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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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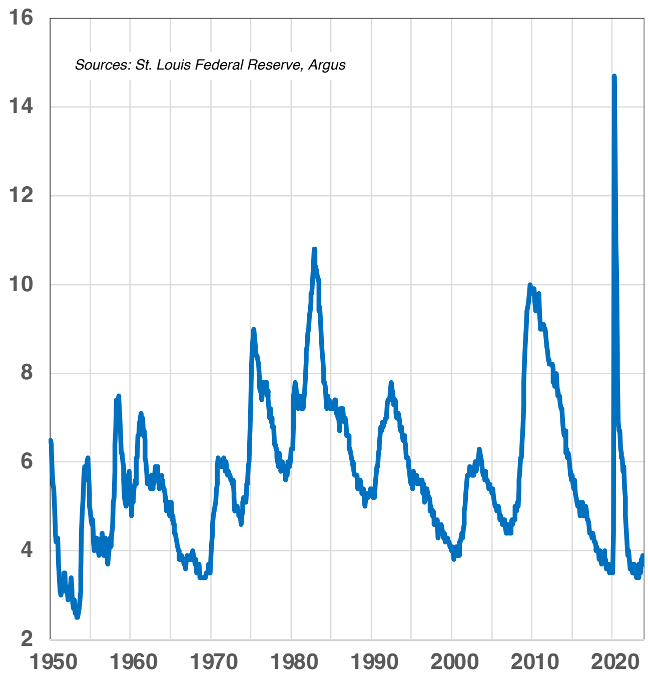
JOB GROWTH REMAINS STRONG

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 216,000 new jobs in December, above the consensus of 170,000. November's result was revised lower to 173,000 from 199,000, and job gains in October and November were revised lower by 71,000. December's increase took the three-month average to 165,000, below the 2023-month average of 225,000. The unemployment rate was unchanged at 3.7%. These statistics generally support our view that the job market is cooling and that there is less than a 50% chance of a recession in 2024. The Fed may not need to cut rates as aggressively as some investors expect, but the economy appears to be on solid ground. This report should not change the Fed's plans to hold the funds rate at 5.25%-5.5% when it meets at the end of January. Average hourly earnings increased 15 cents month-to-month and are now 4.1% higher year-over-year. The average work-week ticked down to 34.3 hours in December. Job gains occurred in government, healthcare, social assistance, and construction. Employment in transportation and warehousing declined. According to a separate report, there were 1.4 job openings in November for each person unemployed, down from 1.8 a year earlier. Before the report, there was a 93% probability that the Fed will stand pat when it next meets. That was little change after the release. The chance of a 25-basis-point rate cut when the Fed meets in March declined to 54% from 60%.

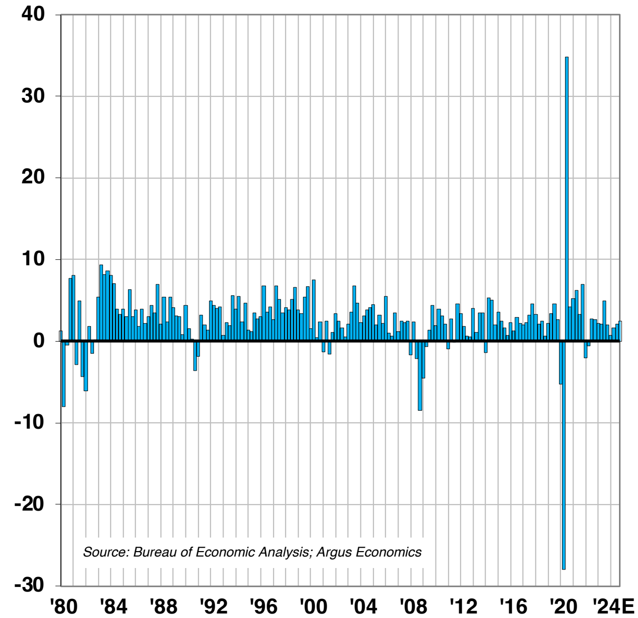
U.S. UNEMPLOYMENT RATE (%)



