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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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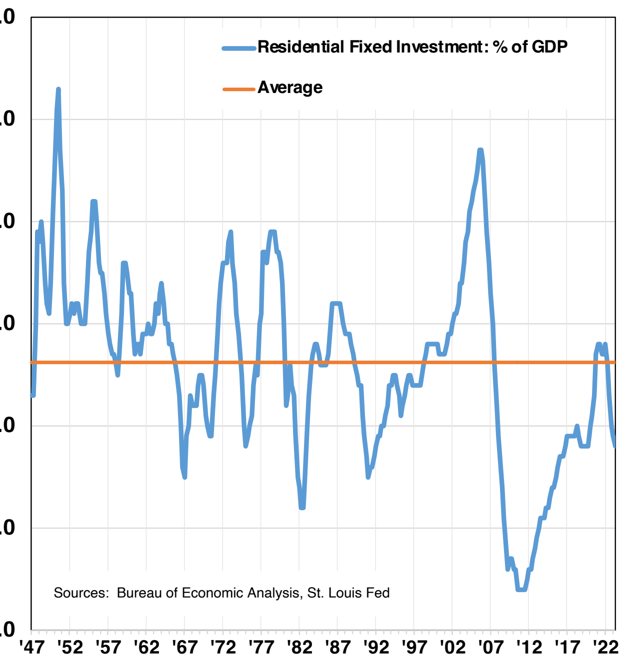
SPENDING ON HOME IMPROVEMENT POISED TO SLOW

The pace of home-improvement activity is poised to slow, according to the Leading Ind icator of Remodeling Activity (LIRA) from Harvard University's Joint Center for Housing Studies. The LIRA helps forecast activity and turning points in the $485 billion national repair and remodeling market. The LIRA projects 5% year-over-year growth in remodeling activity in 3Q23, a 2.8% increase in 4Q, a decline of 2.7% in 1Q24, and a 5.9% drop in 4Q23. The National Association of Home Builders' NAHB/Westlake Royal Remodeling Market Index (RMI) tells a similar story. In the second quarter of 2023, the RMI declined by nine points year-over-year to 68, but continued to signal positive sentiment. The index scale is 0-100 and values over 50 indicate that a higher percentage of remodelers view conditions as good. The Current Conditions component of the RMI slipped to 77 in 2Q23 from 83 a year earlier. The Future Indicators component dropped to 60 from 70, as backlogs declined and the pace of new inquiries slowed. Home-improvement activity may be poised to slow, but we don't expect a significant drop. Residential fixed investment currently sits at 3.8% of Gross Domestic Product, below its post-World War II average of 4.6% and a peak of 6.7% before the Great Recession. In addition, more than half of U.S. homes are over 40 years old and in need of repairs. As well, 90% of homeowners have locked-in mortgage rates and two thirds have a rate below 4%. They may make improvements rather than moving.

