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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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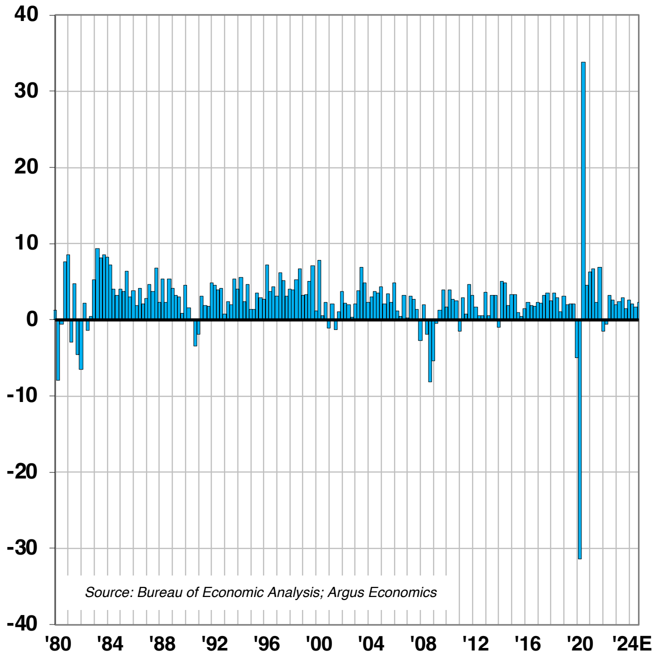
THIS LOOKS LIKE A SOFT LANDING

Our analysis of data that has been reported in recent weeks leads us to conclude that key parts of U.S. GDP are still expanding, despite the impact of inflation, high interest rates, and geopolitical developments. That said, growth is not consistent across all segments of the economy -- and, in many cases, growth rates are slowing. While the Fed seems to be engineering a so-called soft landing, a recession in 2023-2034 remains a possibility (though we think that the odds are diminishing). After reviewing the latest economic fundamentals, as well as the recent positive surprise in the final revision to 1Q GDP, we are raising our 3Q23 GDP estimate to 2.9%. We still suspect that the second quarter could be the strongest quarter of the year, before the higher rates dampen consumer spending into 2024. Our estimate for the full year 2023 is now 2.2%. Our preliminary forecast for GDP growth in 2024 is also 2.2%, as the Federal Reserve, with its tool chest once again full after hiking rates, can contemplate lowering interest rates to recharge economic growth. The Wall Street Journal Economic Survey calls for GDP growth of 1.0% in 2023 and 1.3% in 2024. The Federal Reserve is anticipating GDP growth of 1.0% for 2023 and 1.1% in 2024. Meanwhile, the IMF is calling for 2023 growth of 1.8%, and the Philadelphia Federal Reserve's Survey of Professional Forecasters is calling for growth of 1.3% in 2023 and 1.4% in 2024. A recent GDPNow forecast from the Federal Reserve Bank of Atlanta was 3.5% for 3Q23.

GDP TRENDS & OUTLOOK (% CHANGE)



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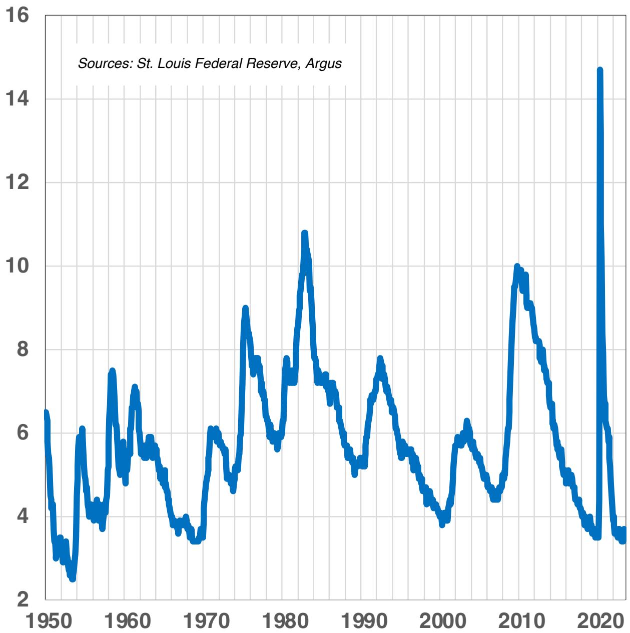
SLOWING EMPLOYMENT KEEPS SOFT LANDING IN SIGHT

