The Longo Group

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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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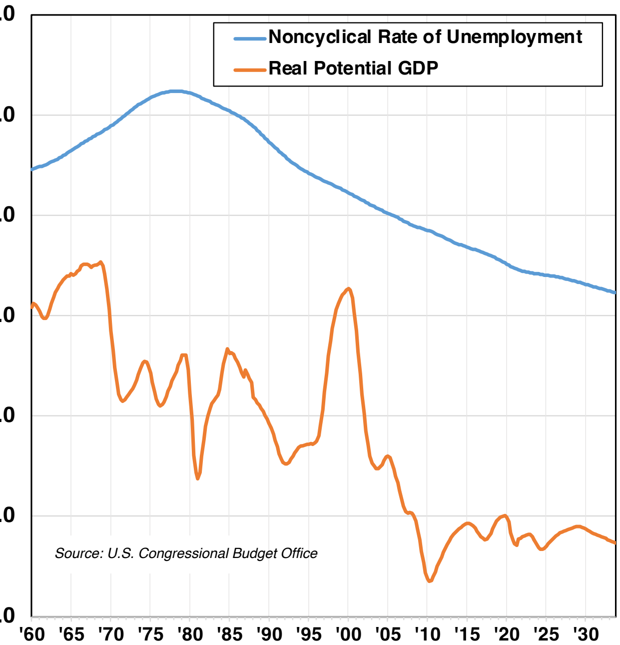
OUR FEARLESS FORECAST FOR 2033

In 2033, real GDP might be growing at 1.7%, the unemployment rate might be 4.2%, CPI might be running at 2.2%, PCE inflation might be 2%, the fed funds rate might be 2.5%, the 10-year Treasury yield might be 4.2%, the 30-year mortgage rate might be 6%, and the S&P 500 might trade at 24-times earnings. What could go wrong? Perhaps wars, pandemics, natural disasters, new technology, supply-chain problems, and changes in tax and immigration laws. Yes, it is impossible to predict what will happen in a decade. But anyone who wants to build a business, invest, or commit to mortgage payments needs to have estimates. Those forecasts are based on estimates published by the Congressional Budget Office, the Federal Reserve board members, regional bank presidents, and more than 50 economists in the Philadelphia Fed's quarterly Survey of Professional Forecasters. The estimate of GDP is based on the CBO's Long-Term Economic Outlook and Extended Baseline Projections, including GDP building blocks of 0.4% population growth and 1.4% labor force productivity growth. The Fed's Summary of Economic Projections includes "longer-run" forecasts for Real GDP growth (1.8%), the unemployment rate (4.0%), PCE inflation (2.0%), and the fed funds rate (2.5%). We based our 4.2% estimate of the 10-year yield on the 200-basis-point average spread between the Treasury yield and the CPI since 1962. The 30-year mortgage rate has averaged 175 basis points more than the 10-year Treasury since 1971. Our P/E estimate of 23.8-times is based on the Fed Model. The CBO estimates put the T-note rate at 3.8% in 2033, which puts the mortgage rate at 5.55%, and the 2033 P/E at 26-times -- which is about where we are right now.

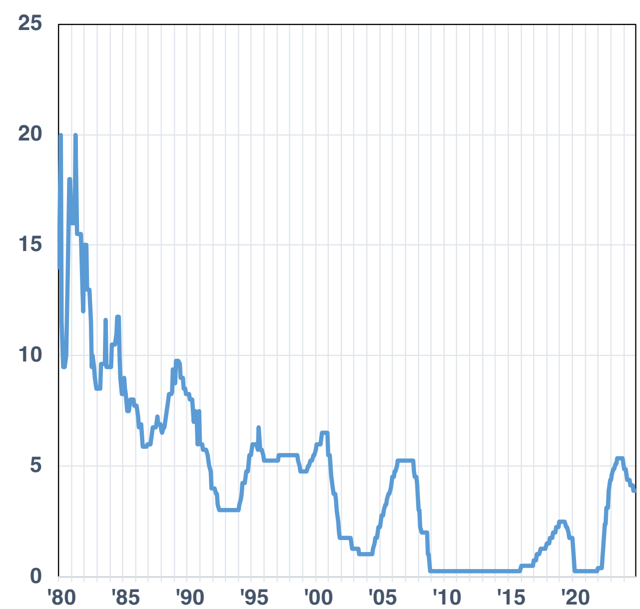
LONG-TERM FORECASTS (%)