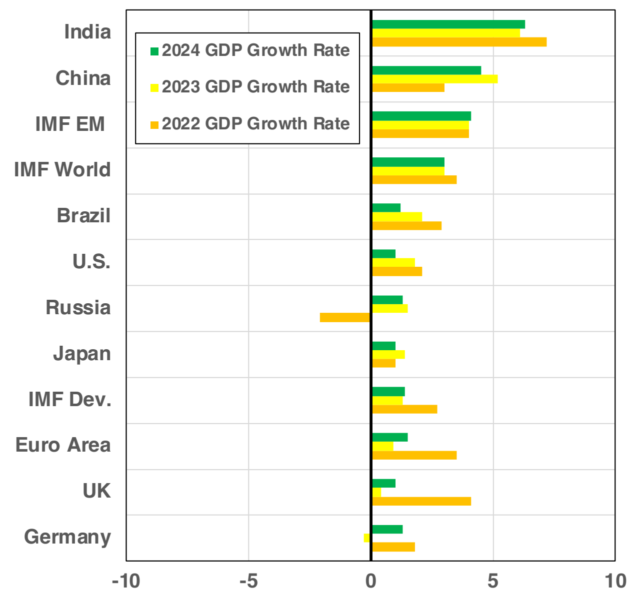
RESIDENTIAL FIXED INVESTMENT: % OF GDP



IMPROVING OUTLOOK FOR GLOBAL GDP GROWTH

Global economic growth is expected to slide in 2023 and flatten in 2024, according to the latest World Economic Outlook from the International Monetary Fund. By the numbers, the world economy is expected to expand 3.0% in both 2023 and 2024, after having grown 3.5% in 2022. All of these rates are below the long-term historical global growth rate of 3.8%, due largely to the impact of inflation and higher interest rates. For industrialized economies, growth is forecast at a miniscule 1.5% in 2023 and an even lower 1.4% in 2024. The U.S. is expected to generate growth of 1.8% in 2023, with a drop to 1.0% in 2024, according to the IMF. For emerging economies, growth forecasts call for 4.0% in 2023 and 4.1% in 2024. But growth nations have different drivers: with population growth in India and productivity growth in China, as GDP/capita increases. We factor these global growth forecasts into our asset-allocation models. Based in part on the slow global growth rates, we continue to recommend that investors over-weight portfolios toward U.S.-based securities. Generally, global stocks represent value, but the risks to growth are high.

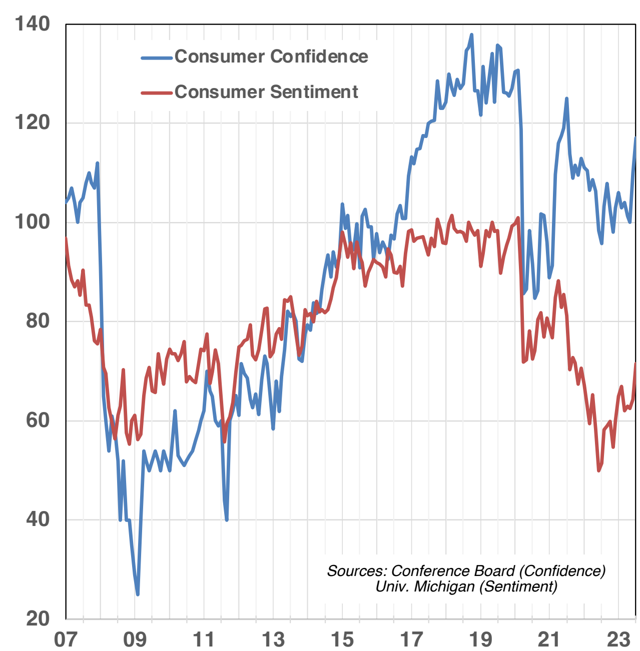
GLOBAL GDP GROWTH RATES & FORECASTS (%)



CONSUMERS FEELING BETTER IN SURVEYS

The Conference Board's Consumer Confidence Index increased for the second month in a row in June, to 117.0 (1985=100) from 109.7 in May. The index had plunged to 85 in August 2020. Meanwhile, the University of Michigan reported that its July reading on consumer sentiment was up 11% month-over-month, but at 71.6 remains well below February 2020's reading above 100. What's next for the all-important consumer sector? Low unemployment has helped fuel demand over the past few quarters. But spending also has been propped by the government's stimulus program, which has come to an end; consumer balance sheets have deteriorated after 11 consecutive quarters of growth in personal consumption expenditures. Pandemic-related factors resulted in a sharp improvement in household finances in 2020. Indeed, the stimulus programs initially lifted personal savings to almost $6.5 trillion, according to the BEA. But that money has been spent and the total in personal savings has come down to $0.9 trillion as of 2Q23, below the average of $1 trillion in the decade prior to the pandemic. Stimulus funds spent, the all-important consumer sector finally may slow down in 2H23, particularly as student loan-payments resume.

