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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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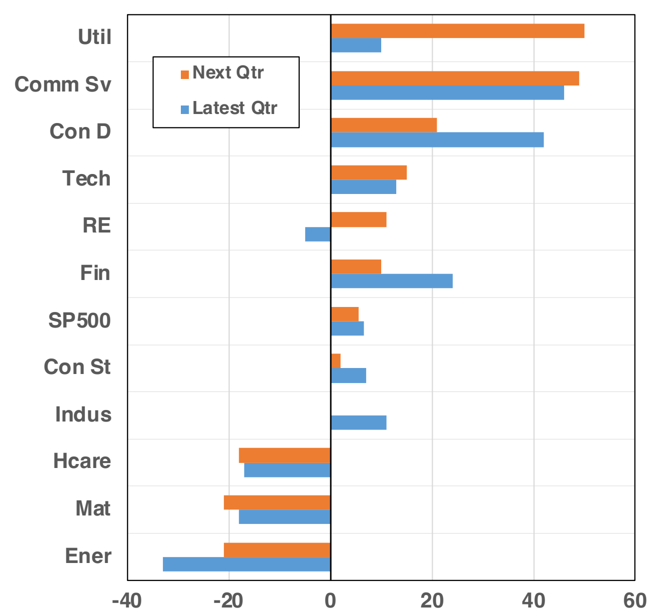
S&P 500 EPS REVERSE EARNINGS RECESSION

The third-quarter earnings season is largely completed. As usual, it turned out much better than Wall Street expected. S&P 500 earnings from continuing operations rose 6.6% year-over-year, compared to the preliminary forecast for a 1% decline. Excluding Energy, earnings rose 12% year-over-year. More than four-fifths of S&P 500 companies reported earnings above consensus expectations, compared to the long-term average of 66%. The "beat" also was above normal. Companies tended to exceed pre-reporting estimates in 3Q by about 7%, compared to the average of 4.1%. By sector, the strongest earnings growth was from Consumer Discretionary, Communication Services, and Financial. Lagging sectors were Energy, Materials and Healthcare. Technology reported a 13% increase in EPS, up from 3% in 2Q. Some trends are starting to emerge. The Energy sector, which was the strongest EPS contributor in 2022, is facing difficult comparisons as oil prices have slumped. Energy earnings are expected to decline 21% in 4Q. Materials are no longer benefitting from peak commodity prices and EPS for the group are expected to decline 21% next quarter. On the brighter side, Communication Services earnings are expected to ramp higher, generating a 49% gain in 4Q compared to the 46% advance in 3Q. Technology is poised for mid-teens growth. Overall, 3Q EPS gains were 6.6% and marked the first quarter of earnings growth since 3Q22. Fourth-quarter S&P 500 EPS are expected to rise 5.6% and continue to grow into 2024.

SECTOR EPS TRENDS (% CHANGE Y/Y)



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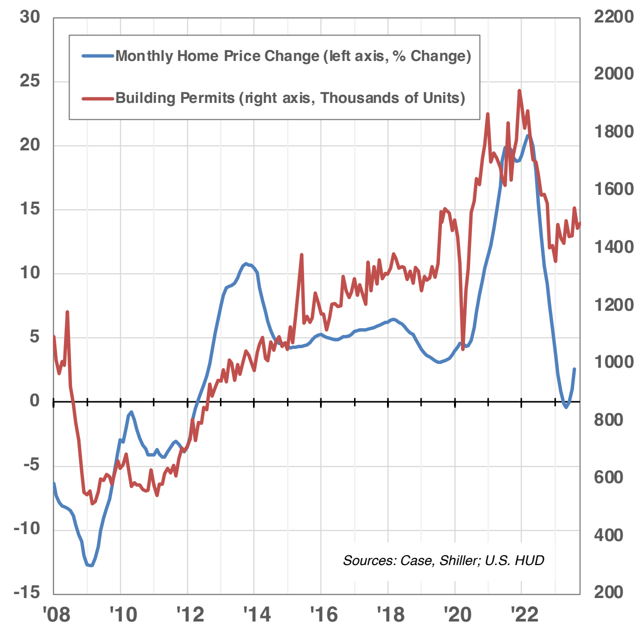
NEW HOME SALES MAY RISE 5% NEXT YEAR

High mortgage rates are weighing on builders' confidence, but there are reasons to be optimistic. The National Association of Home Builders said that builder sentiment was down for a fourth consecutive month in November, but housing conditions may improve in the coming months -- helped by a recent decline in Treasury rates. The NAHB is forecasting a 5% increase in single-family starts in 2024 as "financial conditions ease with improving inflation data in the months ahead." D.R. Horton, the largest U.S. builder, could be a beneficiary. The company's fiscal 4Q orders jumped 39% even with high mortgage rates. On the company's November 7 earnings call, Chairman Donald Horton offered the following: "The supply of both new and existing homes at affordable price points remains limited and demographics supporting housing demand remain favorable." Existing-home sales for October declined 14.6% from prior-year levels to 3.79 million homes at a seasonally adjusted annual rate. As of this writing, we expect new-home sales for October to rise to 700,000 (SAAR) from 577,000 a year earlier, but decline from 759,000 in September. With inventories tight and unemployment low, we expect home prices to remain elevated.

