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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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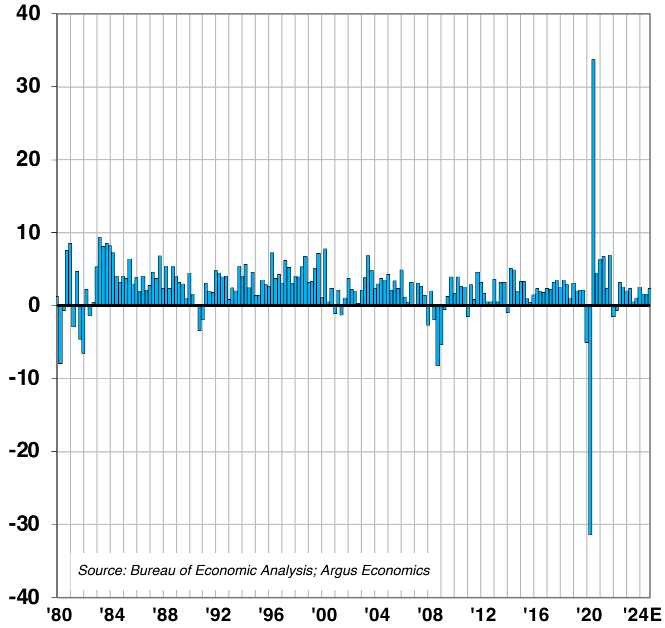
GDP FORECAST FOR 2Q23 IS NOW 2.3%

Our analysis of recent data indicates that key parts of U.S. GDP are still expanding, despite the impact of higher interest rates, inflation, and geopolitical developments. That said, growth is not consistent across all segments of the economy, and, in many cases, growth rates are slowing. The risk of recession is real – but a U.S. recession is not a foregone conclusion. We look for uneven growth in 2023, with the high possibility of a negative quarter or two, similar to 2022. After reviewing the latest economic fundamentals, as well as the positive surprise in the final revision to 1Q GDP, we are trimming our 2Q23 GDP growth estimate to 2.3%. We still believe that 2Q could be the strongest quarter of the year before higher rates dampen consumer spending in the second half. Our full-year estimate for 2023 is now 1.5%. Our 2024 forecast remains 2.0% as the Federal Reserve, with its tool chest once again full after rate hikes, can contemplate lowering interest rates to recharge economic growth. Our estimates are generally in the range of other forecasters, though perhaps a bit higher than the consensus. The Wall Street Journal Economic Survey calls for GDP growth of 0.5% in 2023 and 1.6% in 2024. The Federal Reserve projects GDP growth of 1.0% in 2023 and 1.1% in 2024. Meanwhile, the IMF calls for 2023 growth of 1.6%, and the Philadelphia Fed's Survey of Professional Forecasters looks for growth of 1.3% in 2023 and 1.4% in 2024. The GDPNow Forecast from the Federal Reserve Bank of Atlanta is 1.9% for 2Q23.

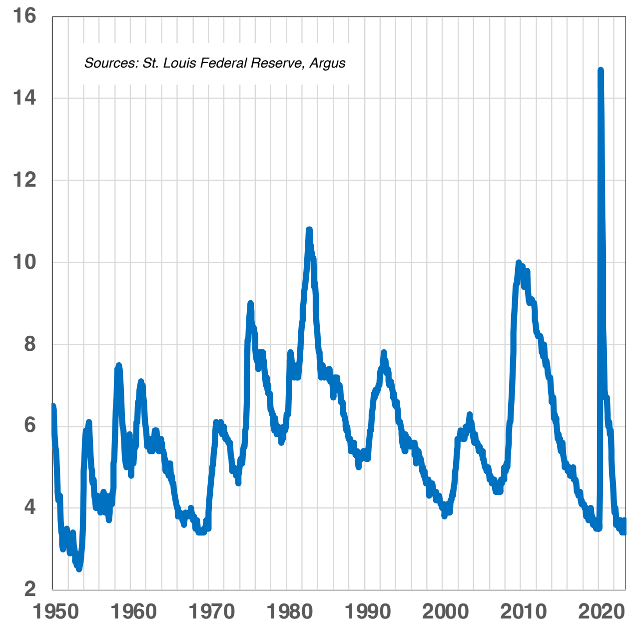
GDP TRENDS & OUTLOOK (% CHANGE)



EMPLOYMENT COOLS SLIGHTLY

The U.S. economy generated 209,000 new jobs in June, well below May's revised 306,000. The unemployment rate declined to 3.6% from 3.7% in May. Following a pause in interest rate increases at its June 13-14 meeting, central bank officials have suggested that monetary policy may not be restrictive enough to reduce inflation to 2%. Average hourly earnings increased $0.12 from the prior month and are now 4.4% higher year-over-year, an unchanged pace from May. The labor force participation rate was unchanged at 62.6%. In June, job gains continued in government, healthcare, construction, and social assistance. Employment was little changed in mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; information; financial activities; and other services. Job gains in April and May were revised lower by 110,000 jobs. The number of job openings in May decreased by 496,000, but demand for workers is still strong with 9.8 million openings. The number of unemployed at 6.0 million in June was little changed from May. After this report, a July rate hike remains almost certain.