GDP POISED TO GROW IN 2024 AND 2025

Our analysis of recent data leads us to conclude that key parts of U.S. GDP are still expanding (led by consumer spending), despite the impact of inflation, tight monetary policy, and geopolitics. But growth is not consistent across the economy and, in many cases, growth rates are slowing or choppy. We anticipate that the 4.9% GDP growth in the third quarter will prove to be the high water mark. Our full-year estimate for 2023 is for 2.8% growth, with 2% growth in 4Q. In 2024, we expect GDP to grow 1.7%. We are forecasting sequential improvement through the year, with 0.7% growth in 1Q ramping to 2.5% growth in 4Q. This assumes inflation continues to fall and the Fed has completed its rate-hike campaign. While 2025 will be the first year of a new presidential term, and the conviviality of the executive and legislative branches is difficult to assess, our initial forecast is for GDP to grow 2.0%. We expect the Fed to be close to meeting its dual mandate, with inflation near its 2% goal and unemployment at approximately 4.1%. We expect the funds rate to decline towards what we believe to be a long-term neutral range of 2.5%-3.0%.

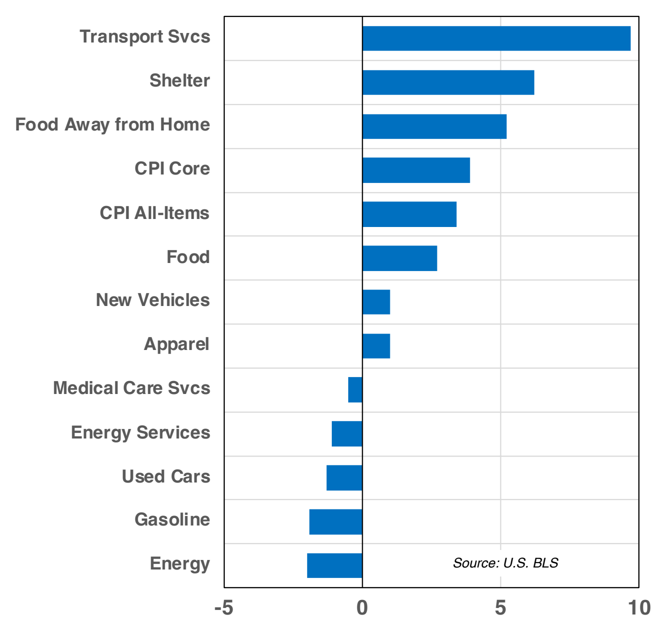
GDP TRENDS & OUTLOOK (% CHANGE)



INFLATION STABLE

The Bureau of Labor Statistics reported a 3.4% increase in overall inflation year-over-year through December, compared to a 3.1% rate through October and a 9.1% rate back in June 2022. The core rate declined 10 basis points versus the prior month, to 3.9%. Month-over-month, the all-items CPI ticked higher by 20 basis points, and core CPI was steady. Segments of the economy with stable/easing prices year-over-year included Energy, Used Cars & Trucks and Medical Care Services. New Vehicles and Apparel prices both increased at an annual rate of 1.0%. Inflation continue to be propped up by Transportation Services and Shelter. Tobacco product prices up 7.8% year-over-year. We continue to think the June 2022 CPI rate was the peak for the index 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 fed fund rate from 0.0% to above 5.25% over the past 18 months, and the rate hikes appear to be reducing inflationary pressures. But will the rapid rate of increases tip the economy into a recession as inflation continues to head toward 2.0%? We look for the U.S. central bank to be lowering rates in 2H24 as their concern shifts more toward economic growth.

INFLATION FACTORS (% CHANGE Y/Y)