CONSUMER CONFIDENCE & SENTIMENT

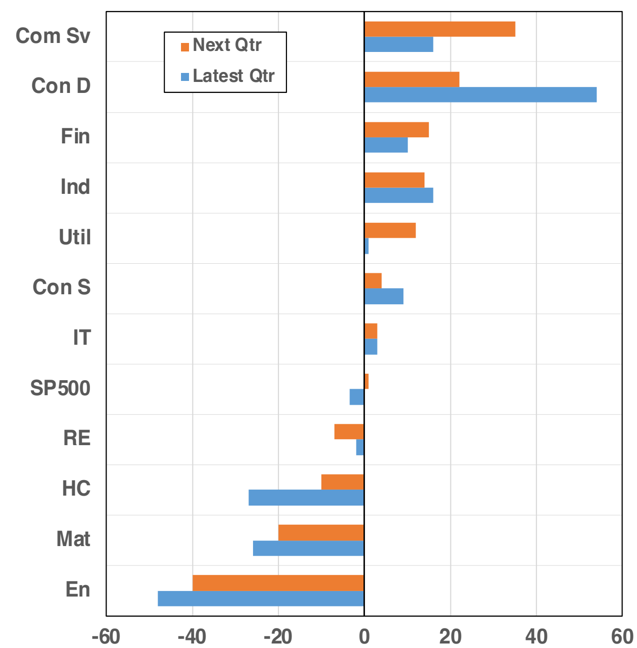


FINANCIAL MARKET HIGHLIGHTS

S&P 500 EARNINGS FINALLY POISED TO GROW

Earnings season is now largely completed. S&P 500 earnings from continuing operations fell 3.4% year-over-year from 2Q22 -- much better than the preliminary forecast for a 6%-7% decline. Excluding Energy, earnings actually rose 3% YOY. Earnings exceeded expectations as they usually do: almost four-fifths of S&P 500 companies reported earnings above expectations, compared to the long-term average of 66%. And the “beat” was above normal. Companies tended to exceed pre-reporting estimates in 2Q by about 8%, compared to the average surprise factor of 4.1%. By sector, the strongest earnings growth came from Consumer Discretionary, Communication Services, and Industrials. Lagging sectors were Energy, Materials, and Healthcare. The all-important Technology sector reported a 3% increase in EPS. Some trends are starting to emerge. Energy, which was the strongest EPS contributor in 2022, is facing difficult comparisons as oil prices have slumped; sector earnings are expected to decline 40% in 3Q. Materials are no longer benefitting from peak commodity prices and EPS for the group are expected to decline 20% next quarter. On the brighter side, Communication Services earnings are expected to ramp higher, generating a 35% gain in 3Q compared to the 16% advance in the recently completed 2Q. At this point, 3Q S&P 500 EPS are expected to rise 1% and then continue to grow into 2024.

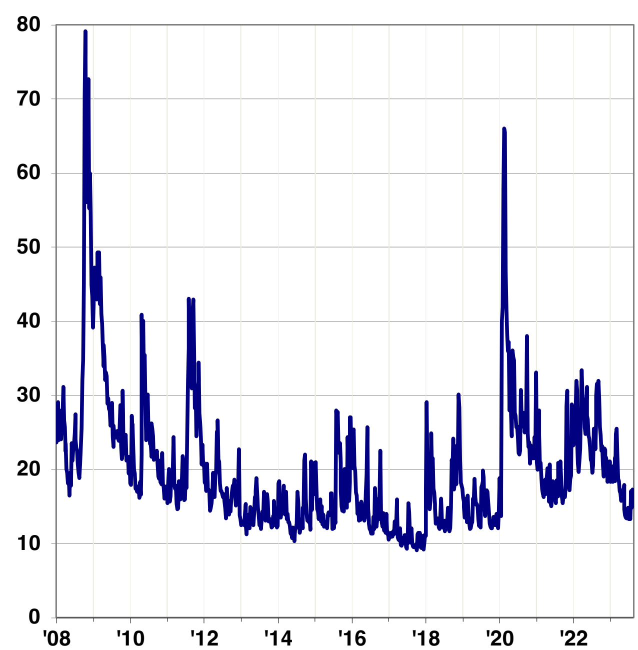
SECTOR EPS TRENDS (% CHANGE Y/Y)



VOLATILITY INDEX TRENDING HIGHER

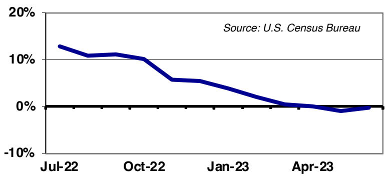
After a calm June and July, the closely watched VIX Volatility Index has kicked into a higher gear in August. What’s causing the nervousness? For one thing, earnings remain under pressure after 2Q represented another negative quarter for corporate profit growth. For another, interest rates have shot upward in the wake of the Fitch downgrade, the Treasury Department’s issuance of $1 billion of debt-ceiling-related debt, and Japan’s actions to raise its sovereign rates. What’s more, geopolitical threats continue to simmer and the 2024 U.S. presidential election campaign has launched. And is the Fed finished with the rate-hike cycle, or is there more pain ahead? All that said, the VIX near 17 remains below the long-run historical average of 20 -- and readings below 20 generally have correlated with market rallies, most recently the long bull market that began after the Great Recession and ran until March 2020. Still, given the ongoing risks in the marketplace, we think investors should continue to focus on well-managed companies with clear growth objectives and clean balance sheets.