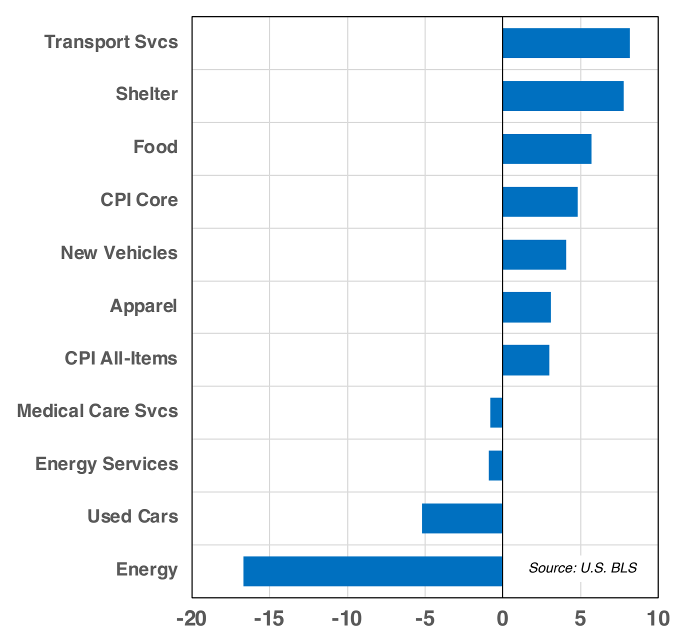
U.S. UNEMPLOYMENT RATE (%)



CPI RATE DOWN TO 3.0%

Top-level inflation pressures eased again last month in the U.S., continuing the downward trend over the last year, according to the recent Consumer Price Index report. Core inflation also fell. The CPI numbers were generally in line with consensus expectations. The Bureau of Labor Statistics reported a 3.0% increase in overall inflation year-over-year through June, compared to a 4.0% rate through May and a 9.1% rate back in June 2022. The core rate, excluding the impact of food and energy prices, fell as well -- to 4.8% in June from 5.3% in May. Segments of the economy with stable/easing prices relative to last year included Gasoline (-26.5%), Used Cars & Trucks (-5.2%), and Medical Care Services (-0.8%). The overall rate was propped up by Transportation Services (8.2%), Shelter (7.8%), and Food (5.7%), which tend to have stickier prices. We think that the June 2022 CPI rate of 9.1% will mark the peak for the index in this cycle, as the housing market cools off, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The Federal Reserve has lifted the feds fund rate from zero to more than 5.0% over the past 15 months, and the rate hikes appear to be reducing inflation. The next question is whether the rate-hike campaign will tip the economy into a recession.

INFLATION FACTORS (% CHANGE Y/Y)

