

THE ECONOMY AT A GLANCE

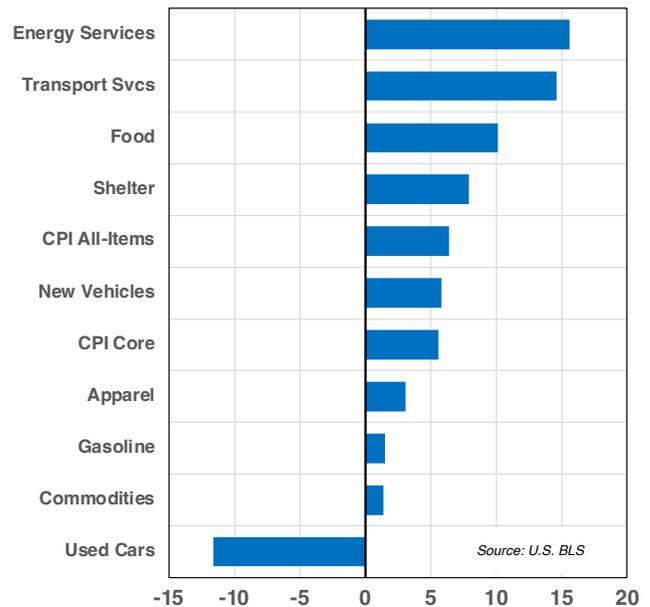
ECONOMIC HIGHLIGHTS

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DOWNWARD INFLATION TREND SLOWS

Inflation pressures eased again last month in the U.S., continuing a downward trend that began last summer, this based on the Consumer Price Index report released on February 14. But the rate of decline, which had been pronounced over the past few months, slowed in the report. The Bureau of Labor Statistics reported a 6.4% year-over-year increase in overall inflation through January, compared to a 6.5% rate through December and a 9.1% rate back in June. The core rate, excluding food and energy prices, also declined — to 5.6% in January from 5.7% in the prior month. The consensus forecasts had called for a 6.2% overall inflation rate and a 5.5% core rate. The overall rate was propped up by energy prices (up 2.0% month-over-month), transportation (0.9%), shelter (0.7%), and food (0.5%). Segments of the economy with stable/easing prices included commodities (0.1%), used cars and trucks (down 1.9%), and medical care services (down 0.7%). Looking ahead, we think that the July CPI rate of 9.1% will prove to be the peak reading for the index in this cycle, as the housing market cools, supplies of new vehicles increase, and the price of oil stays below \$90 per barrel. Even so, the Federal Reserve still has wood to chop in order to bring core inflation down to its target rate of 2.0%. We continue to look for two 25-basis-point rate hikes by the central bank in 1H23.

INFLATION FACTORS (% CHANGE Y/Y)

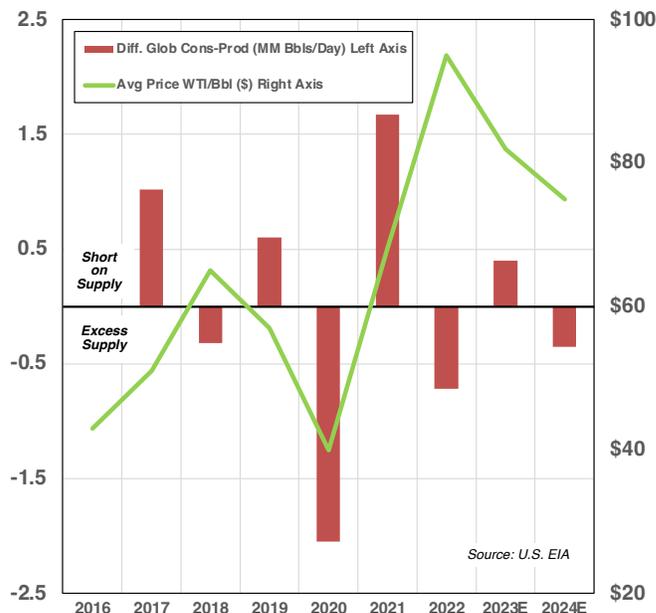


ECONOMIC HIGHLIGHTS (CONTINUED)