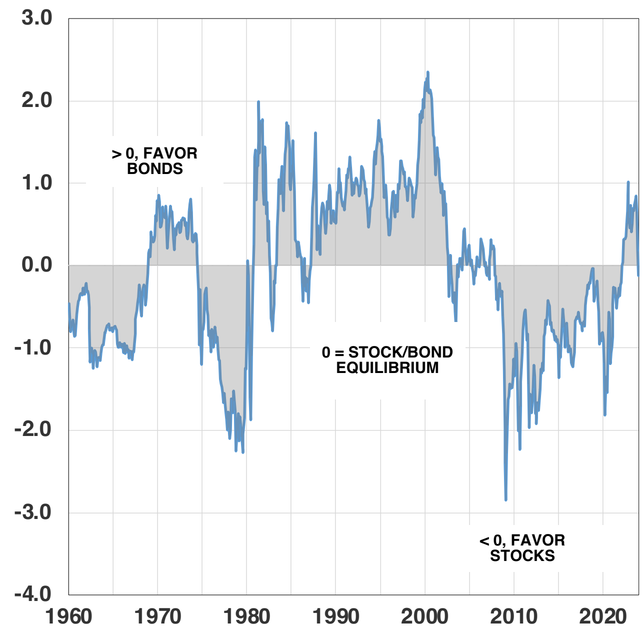


FINANCIAL MARKET HIGHLIGHTS

STOCKS NOW THE UNDERVALUED ASSET CLASS

Our stock/bond asset-allocation model, which we call the Stock-Bond Barometer, has reversed conclusions and indicates that stocks are the asset class offering the most value at the current market juncture. In large part, the change reflects the substantial move lower in interest rates. Our model takes into account levels and forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in standard deviations to the mean, or sigma. The mean reading from the model, going back to 1960, is a modest premium for stocks of 0.16 sigma, with a standard deviation of 0.98. The current valuation level is a 0.12 sigma discount for stocks, which is below fair value and down sharply from a 0.85 sigma premium at the end of 3Q. Other measures also show reasonable multiples for stocks. The current forward P/E for the S&P 500 is about 18, within the normal range of 10-21 and down from 23 at the end of 2021. The S&P 500 dividend yield of 1.5%, while below the historical average of 2.9%, is up from an ultralow 1.2% (also in 2021). We expect the results from our model to continue to improve, as interest rates decline in 2024 and EPS growth picks up. Based in part on the output from our model, our recommended asset-allocation model for moderate accounts is 70% growth assets, including 68% equities and 2% alternatives; and 30% fixed-income, with a focus on core and opportunistic segments of the bond market. On duration, we recommend focusing on the short end of the curve.

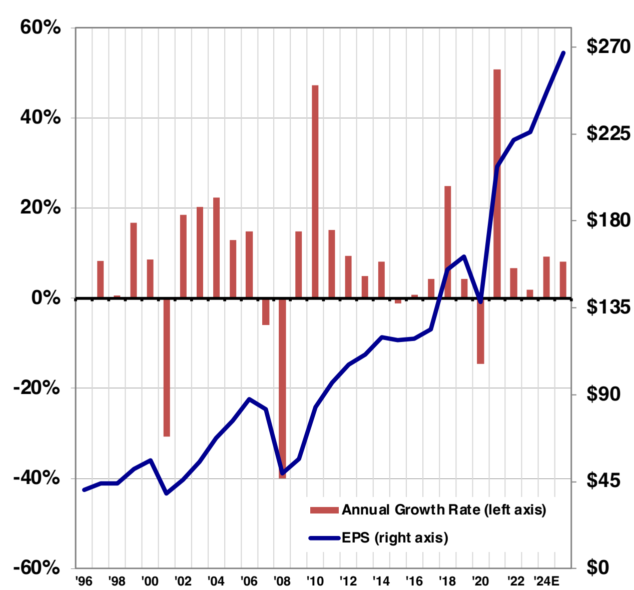
STOCK BOND BAROMETER (STANDARD DEVIATIONS)



HIGH-SINGLE-DIGIT EPS GROWTH FOR 4Q23

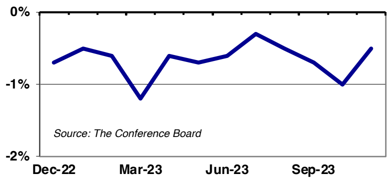
Consensus estimates for 4Q23 earnings growth range from low-single-digits to mid-single-digits. This follows 7.5% growth in 3Q EPS, according to Refinitiv. Energy could once again be a wild card this quarter. For 2023, our full-year earnings estimate is $226, implying low-single-digit growth from 2022 levels. Following low-single-digit EPS declines for 1Q23 and 2Q23 EPS, along with the rebound in 3Q, we look for another quarter of EPS growth in 4Q and at a high-single-digit rate against a weak year-earlier comparison. Remember, last quarter, just over four-fifths of companies exceeded consensus expectations; and the average beat was above 7%. Over the preceding decade, about 75% of S&P 500 companies exceeded expectations; and those companies, on average, topped consensus by about 6%.