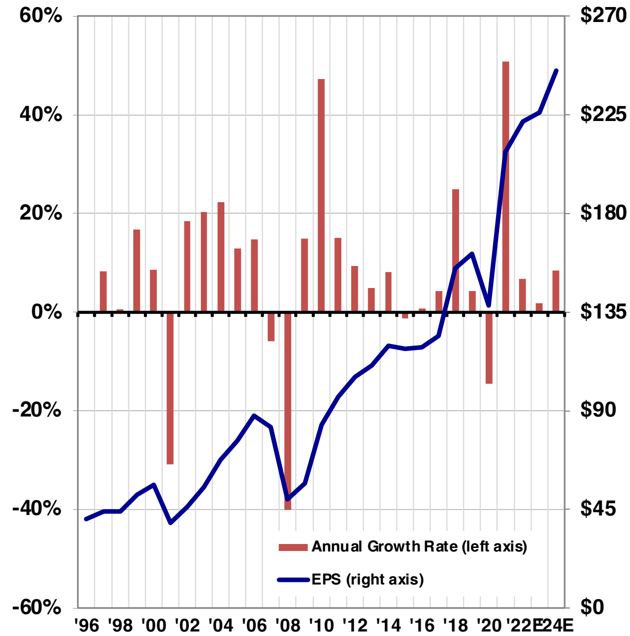


FINANCIAL MARKET HIGHLIGHTS

ANOTHER NEGATIVE EPS QUARTER FORECAST FOR 2Q

The second quarter earnings season kicks off with forecasts calling for a year-over-year decline in S&P 500 EPS of 5%-6%, which would be the third quarter in a row of falling EPS. But the trend seems to be toward improvement. Heading into 1Q23 EPS season, consensus expectations were for a decline of 6%-7%, while the actual decline was in the area of 1%. We have adjusted our 2023 EPS forecast, but the net effect is nil. We have lowered expectations for 2Q23 EPS to a decline of 4.3%; previously, we had been modeling flattish 2Q23 EPS year-over-year. We also moderated our 3Q23 forecast, to growth of less than 3%; we had been modeling 4%-plus growth. Simultaneously, we increased our 4Q23 EPS growth forecast to 11%, against a very weak comparison; we had earlier modeled mid-single-digit growth in 4Q23 EPS. Looking further ahead, our 2024 forecast of $245 reflects our expectations that earnings growth will begin to "normalize" in the high-single-digit range once the Fed is finished hiking interest rates.

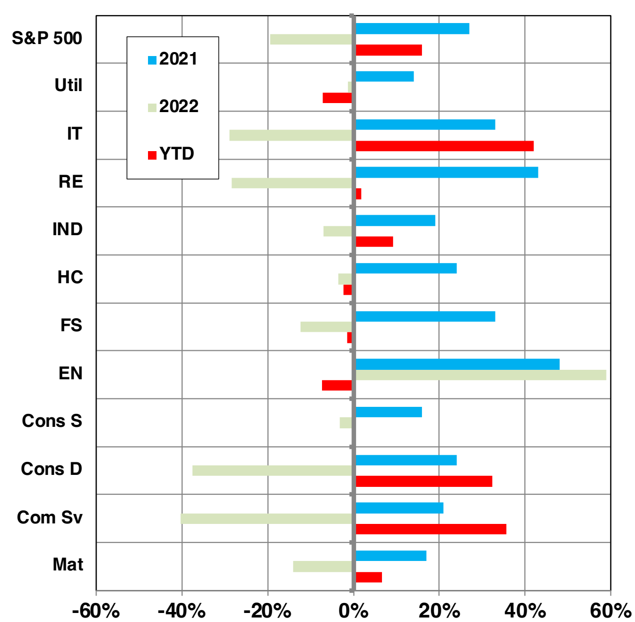
S&P 500 EPS TRENDS & ESTIMATES



SECTOR LEADERS & LAGGARDS THROUGH 2Q23

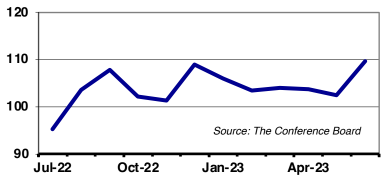
As of the end of the first half of 2023, Technology was up 40% year-to-date, Communication Services 35%, and Consumer Discretionary 31%. Within growth sectors, investment interest has been concentrated in relatively few names, all actively tied to the development and monetization of generative AI. Note that this concentration can contribute to the fragility of sector gains if investors start taking profits in year-to-date winners. Beyond the big three, the best sectors at midyear are Industrials (up 8%) and Basic Materials (up 6%). In a positive sign for cyclical stocks, both meaningfully outperformed the broad market and even the three sector leaders in June. Meanwhile, four sectors are negative year-to-date: Energy, Utilities, Healthcare, and Financial Services. That is one less than at the end of May, when Consumer Staples also was negative. Another sector, Real Estate, has moved from breakeven to up 2%. Although many of last year's winners have been left behind by AI mania, the sector map showed better balance in May and June. If the market sustains strength and builds on its year-to-date gains in 2023, we would like to see a more broad-based advance from a sector perspective.

