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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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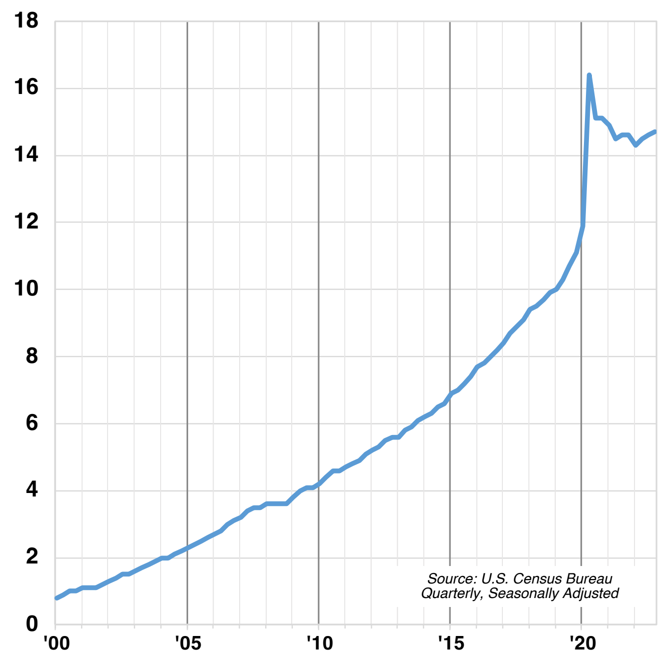
HIGH RATES HURT BIG-TICKET SPENDING

Tighter monetary policy is taking a toll on the consumer sector. Retail sales grew by less than the inflation rate in March, suggesting that consumers are buying fewer units or switching to cheaper products. Retail sales rose 2.9% on a year-over-year basis, the smallest gain since June 2020, while the Consumer Price Index was up 5%. Discretionary retailers have felt the brunt of the Fed's nine rate hikes. With credit card rates at new records, consumers seem reluctant to purchase televisions, appliances, and sofas -- items that may take months to pay off. Tax refunds are down 10.1% from last year and may also be a factor. In addition, sales at grocery stores lagged inflation, rising 5.3% versus an 8.4% rise in the CPI's "food at home" category. Sales at gas stations fell 14.2% from the prior year. But the CPI for gasoline declined 17.4% from March 2022, which was elevated by Russia's invasion of Ukraine. Overall retail sales would have been up 4.8% in March without the drag from gasoline. Sales at food service and drinking places jumped 13.0% from the prior-year period. Excluding this category, retail sales were up just 1.5%. The non-store retailers category (dominated by e-commerce) remained strong, growing 12.3% from the prior year. While this report shows that the Fed is making progress, it also suggests that investors should focus on retailers with efficient operations and low prices.

E-COMMERCE (% OF RETAIL SALES)



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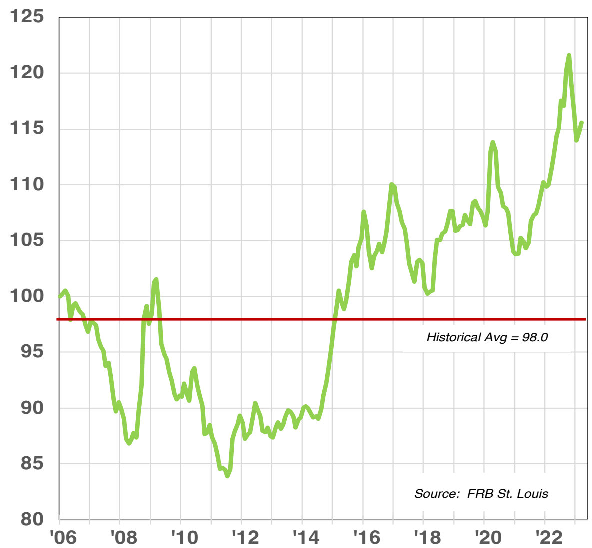
DOLLAR DROPS FROM HIGHS

The dollar has drifted 5% from its cycle high thus far in 2023, falling in part as the outlook for further rate hikes has cooled. The greenback spiked early in the pandemic, peaked in April 2020, declined into 2021, but then rose again for much of 2022, driven by the Russian invasion of Ukraine, soaring inflation, and higher global interest rates. By October, on a real trade-weighted basis, the dollar was 23% above its average valuation over the past 20 years. But inflation in the U.S. has trended lower since peaking in the summer, and the Fed is winding down its rate hike campaign. Meanwhile, Middle East sovereign wealth funds have become less risk-averse and have been investing their windfall petro-dollars in other markets. We anticipate a trading range near current levels for the greenback over the balance of the year. That's because we think U.S. GDP growth may be uneven as a result of the Fed's rate hikes. We also expect higher rates to increase interest payments as a percentage of GDP from recent lows of 1.5%, putting a modest strain on the U.S. balance sheet. Lastly, the still elevated valuation of the greenback implies that other currencies are possibly undervalued, and we expect investors to bid up those values at a measured pace over time.