FED GETS BACK TO WORK

The Federal Reserve again raised its current fed funds target rate by 25 basis points, to 5.25%-5.50%. This now makes it 11 increases over 16 months. All 12 governors were in agreement for the decision, even though inflation has moderated over the past year. Will the Fed hike again or will it move to the sidelines (having finally moved ahead of the inflation curve) and assess the new economic and pricing data as it comes in? According to the latest fed funds "dot plot" forecasts, the central bank's target for the rate at year-end is 5.63%. That's one more hike -- but we are not so sure that's a good idea. Our forecast calls for the Fed to keep its target rate steady for the balance of the year as inflation continues to moderate. Shelter and transportation costs remain stubbornly high, but oil continues to trend downward and we don't see the need to keep raising rates as inflation trends lower. What's more, the Fed has another mandate besides inflation: it is also supposed to promote maximum employment. While the latest jobs reports have been consistent with GDP growth, we think the full impact of the Fed's decisions over the past year have yet to be felt by the economy. We think the central bank may well be lowering rates in 2024 if core PCE falls to 3.5% or the jobless rate rises above 4.0%-4.5%.

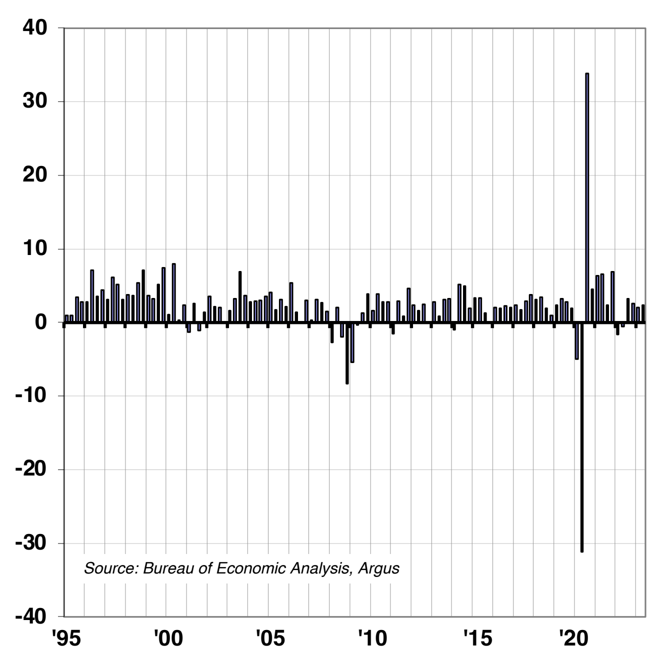
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



U.S. GDP HUMMING ALONG

U.S. Gross Domestic Product expanded in 2Q at an annualized rate of 2.4%. Areas of strength included Personal Consumption Expenditures on Services, which rose at a 2.1% rate; Investment into Intellectual Property Products, which advanced 3.9%; Investment into Structures, which rose 9.7%; Investment into Equipment, which rebounded to a 9.7% growth rate; and Government Spending, which was up 2.6%. Segments of the economy that struggled included Exports-Goods; Consumer Spending on Durable Goods; and Inventories. The report also contains data on inflation. The PCE Price Index increased 2.6% in 2Q, compared with an increase of 4.1% in 1Q. Excluding food and energy prices, the index increased 3.8%, compared with an increase of 4.9% in the previous quarter. In our view, the report indicates that the Fed's rate hikes are already having an impact on economic conditions, initially affecting housing and manufacturing and now impacting exporters. But the consumer remains resilient, with the rebound in investment into equipment a clear bright spot. Our forecasts for 2023 call for slower GDP growth in the second half due to the impact of the Fed's rate hikes, but a recession is not a foregone conclusion.