S&P 500 EPS TRENDS & ESTIMATES

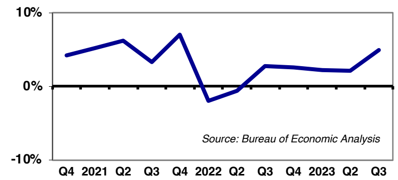


ECONOMIC TRADING CHARTS & CALENDAR

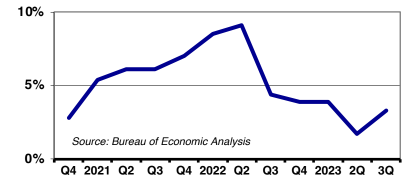
Release: **Leading Index**
Date: 1/22/2024
Month: December
Previous Report: -0.5%
Argus Estimate: -0.3%
Street Estimate: NA



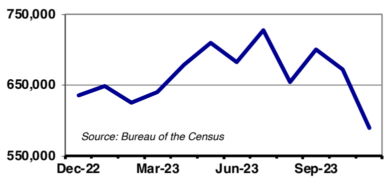
Release: **GDP Annualized QoQ**
Date: 1/25/2024
Month: 4Q
Previous Report: 4.9%
Argus Estimate: 2.0%
Street Estimate: NA



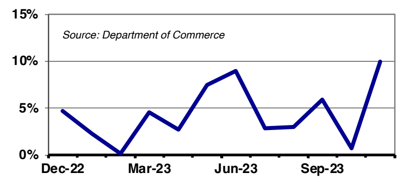
Release: **GDP Price Index**
Date: 1/25/2024
Month: 4Q
Previous Report: 3.3%
Argus Estimate: 2.7%
Street Estimate: NA



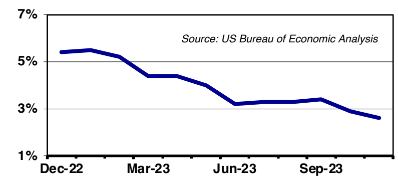
Release: **New Home Sales**
Date: 1/25/2024
Month: December
Previous Report: 590000
Argus Estimate: 680000
Street Estimate: NA



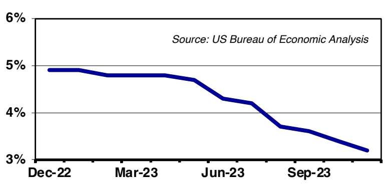
Release: **Durable Goods Orders**
Date: 1/25/2024
Month: December
Previous Report: 10.0%
Argus Estimate: 4.8%
Street Estimate: NA



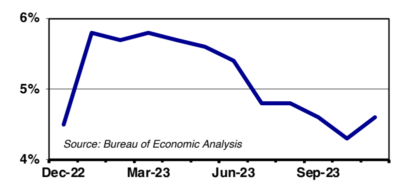
Release: **PCE Deflator**
Date: 1/26/2024
Month: December
Previous Report: 2.6%
Argus Estimate: 2.7%
Street Estimate: NA



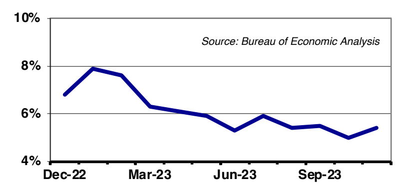
Release: **PCE Core Deflator**
Date: 1/26/2024
Month: December
Previous Report: 3.2%
Argus Estimate: 3.0%
Street Estimate: NA



Release: **Personal Income**
Date: 1/26/2024
Month: December
Previous Report: 4.6%
Argus Estimate: 4.5%
Street Estimate: NA



Release: **Personal Spending**
Date: 1/26/2024
Month: December
Previous Report: 5.4%
Argus Estimate: 5.3%
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
17-Jan	Retail Sales	December	4.1%	4.4%	NA	NA
	Retail Sales ex-autos	December	3.6%	3.5%	NA	NA
	Business Inventories	November	0.6%	0.0%	NA	NA
	Import Price Index	December	-1.4%	-1.3%	NA	NA
	Industrial Production	December	-0.4%	0.5%	NA	NA
	Capacity Utilization	December	78.8%	78.7%	78.6%	NA
18-Jan	Housing Starts	December	1,560 K	1,450 K	1,415 K	NA
19-Jan	Existing Home Sales	December	3.82 Mln.	3.85 Mln.	3.82 Mln.	NA
	U. of Michigan Sentiment	January	69.7	69.0	68.8	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
30-Jan	Consumer Confidence	January	110.7	NA	NA	NA
1-Feb	Construction Spending	December	11.3%	NA	NA	NA
	Nonfarm Productivitry	4Q	5.2%	NA	NA	NA
	Unit Labor Costs	4Q	-1.2%	NA	NA	NA
2-Feb	Nonfarm Payrolls	January	216 K	NA	NA	NA
	Unemployment Rate	January	3.7%	NA	NA	NA
	Average Weekly Hours	January	34.3%	NA	NA	NA
	Average Hourly Earnings	January	4.1%	NA	NA	NA
	Factory Orders	January	3.1%	NA	NA	NA

Investors