The U.S. economy generated 187,000 new jobs in July, just above June's revised 185,000. The unemployment rate declined to 3.5% from 3.6%. Average hourly earnings are 4.4% higher year-over-year, an unchanged pace from June. The average workweek ticked lower to 34.3 hours in July. Job gains occurred in healthcare; social assistance; financial activities; and wholesale trade. Employment was little changed in mining, quarrying, and oil and gas extraction; manufacturing; retail trade; transportation and warehousing; information; and government. Slower job creation and a low unemployment rate suggest the Fed is on track to delivering a soft landing. The outcome of the Federal Open Market Committee's vote in September is far from settled. "We're going to be careful about taking too much signal from a single reading," Fed Chairman Jerome Powell said recently. Members will see another employment report on September 1, as well as CPI and PPI numbers during the week of September 11. The Fed's next move will depend on "the totality of the data," according to Mr. Powell.

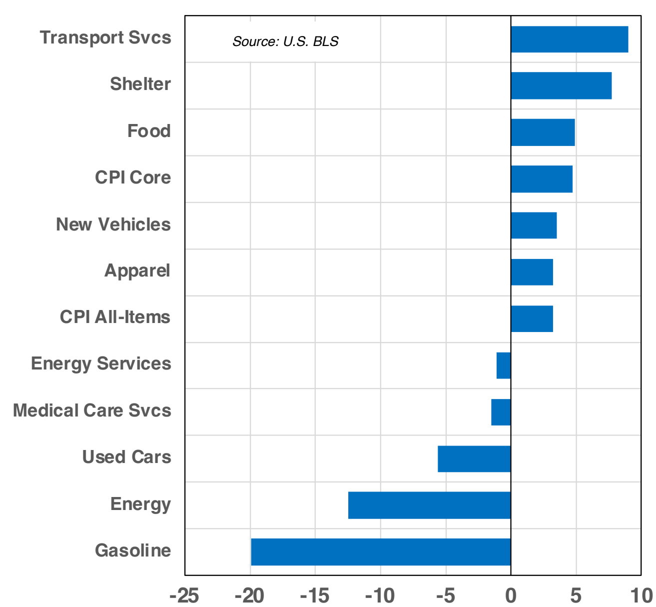
U.S. UNEMPLOYMENT RATE (%)



CPI RATE TICKS HIGHER TO 3.2%

CPI, the top-level inflation rate, was higher on a year-over-year basis last month, but most prices still appear to be cooling. The rate of core inflation ticked lower. The CPI numbers generally were in line with consensus expectations. The Bureau of Labor Statistics reported a 3.2% increase in overall inflation year-over-year through July, compared to a 3.0% rate through June, and a 9.1% rate back in June 2022. The core rate, excluding the impact of food and energy prices, declined slightly -- to 4.7% in July, versus 4.8% in the prior month. Month-over-month, both inflation indices rose a modest 0.2% in July, in line with June rate. Segments of the economy with stable/easing prices year-over-year included Gasoline, Used Cars & Trucks, and Medical Care Services. The overall rate was propped up by Transportation Services, Shelter, and Food, where prices are less likely to fall sharply. We continue to think that the June 2022 CPI rate of 9.1% was the peak reading for this cycle, as the housing market cools, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The Fed has lifted the feds fund rate from 0.0% to above 5.0% over the past 17 months, and the rate hikes appear to be reducing inflationary pressures.