ARGUS ADJUSTS OIL PRICE FORECAST

Our forecast for the average price of West Texas Intermediate crude oil in 2023 is now \$82 per barrel, down from last year’s average price of \$95. We anticipate a trading range of \$65-\$100 for the year. The current price is near \$76, up from a low of \$72 at the beginning of the year but down from \$80 in late January. Last year was a volatile year for oil prices, as WTI ranged from \$71 to \$121 per barrel. We don’t look for as much volatility in 2023. The core drivers behind oil prices in the long term are global demand and supply. According to the U.S. Energy Information Administration, there was excess supply in 2022: global consumption was 99.4 million barrels per day, while global production was 100.1 million barrels. Forecasts for the next two years call for supply and demand to remain generally in line. If that’s the case, we would expect oil prices to continue to drift lower. Of course, there are always wildcards such as geopolitical developments, ranging from wars to sanctions. These wildcards can cause prices to fluctuate dramatically -- but in their absence, the global demand-supply outlook suggests that the days of triple-digit oil prices are in the rear-view mirror.

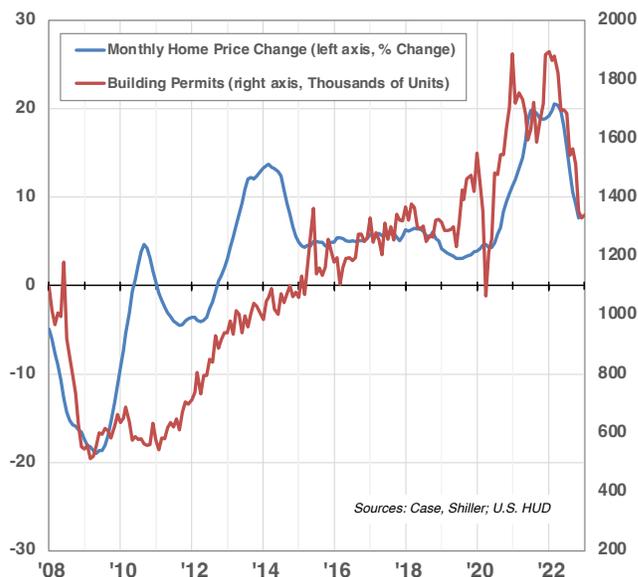
OIL INDUSTRY DRIVERS



HIGHER RATES STILL CRIMPING HOUSING SECTOR GROWTH

The National Association of Realtors reported that existing home sales fell for a twelfth straight month in January, to a seasonally adjusted annual rate of 4.0 million. The Commerce Department reported that new single-family homes sold at a 616,000 annualized rate in December — down from 839,000 a year earlier. A leading indicator for the industry, housing permits, has turned lower as well. The S&P/Case-Shiller National Home Price Index for November 2022 notched a fifth straight monthly decline. The average price was still up 7.7% year-over-year, but has slipped 3.6% from the peak in June. The 30-year fixed-rate mortgage has eased to 6.3% from a November 2022 peak near 7%, but it is still too high for millions of Millennials who are starting families. On the positive side, the National Association of Home Builders reported that builder sentiment rose by seven points in February, to 42, a second consecutive increase after a string of 12 monthly declines. Still, the housing sector is unlikely to boost U.S. economic growth until pricing pressures and mortgage rates ease further.

