	**CPI ex-Food & Energy**
Date:	12/13/2022
Month:	November
Previous Report:	6.3%
Argus Estimate:	6.0%
Street Estimate:	6.1%



Release:	**Industrial Production**
Date:	12/15/2022
Month:	November
Previous Report:	3.3%
Argus Estimate:	1.5%
Street Estimate:	NA



Release:	**Capacity Utilization**
Date:	12/15/2022
Month:	November
Previous Report:	79.9%
Argus Estimate:	79.5%
Street Estimate:	79.8%



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

ECONOMIC TRADING CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
5-Dec	ISM Services Index	November	54.4	55	53.9	NA
	Factory Orders	October	12.0%	11.0%	NA	NA
6-Dec	Trade Balance	October	-$73.3 Bln.	-$72.0 Bln.	-$71.0 Bln.	NA
7-Dec	Nonfarm Productivity	3Q	0.3%	1.0%	0.3%	NA
	Unit Labor Costs	3Q	3.5%	3.5%	3.5%	NA
9-Dec	PPI Final Demand	November	8.0%	7.0%	7.0%	NA
	PPI ex-Food & Energy	November	6.7%	6.0%	5.9%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
20-Dec	Housing Starts	November	1425 K	NA	NA	NA
21-Dec	Consumer Confidence	December	100.2	NA	NA	NA
	Existing Home Sales	November	4.43 Mil.	NA	NA	NA
22-Dec	GDP Annualized QoQ	3Q	2.9%	NA	NA	NA
	GDP Price Index	3Q	4.3%	NA	NA	NA
	Leading Index	November	-0.8%	NA	NA	NA
23-Dec	Personal Income	November	2.9%	NA	NA	NA
	Personal Income	November	8.4%	NA	NA	NA
	New Home Sales	November	632 K	NA	NA	NA
	PCE Deflator	November	6.0%	NA	NA	NA
	PCE Core Deflator	November	5.0%	NA	NA	NA