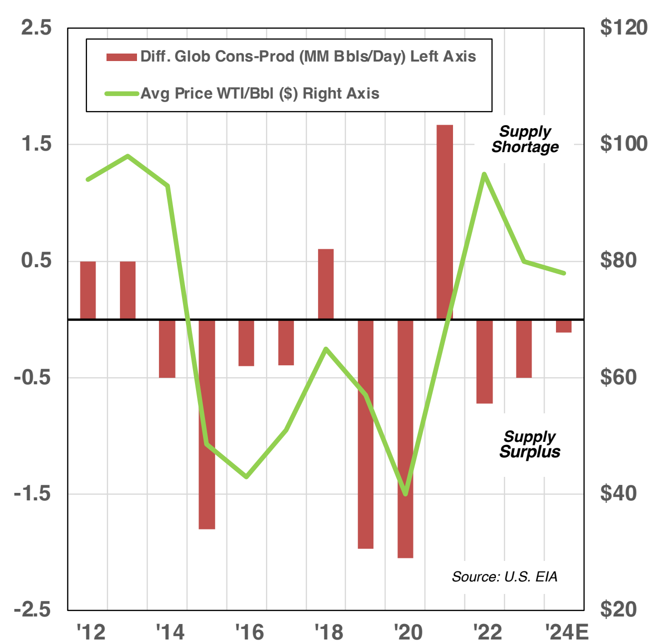
HOUSING MARKET TRENDS



OIL PRICES DOWN ON EXCESS SUPPLY

The price of a barrel of West Texas Intermediate has fallen below the $80 level, down from a high near $94 in late September but up from the lows of $66 in March. We look for oil prices to stabilize at current levels for the next few quarters as the winter heating season approaches but global economic growth remains under pressure due to high interest rates. We look for a barrel of West Texas Intermediate in 2023 to average $78, compared to last year's average price of $95. The year 2022 was volatile for the energy industry. We don't look for as much volatility in 2024, and our preliminary forecast calls for WTI at $80 a barrel in a trading range of $95-$65 for the year. The core drivers behind oil prices in the long term are global demand and global supply. Forecasts for the next two years call for supply to exceed demand modestly. That likely will keep a lid on oil price spikes. Of course, there are always wild cards that can cause prices to fluctuate dramatically. That said, absent wild cards, the global demand-supply outlook suggests the days of triple-digit oil prices are in the rear-view mirror.

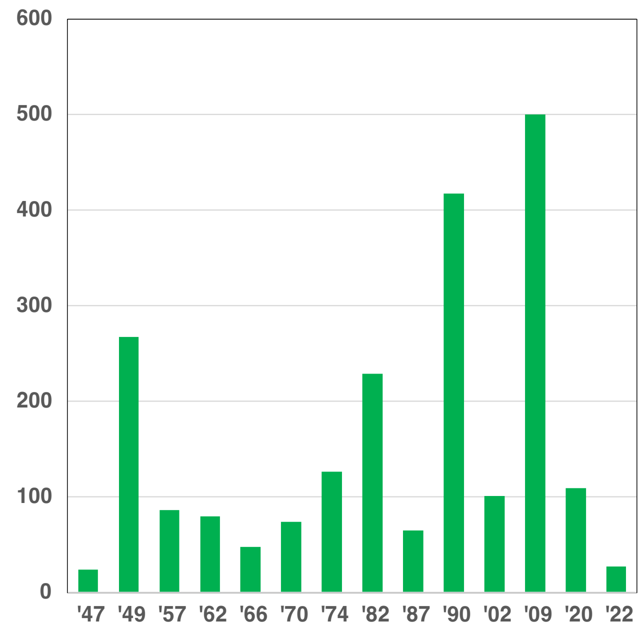
OIL INDUSTRY DRIVERS



BULL MARKET BUILDING STRENGTH?