HOUSING MARKET TRENDS

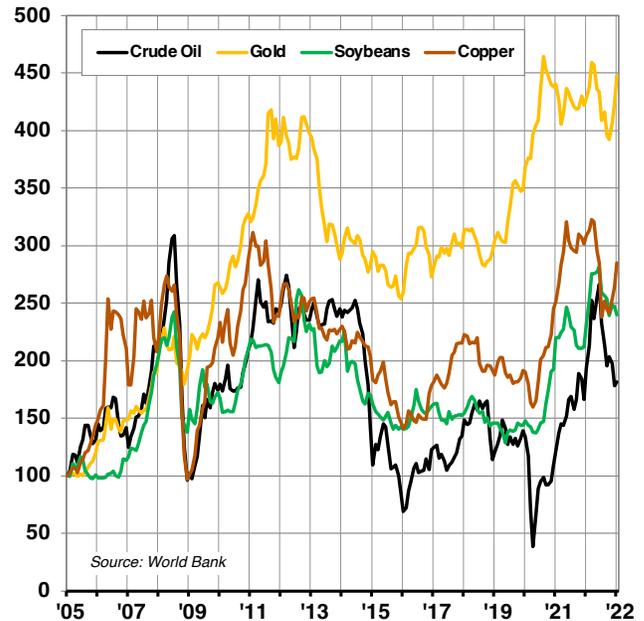


FINANCIAL MARKET HIGHLIGHTS

COPPER AND GOLD PRICES PUSH HIGHER

Prices for copper and gold have risen over the past six months, while oil and soybeans are lower. Despite these price swings, current commodity prices are high by historical standards. By our calculations, prices for the four commodities mentioned above are (on average) 33% above their 20-year average. The most expensive, on a relative basis, is gold. The yellow metal is trading at a 52% premium to its historical average price, reflecting current high inflation. Soybeans are selling at a 38% premium to their historical average, driven in part by market disruptions from the Russian invasion of Ukraine. Copper prices are 34% above their long-run average, and up 12% over the past quarter in the wake of China's decision to drop its zero-COVID policy and focus on economic growth. Oil prices are 8% above their long-term average, but still down 33% over the past year. Short-term factors such as the war in Ukraine and China's recovery are supporting demand, which nonetheless remains lower than normal as the world economy slumps and governments look to alternative fuel sources. We think that underlying long-term economic fundamentals are favorable for most commodities (except oil) as global standards of living improve. But we expect ongoing volatility from inflation, the residual impact of the pandemic, and geopolitical developments. We recently raised our sector recommendation on Basic Materials to Over-Weight. The current market weighting of the sector is 2.8%; we think that investors should consider Basic Materials exposure of 3%-4% in diversified portfolios.

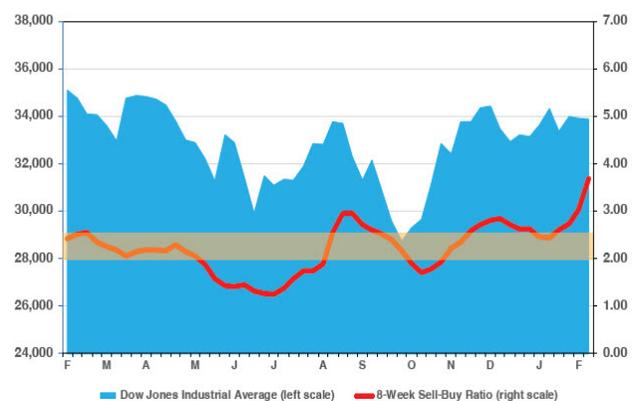
COMMODITY PRICE TRENDS
(INDICES: 2005 = 100)



INSIDER SENTIMENT WOBBLER

Weekly insider-sentiment data from Vickers Stock Research shows a cautious stance from corporate executives, directors, and beneficial owners. The insider/buy ratios produced by Vickers can jump and fall from week to week. But after several weeks of bearish ratios, the current ratios are even worse. The current troubling one-week ratios have had a negative impact on Vickers' broader eight-week ratios. We don't want these broad gauges of insider sentiment to grow much larger, as that would indicate sustained pessimism from insiders. Drilling down to sectors, we note that recent selling by insiders was the greatest in Industrials. Selling was also notable in Healthcare, Financials, Technology, and Consumer Discretionary.

TOTAL 8-WEEK SELL/BUY RATIO VS. DJIA



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