VOLATILITY INDEX (WEEKLY CLOSE)

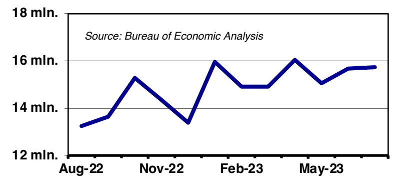


ECONOMIC TRADING CHARTS & CALENDAR

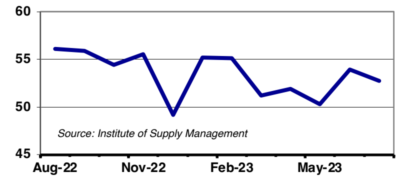
Release:	**Factory Orders**
Date:	9/5/2023
Month:	July
Previous Report:	-0.2%
Argus Estimate:	-0.4%
Street Estimate:	NA



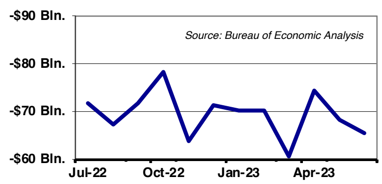
Release:	**Total Vehicle Sales**
Date:	9/5/2023
Month:	August
Previous Report:	15.74 mln.
Argus Estimate:	15.40 mln.
Street Estimate:	15.50 mln.



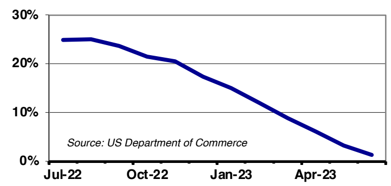
Release:	**ISM Services Index**
Date:	9/6/2023
Month:	August
Previous Report:	52.7
Argus Estimate:	53.0
Street Estimate:	52.3



Release:	**Trade Balance**
Date:	9/6/2023
Month:	July
Previous Report:	-$65.5 Bln.
Argus Estimate:	-$68.0 Bln.
Street Estimate:	-$67.1 Bln.



Release:	**Wholesale Inventories**
Date:	9/8/2023
Month:	July
Previous Report:	1.3%
Argus Estimate:	0.0%
Street Estimate:	NA



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
29-Aug	Consumer Confidence	August	117.0	117.5	117.3	NA
30-Aug	GDP Annualized QoQ	2Q	2.4%	2.4%	2.5%	NA
	GDP Price Index	2Q	2.2%	2.3%	NA	NA
31-Aug	Personal Income	July	5.3%	5.2%	NA	NA
	Personal Spending	July	5.4%	5.5%	NA	NA
	PCE Deflator	July	3.0%	3.2%	3.3%	NA
	PCE Core Deflator	July	4.1%	4.2%	4.3%	NA
1-Sep	Nonfarm Payrolls	August	187 K	172 K	160 K	NA
	Unemployment Rate	August	3.5%	3.6%	3.5%	NA
	Average Weekly Hours	August	34.3	34.3	34.3	NA
	Average Hourly Earnings	August	4.4%	4.3%	NA	NA
	ISM Manufacturing	August	46.4	47.4	47.1	NA
	ISM New Orders	August	47.3	47.8	NA	NA
	Construction Spending	July	3.5%	3.6%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
13-Sep	Consumer Price Index	August	3.2%	NA	NA	NA
	CPI ex-Food & Energy	August	4.7%	NA	NA	NA
14-Sep	PPI Final Demand	August	0.8%	NA	NA	NA
	PPI ex-Food & Energy	August	2.4%	NA	NA	NA
	Retail Sales	August	3.2%	NA	NA	NA
	Retail Sales ex-autos	August	2.2%	NA	NA	NA
	Business Inventories	July	2.0%	NA	NA	NA
15-Sep	Industrial Production	August	-0.2%	NA	NA	NA
	Capacity Utilization	August	79.3%	NA	NA	NA
	Import Price Index	August	-4.4%	NA	NA	NA
	U. of Michigan Sentiment	September	65.9	NA	NA	NA

Investors