As of this writing, the S&P 500 has risen about 27% from its bear-market low of 3577 on October 12, 2022. The index surpassed the 20%-gain mark back in June and, according to the long-held theory, is now in a bull market. Certainly, there were some wobbly steps back in August, September, and October. But the market settled down in November. What can investors expect going forward from a bull market? We have studied the 13 bull markets that have occurred since the end of World War II. On average, the S&P 500 gained 164% during these 13 periods, which averaged 57 months in duration. We also note that the recent bull markets have generated higher returns over longer periods. On average, the five bull markets since 1980 have seen stocks advance about 240% over a period of 70 months. And the bull market prior to the pandemic carried on for 11 years and stocks rose 500%. It is worth pointing out, though, that the 2009-2020 bull market began with stocks deeply depressed on valuation, whereas stocks are already a bit above fair value in the current market environment as interest rates are high and earnings growth is only beginning to ramp up. Even so, if rates continue to head lower on mild inflation, earnings growth accelerates, and the economy avoids a recession, this new bull market could have some legs.

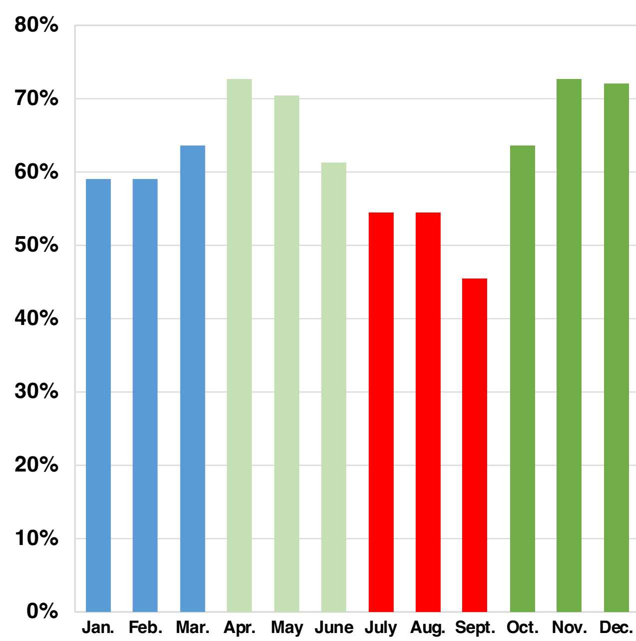
BULL MARKET RALLIES (% CHANGE IN S&P 500)



DECEMBER USUALLY IS A WINNER

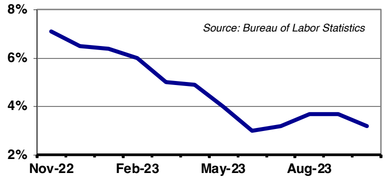
Since 1980, December has among the highest batting average -- or the winning percentage of positive stock-market performances -- of any month. The S&P 500 rises in December 72% of the time, compared to an average of 62% for other months. Other top months for stocks are April (73%) and November (72%, including a 9% increase in 2023). On average in December, stocks have risen 1.2%. The best Decembers have been 1991 (up 11.2%), 1987 (up 7.3%), 2010 (up 6.5%), 1999 (up 5.8%) and 1998 (up 5.6%). Last year, the S&P 500 dropped 5.9% in December. The month usually starts fast, coming off a PCE inflation reading and ahead of the nonfarm payrolls report. The Fed will be meeting in the month and is expected to keep interest rates steady as recent inflation data has trended lower. As the second half of the month approaches, volume will tail off and the thinly traded markets could become increasingly volatile. After all, interest rates remain high and the risk of recession is real. Selloffs may present opportunities for generating tax losses or for buying quality stocks that go on sale.

MONTHLY BATTING AVERAGES
% CHANGE IN S&P 500

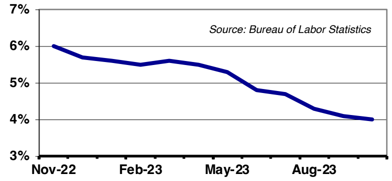


ECONOMIC TRADING CHARTS & CALENDAR

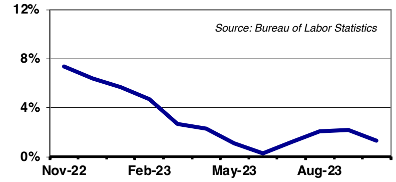
Release: **Consumer Price Index**
Date: 12/12/2023
Month: November
Previous Report: 3.2%
Argus Estimate: 3.0%
Street Estimate: NA



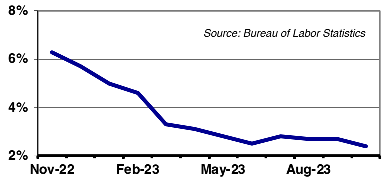
Release: **CPI ex-Food & Energy**
Date: 12/12/2023
Month: November
Previous Report: 4.0%
Argus Estimate: 4.0%
Street Estimate: NA