INFLATION FACTORS (% CHANGE Y/Y)

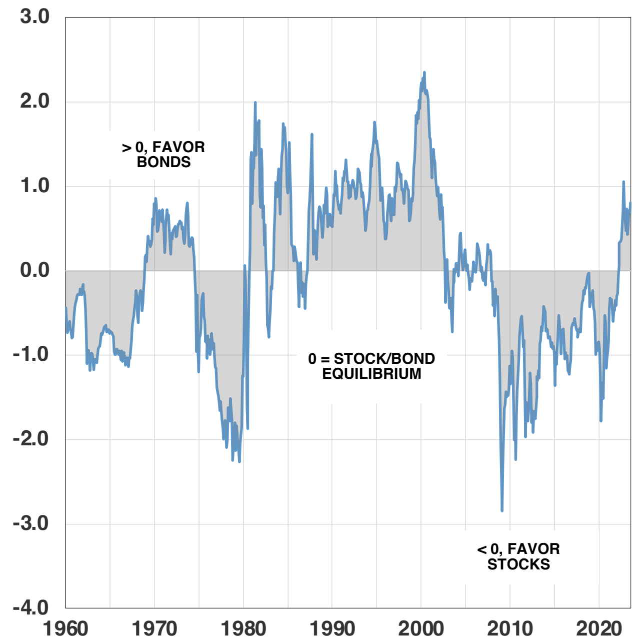


FINANCIAL MARKET HIGHLIGHTS

STOCK VALUATIONS PUSH HIGHER

Our bond/stock asset-allocation model is indicating that bonds currently are offering the most value, as interest rates have risen over the past few quarters and stocks have recovered some ground. But stocks are not yet seriously overvalued. Our model takes into account levels and forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model, going back to 1960, is a modest premium for stocks of 0.15 sigma, with a standard deviation of 1.0. The current valuation level is a 0.80 sigma premium for stocks -- inside the normal range, but up from 0.50 at the beginning of the year. Other measures also show reasonable valuations for stocks. The current forward P/E ratio for the S&P 500 is 18x our 2024 estimate, within the normal range of 10-21 and down from 22 a year ago. And the current S&P 500 dividend yield of 1.5%, while below the historical average of 2.9%, is up from 1.2% as recently as 2021. Based on current valuation levels, as well as our interest-rate and earnings forecasts, we have called for a recovery in stock prices in 2023 and have boosted our year-end S&P 500 target to 4,600. Our recommended asset-allocation model for moderate accounts is 67% growth assets, including 65% equities and 2% alternatives; and 33% fixed income.

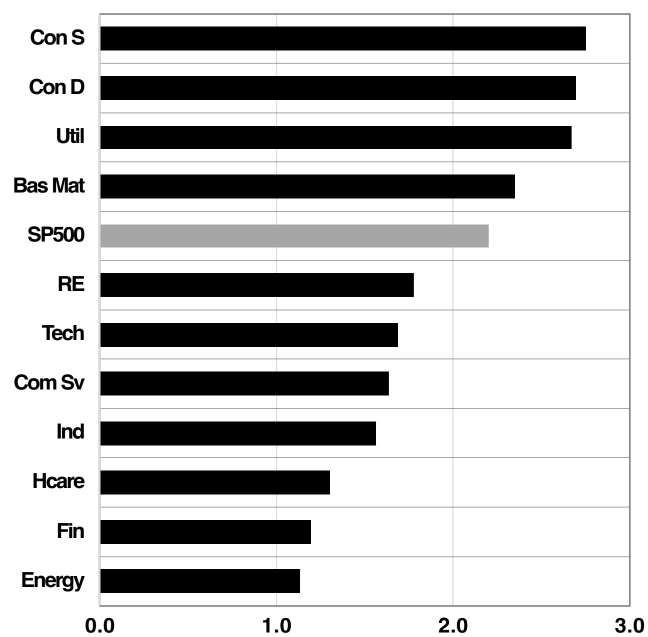
BOND V STOCK BAROMETER
(STANDARD DEVIATIONS)