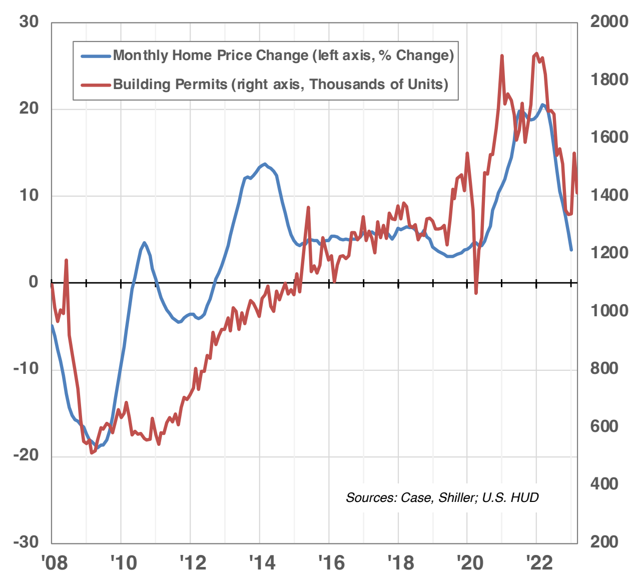
U.S. DOLLAR TREND
REAL TRADE-WEIGHTED U.S. DOLLAR INDEX



BUILDER INCENTIVES THAWING HOUSING MARKET

According to homebuilder D.R. Horton, the spring selling season is off to an encouraging start, as the supply of affordable homes remains limited and demographics remain favorable. The news on existing homes isn't quite as rosy. Why the dichotomy? Professional builders are acting aggressively to generate cash flow, maximize returns on capital, and grab market share. Individual sellers have less incentive, especially if moving means accepting a lower price. Almost 70% of existing mortgages have rates below 4% according to the Federal Reserve Bank of Dallas. Moving and giving up a 4% mortgage for one at the current 30-year-fixed rate of 6.39% would cost an additional $1,168 per month on a $300,000 loan. That helps to explain why the inventory of existing homes is low. But whether sellers like it or not, home prices are coming down. The S&P/Case-Shiller National Home Price Index for January notched a seventh straight monthly decline, though the average price was still up 3.8% year-over-year. The National Association of Realtors reported that average home prices in March declined 0.9% from the prior year to $375,700.

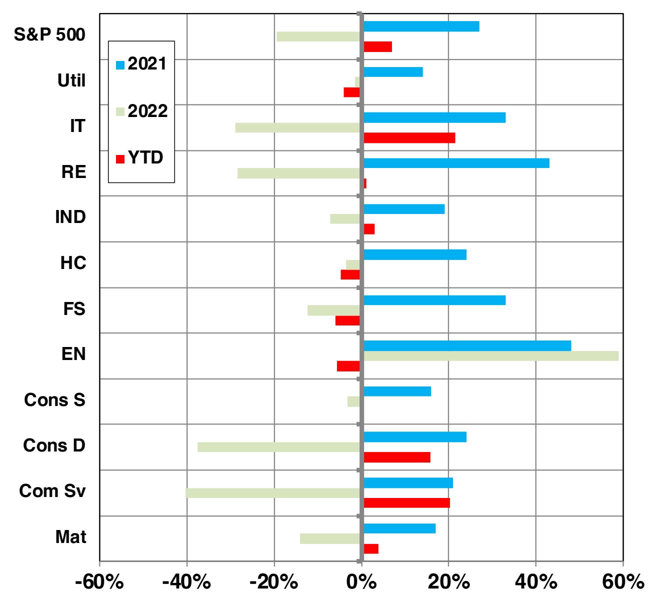
HOUSING MARKET TRENDS



SECTOR LEADERS AND LAGGARDS THROUGH 1Q23

As new threats to banks piled on to existing risks, risk-on assets moved to the forefront of the equity-market advance in 2023. As of the end of 1Q23, the best-performing sectors year-to-date were Technology, Communication Services, and Consumer Discretionary. At the bottom were 2022's actual and relative winners. Energy was down 5.5% year-to-date as of the end of March. Several defensive sectors were also negative, including declines of 5% for Healthcare and 4% for Utilities. Financial Services, which had been up 6% at mid-month in March, ended the first quarter down 6% on bank contagion risk. In our experience, growth sector leadership tends to anticipate recovery in the broader market. In 2008-2009, the S&P 500 bottomed in March 2009. Most Technology stocks in Argus coverage, however, began to turn up in November-December 2008. A similar pattern emerged exiting the 2000-2002 "dot.com" implosion and 9/11 period. After a double-digit percentage decline for stocks in 2022, Argus is modeling more normal returns in 2023, with projected S&P 500 appreciation in high single-digit to low double-digit range. A normally advancing market is usually led by growth sectors. But investors have become used to buying cyclical, defensive, interest-rate-sensitive, and inflation-beneficiary stocks. If the market does finish higher in 2023, any advance from a sector perspective could be broad-based.