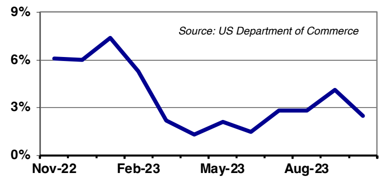
Release: **PPI Final Demand**
Date: 12/13/2023
Month: November
Previous Report: 1.3%
Argus Estimate: 1.1%
Street Estimate: NA



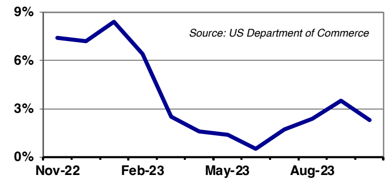
Release: **PPI ex-Food & Energy**
Date: 12/13/2023
Month: November
Previous Report: 2.4%
Argus Estimate: 2.3%
Street Estimate: NA



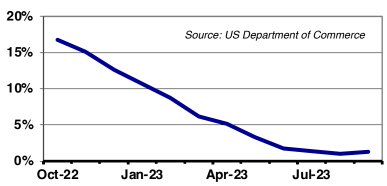
Release: **Retail Sales**
Date: 12/14/2023
Month: November
Previous Report: 2.5%
Argus Estimate: 3.4%
Street Estimate: NA



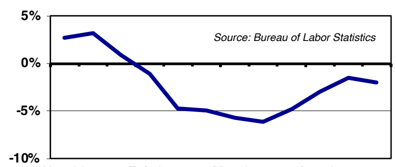
Release: **Retail Sales ex-autos**
Date: 12/14/2023
Month: November
Previous Report: 2.3%
Argus Estimate: 3.4%
Street Estimate: NA



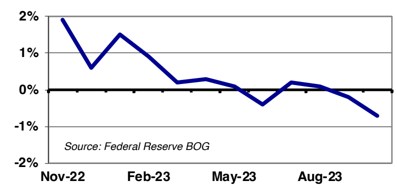
Release: **Business Inventories**
Date: 12/14/2023
Month: October
Previous Report: 1.3%
Argus Estimate: 1.2%
Street Estimate: NA



Release: **Import Price Index**
Date: 12/14/2023
Month: November
Previous Report: -2.0%
Argus Estimate: -2.1%
Street Estimate: NA

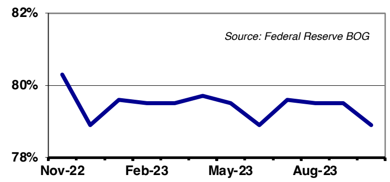


Release: **Industrial Production**
Date: 12/15/2023
Month: November
Previous Report: -0.7%
Argus Estimate: 1.0%
Street Estimate: NA



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

Release: **Capacity Utilization**
Date: 12/15/2023
Month: November
Previous Report: 78.9%
Argus Estimate: 80.0%
Street Estimate: 79.1%



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
4-Dec	Factory Orders	October	3.0%	-0.6%	NA	NA
5-Dec	ISM Services Index	November	51.8	51.0	NA	NA
6-Dec	Trade Balance	October	-$61.5 Bil.	-$60.0 Bil.	-$59.0 Bil.	NA
	Total Vehicle Sales	November	15.50 Mil.	15.20 Mil.	NA	NA
7-Dec	Wholesale Inventories	October	-1.2%	-1.3%	NA	NA
8-Dec	Nonfarm Payrolls	November	150 K	145 K	165 K	NA
	Unemployment Rate	November	3.9%	3.9%	3.9%	NA
	Average Weekly Hours	November	34.3	34.2	NA	NA
	Average Hourly Earnings	November	4.1%	4.1%	NA	NA
	U. of Michigan Sentiment	December	61.3	60.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
19-Dec	Housing Starts	November	1,372 K	NA	NA	NA
20-Dec	Consumer Confidence	December	102.0	NA	NA	NA
	Existing Home Sales	November	3.79 Mln.	NA	NA	NA
21-Dec	GDP Annualized QoQ	3Q	5.2%	NA	NA	NA
	GDP Price Index	3Q	3.6%	NA	NA	NA
22-Dec	PCE Deflator	November	3.0%	NA	NA	NA
	PCE Core Deflator	November	3.5%	NA	NA	NA
	Personal Income	November	4.5%	NA	NA	NA
	Personal Spending	November	5.3%	NA	NA	NA
	New Home Sales	November	679000	NA	NA	NA
	Durable Goods Orders	November	0.9%	NA	NA	NA
	Leading Index	November	-0.8%	NA	NA	NA