VALUES IN FINANCIALS AND TECHNOLOGY

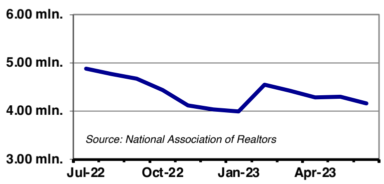
Investors hunting for stocks that reasonably balance long-term growth prospects and current value characteristics might want to look at companies in Financial Services, Technology, and Industrials. These are among the sectors that are selling for PEGY ratios -- (price/earnings)/(growth+yield) -- at or below the S&P 500's ratio of 2.2. To generate the ratios, we use the P/E ratio for each sector based on forward earnings for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates. We then add the current yield to approximate total return. Premium-valued sectors with low growth rates include Consumer Staples and Utilities. Based on our analysis of growth rates and valuations, along with other factors, we have established current over-weight sectors as Technology, Financial, Consumer Discretionary, and Basic Materials. Our under-weight sectors are Energy and Consumer Staples. Our Market-Weight sectors are Healthcare, Communication Services, Utilities, Real Estate, and Industrials.

SECTOR PEGY RATIOS

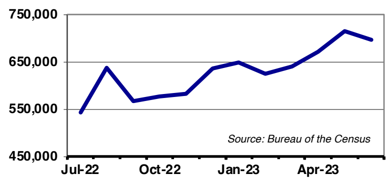


ECONOMIC TRADING CHARTS & CALENDAR

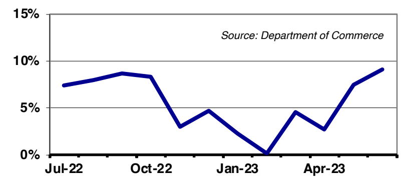
Release:	**Existing Home Sales**
Date:	8/22/2023
Month:	July
Previous Report:	4.16 mln.
Argus Estimate:	4.12 mln.
Street Estimate:	4.15 mln.



Release:	**New Home Sales**
Date:	8/23/2023
Month:	July
Previous Report:	697000
Argus Estimate:	710000
Street Estimate:	705000



Release:	**Durable Goods Orders**
Date:	8/24/2023
Month:	July
Previous Report:	9.1%
Argus Estimate:	5.3%
Street Estimate:	NA



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

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Aug	Retail Sales	July	1.5%	1.6%	NA	NA
	Retail Sales ex-autos	July	0.6%	0.8%	NA	NA
	Business Inventories	June	3.5%	2.0%	NA	NA
	Import Price Index	July	-6.1%	-5.9%	NA	NA
16-Aug	Industrial Production	July	-0.4%	-0.1%	NA	NA
	Capacity Utilization	July	78.9%	79.2%	79.1%	NA
	Housing Starts	July	1,434 K	1,460 K	1,440 K	NA
17-Aug	Leading Index	July	-0.7%	-0.6%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
29-Aug	Consumer Confidence	August	117.0%	NA	NA	NA
30-Aug	GDP Annualized QoQ	2Q	2.4%	NA	NA	NA
	GDP Price Index	2Q	2.2%	NA	NA	NA
31-Aug	Personal Income	July	5.3%	NA	NA	NA
	Personal Spending	July	5.4%	NA	NA	NA
	PCE Deflator	July	3.0%	NA	NA	NA
	PCE Core Deflator	July	4.1%	NA	NA	NA
1-Sep	Nonfarm Payrolls	August	187 K	NA	NA	NA
	Unemployment Rate	August	3.5%	NA	NA	NA
	Average Weekly Hours	August	34.3%	NA	NA	NA
	Average Hourly Earnings	August	4.4%	NA	NA	NA
	ISM Manufacturing	August	46.4	NA	NA	NA
	ISM New Orders	August	47.3	NA	NA	NA
	Construction Spending	August	3.5%	NA	NA	NA