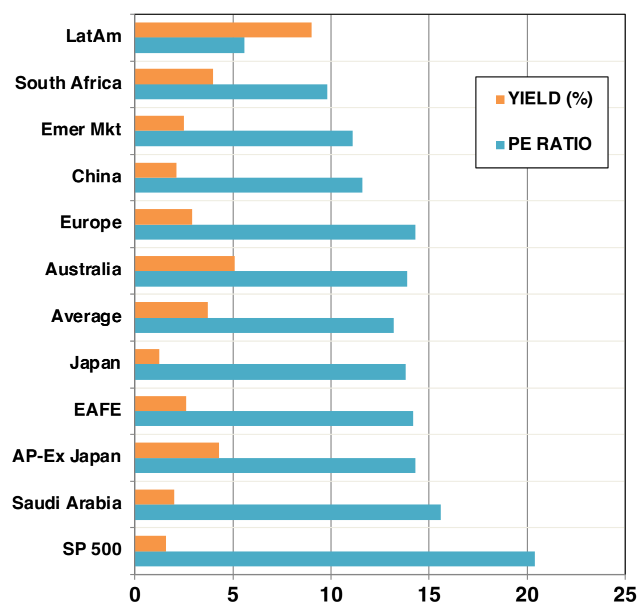
SECTOR PERFORMANCE (CHANGE PER PERIOD)



GLOBAL STOCKS AT DISCOUNT TO U.S. STOCKS

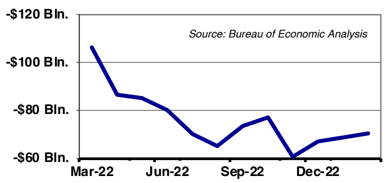
U.S. stocks remain more expensive than global stocks on numerous valuation metrics. The trailing P/E ratio on the S&P 500 is over 20, above the global average of 13 and well above the average of 11 for stocks in emerging markets. The current dividend yield for the S&P 500 is 1.6%, versus the global average of 3.7%, and Asian, Australian, and Latin American yields of 4%-12%. The geographic region that does not completely fit the pattern is the Middle East. The average P/E on a Saudi Arabian stock is a high 15.6 and the yield is a low 2.0%. This can be blamed on high oil prices. One reason investors generally are willing to pay a higher price for U.S. securities is the transparency of the American financial system as well as the liquidity of U.S. markets. What's more, global returns can be volatile; indeed, U.S. stocks outperformed the EAFE in 2022 (as well as over the past five years). Even so, we recommend that growth investors have 5%-10% of their equity allocations in international stocks.

GLOBAL EQUITY VALUATION METRICS

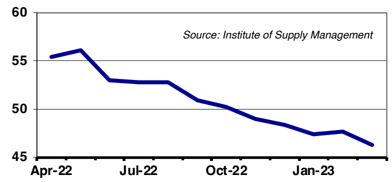


ECONOMIC TRADING CHARTS & CALENDAR

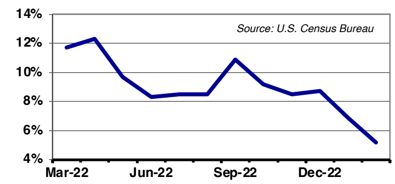
Release:	**Trade Balance**
Date:	5/4/2023
Month:	March
Previous Report:	-$70.5 Bln.
Argus Estimate:	-$69.0 Bln.
Street Estimate:	-$69.4 Bln.



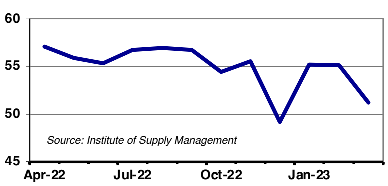
Release:	**ISM Manufacturing**
Date:	5/1/2023
Month:	April
Previous Report:	46.3
Argus Estimate:	46.3
Street Estimate:	46.8



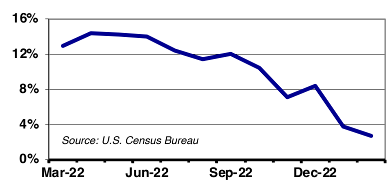
Release:	**Construction Spending**
Date:	5/1/2023
Month:	March
Previous Report:	5.2%
Argus Estimate:	4.8%
Street Estimate:	NA