REAL GDP (% GROWTH/QTR)

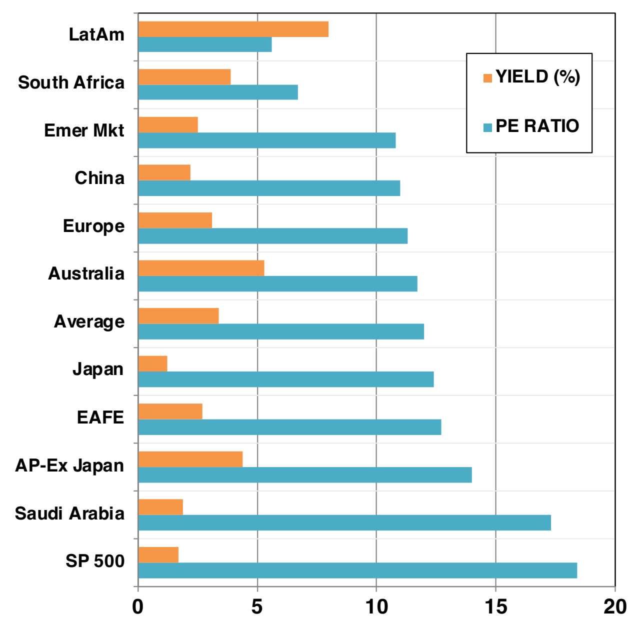


FINANCIAL MARKET HIGHLIGHTS

GLOBAL STOCKS PRICED AT DISCOUNT TO U.S. STOCKS

As global markets struggle in the environment of sticky inflation, high interest rates, and the lingering battle between Russia and Ukraine, one thing has not changed: U.S. stocks are more expensive than global stocks on numerous valuation metrics. The trailing P/E ratio on the S&P 500 is 20, above the global average of 13 and well above the 6-11 average for emerging markets. The current dividend yield for the S&P 500 is 1.6%, versus the global average of 3.7%, and Asian, Australian and Latin American yields of 4%-8%. 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 17.0 and the yield is a low 1.8%. This can be blamed on high oil prices. Investors are willing to pay a higher price for North American securities because of the transparency of the U.S. financial system and the liquidity of U.S. markets. What is more, global returns can be volatile across individual countries, given currency, security, political, and geopolitical risks; indeed, U.S. stocks have outperformed EAFE year-to-date, 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.

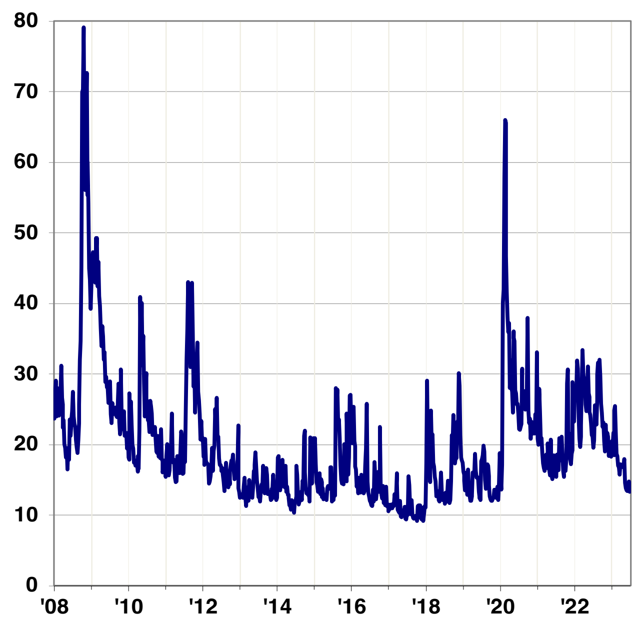
GLOBAL EQUITY VALUATION METRICS



MIN VOL: MORE THAN A DEFENSIVE STRATEGY

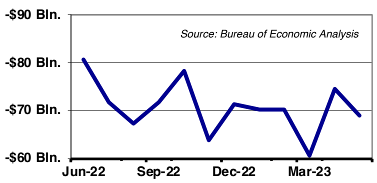
Stocks have recovered thus far in 2023, but gains largely have been driven by a handful of high-tech companies. Inflation remains high and the Fed continues to raise rates. Is a recession in the offing? With all the uncertainty, is it time for investors to cash in their chips? We note that investors exit the stock market at their own peril, as long-term returns from equities consistently have outpaced long-term returns from other asset classes, such as fixed income and cash. As well, those fixed-income returns are from eras when the 10-year Treasury bond yield was much higher than the current 3.8% level. So what's a potential equity strategy for investors amid all the uncertainty? Argus believes that Min Vol is an all-weather strategy that is timely in any investing climate. Academic literature and, more to the point, returns history indicate that Min Vol can deliver market-matching returns on an absolute basis and superior returns on a risk-adjusted basis over various time periods.