SECTOR PERFORMANCE (CHANGE PER PERIOD)

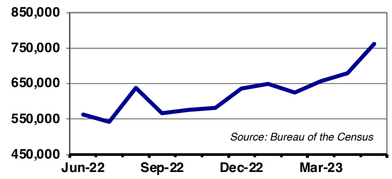


ECONOMIC TRADING CHARTS & CALENDAR

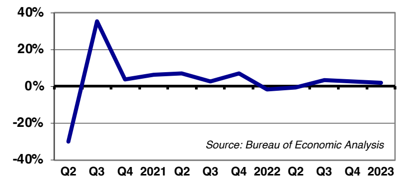
Release: **Consumer Confidence**
Date: 7/25/2023
Month: July
Previous Report: 109.7
Argus Estimate: 112.0
Street Estimate: 113.0



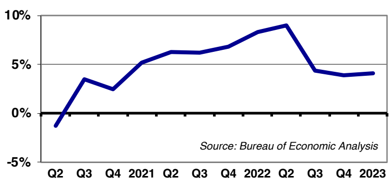
Release: **New Home Sales**
Date: 7/26/2023
Month: June
Previous Report: 763000
Argus Estimate: 725000
Street Estimate: 721000



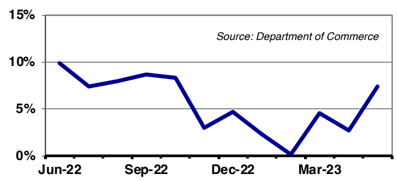
Release: **GDP Annualized QoQ**
Date: 7/27/2023
Month: 2Q
Previous Report: 2.0%
Argus Estimate: 2.3%
Street Estimate: 1.8%



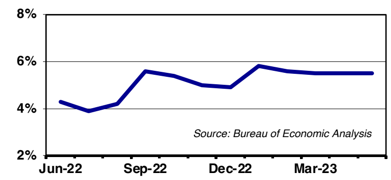
Release: **GDP Price Index**
Date: 7/27/23
Month: 2Q
Previous Report: 4.1%
Argus Estimate: 3.0%
Street Estimate: 3.0%



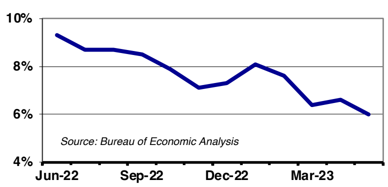
Release: **Durable Goods Orders**
Date: 7/27/2023
Month: June
Previous Report: 7.4%
Argus Estimate: 5.2%
Street Estimate: NA



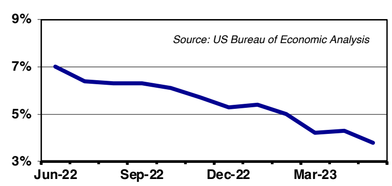
Release: **Personal Income**
Date: 7/28/2023
Month: June
Previous Report: 5.5%
Argus Estimate: 5.0%
Street Estimate: NA



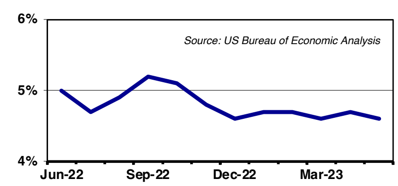
Release: **Personal Spending**
Date: 7/28/2023
Month: June
Previous Report: 6.0%
Argus Estimate: 5.5%
Street Estimate: NA



Release: **PCE Deflator**
Date: 7/28/2023
Month: June
Previous Report: 3.8%
Argus Estimate: 3.5%
Street Estimate: NA



Release: **PCE Core Deflator**
Date: 7/28/2023
Month: June
Previous Report: 4.6%
Argus Estimate: 4.2%
Street Estimate: 4.2%



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

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
18-Jul	Retail Sales	June	1.60%	1.50%	NA	NA
	Retail Sales ex-autos	June	1.00%	1.00%	NA	NA
	Business Inventories	May	5.20%	4.00%	NA	NA
	Industrial Production	June	0.20%	0.00%	NA	NA
	Capacity Utilization	June	79.6%	78.5%	79.5%	NA
19-Jul	Housing Starts	June	1,631 K	1,500 K	1,440 K	NA
20-Jul	Leading Index	June	-0.7%	-0.2%	-0.7%	NA
	Existing Home Sales	June	4.30 Mil.	4.30 Mil.	4.30 Mil.	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Aug	ISM Manufacturing	July	46.0	NA	NA	NA
	ISM New Orders	July	45.6	NA	NA	NA
	Construction Spending	June	2.4%	NA	NA	NA
	Total Vehicle Sales	July	15.68 Mil.	NA	NA	NA
3-Aug	ISM Services Index	July	53.9	NA	NA	NA
	Factory Orders	June	-1.0%	NA	NA	NA
	Nonfarm Productivity	2Q	-2.1%	NA	NA	NA
	Unit Labor Costs	2Q	4.2%	NA	NA	NA
4-Aug	Nonfarm Payrolls	July	209 K	NA	NA	NA
	Unemployment Rate	July	3.6%	NA	NA	NA
	Average Weekly Hours	July	34.4%	NA	NA	NA
	Average Hourly Earnings	July	4.4%	NA	NA	NA