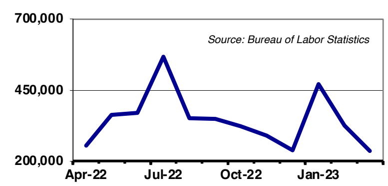
Release:	**ISM Services Index**
Date:	5/3/2023
Month:	April
Previous Report:	51.2
Argus Estimate:	52.2
Street Estimate:	52.0



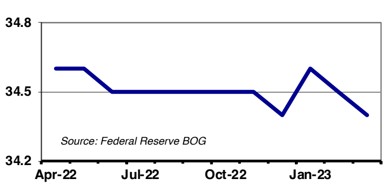
Release:	**Factory Orders**
Date:	5/2/2023
Month:	March
Previous Report:	2.7%
Argus Estimate:	2.4%
Street Estimate:	NA



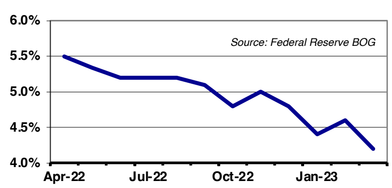
Release:	**Nonfarm Payrolls**
Date:	5/5/2023
Month:	April
Previous Report:	236000
Argus Estimate:	185000
Street Estimate:	180000



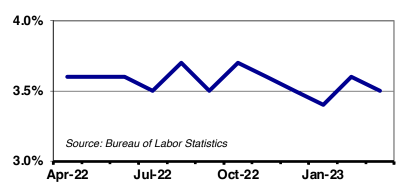
Release:	**Average Weekly Hours**
Date:	5/5/2023
Month:	April
Previous Report:	34.4
Argus Estimate:	34.4
Street Estimate:	34.5



Release:	**Average Hourly Earnings**
Date:	5/5/2023
Month:	April
Previous Report:	4.2%
Argus Estimate:	4.0%
Street Estimate:	NA

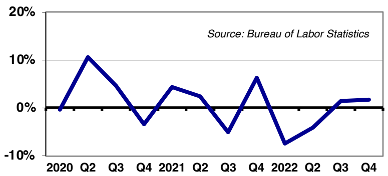


Release:	**Unemployment Rate**
Date:	5/5/2023
Month:	April
Previous Report:	3.5%
Argus Estimate:	3.6%
Street Estimate:	3.6%

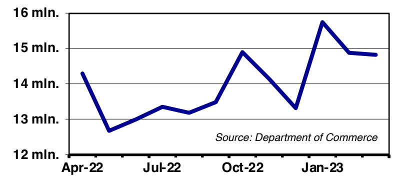


Previous Week's Releases and Next Week's Releases on next page.

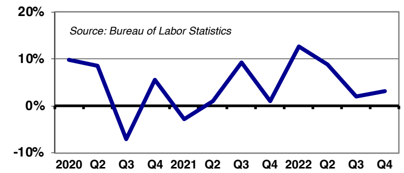
Release: **Nonfarm Productivity**
Date: 5/4/2023
Month: 1Q
Previous Report: 1.7%
Argus Estimate: 1.7%
Street Estimate: 0.3%



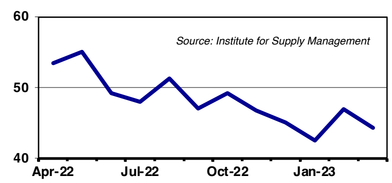
Release: **Total Vehicle Sales**
Date: 5/2/2023
Month: April
Previous Report: 14.82 mln.
Argus Estimate: 15.00 mln.
Street Estimate: 14.80 mln.



Release: **Unit Labor Costs**
Date: 5/4/2023
Month: 1Q
Previous Report: 3.2%
Argus Estimate: 3.5%
Street Estimate: 3.6%



Release: **ISM New Orders**
Date: 5/1/2023
Month: April
Previous Report: 44.3
Argus Estimate: 44.0
Street Estimate: NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Apr	New Home Sales	March	640 K	625 K	630 K	NA
	Consumer Confidence	April	104.2	103.8	104.1	NA
27-Apr	GDP Annualized QoQ	1Q	2.6%	1.4%	2.0%	NA
	GDP Price Index	1Q	3.9%	3.7%	NA	NA
28-Apr	Personal Income	March	6.2%	5.4%	NA	NA
	Personal Spending	March	7.6%	6.5%	NA	NA
	PCE Deflator	March	5.0%	4.8%	NA	NA
	PCE Core Deflator	March	4.6%	4.4%	4.5%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
10-May	Consumer Price Index	April	5.0%	NA	NA	NA
	CPI ex-Food & Energy	April	5.6%	NA	NA	NA
11-May	PPI Final Demand	April	2.7%	NA	NA	NA
	PPI ex-Food & Energy	April	3.4%	NA	NA	NA
12-May	Import Price Index	April	-4.6%	NA	NA	NA