VOLATILITY INDEX (WEEKLY CLOSE)

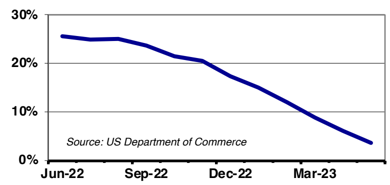


ECONOMIC TRADING CHARTS & CALENDAR

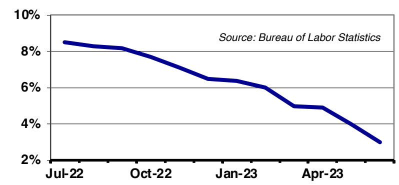
Release: **Trade Balance**
Date: 8/8/2023
Month: June
Previous Report: -$69.0 Bln.
Argus Estimate: -$70.0 Bln.
Street Estimate: -$66.1 Bln.



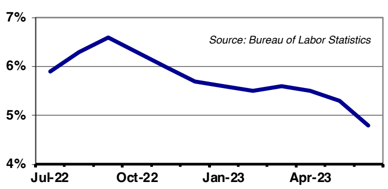
Release: **Wholesale Inventories**
Date: 8/8/2023
Month: June
Previous Report: 3.7%
Argus Estimate: 1.7%
Street Estimate: NA



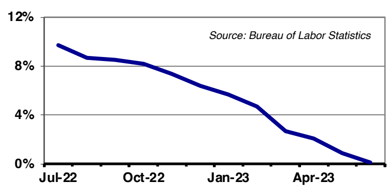
Release: **Consumer Price Index**
Date: 8/10/2023
Month: July
Previous Report: 3.0%
Argus Estimate: 3.0%
Street Estimate: 3.2%



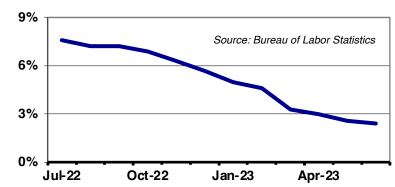
Release: **CPI ex-Food & Energy**
Date: 8/10/2023
Month: July
Previous Report: 4.8%
Argus Estimate: 4.8%
Street Estimate: 4.8%



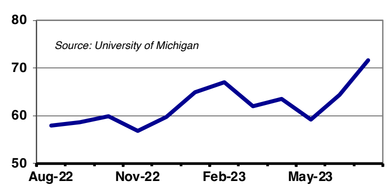
Release: **PPI Final Demand**
Date: 8/11/2023
Month: July
Previous Report: 0.1%
Argus Estimate: -1.0%
Street Estimate: NA



Release: **PPI ex-Food & Energy**
Date: 8/11/2023
Month: July
Previous Report: 2.4%
Argus Estimate: 1.0%
Street Estimate: NA



Release: **U. of Michigan Sentiment**
Date: 8/11/2023
Month: August
Previous Report: 71.6
Argus Estimate: 70.0
Street Estimate: 70.9



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
1-Aug	ISM Manufacturing	July	46.0	47.0	46.5	NA
	ISM New Orders	July	45.6	46.0	NA	NA
	Construction Spending	June	2.4%	2.5%	NA	NA
3-Aug	ISM Services Index	July	53.9	54.5	53.0	NA
	Factory Orders	June	-1.0%	-1.0%	NA	NA
	Nonfarm Productivity	2Q	-2.1%	1.5%	1.2%	NA
	Unit Labor Costs	2Q	4.2%	3.0%	2.6%	NA
	Total Vehicle Sales	July	15.68 Mil.	15.75 Mil.	NA	NA
4-Aug	Nonfarm Payrolls	July	209 K	180 K	182 K	NA
	Unemployment Rate	July	3.6%	3.6%	3.6%	NA
	Average Weekly Hours	July	34.4%	34.4%	34.4%	NA
	Average Hourly Earnings	July	4.4%	4.2%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Aug	Retail Sales	July	1.5%	NA	NA	NA
	Retail Sales ex-autos	July	0.6%	NA	NA	NA
	Business Inventories	June	3.5%	NA	NA	NA
	Import Price Index	July	-6.1%	NA	NA	NA
16-Aug	Industrial Production	July	-0.4%	NA	NA	NA
	Capacity Utilization	July	78.9%	NA	NA	NA
	Housing Starts	July	1,434 K	NA	NA	NA
17-Aug	Leading Index	July	-0.7%	NA	NA	NA

Investors