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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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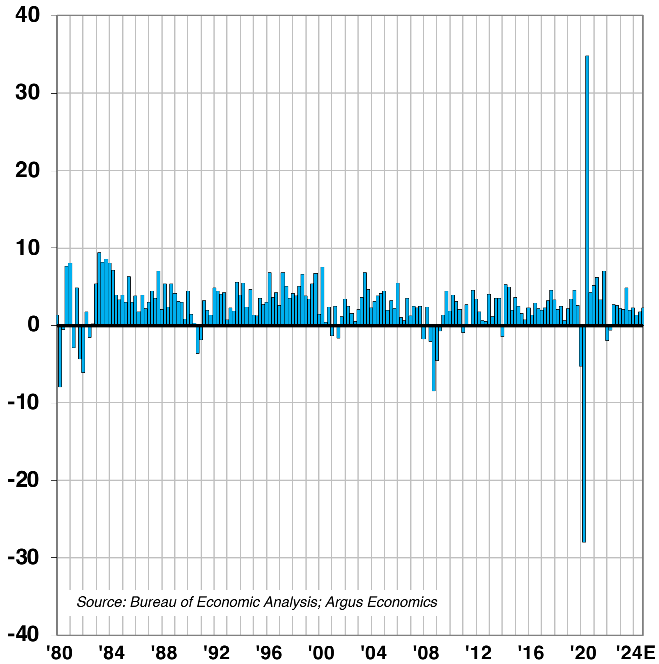
RAISING GDP ESTIMATE FOR 2024

Our analysis of recent data leads us to conclude that U.S. consumers have more horsepower than we thought. We are raising our forecast for 2024 GDP growth to 2.0% from 1.7% and are raising our 1Q forecast to 2.3% from 0.7%. We expect 2Q to be the weakest of 2024, with 1.3% growth ramping to 2.3% growth in 4Q. This assumes inflation continues to fall and the Fed has completed its rate-hike campaign. But growth is not consistent across all segments of the economy. Industrial production edged up in December after notable declines in September, October, and November. The ISM Purchasing Managers Index is a widely followed indicator of future growth. It has been below the critical level of 50 since September 2022. Meanwhile, the Conference Board's Leading Economic Index in December continued to signal recession risk. While economic growth may be uneven in 2024 and into 2025, we believe the Fed has the ability to prop up the economy if growth falters. While 2025 will be the first year of a new presidential term, and difficult to assess, we are maintaining our forecast for GDP to grow 2.0%. We expect the Fed will be close to meeting its dual mandate, with inflation near its 2% goal and unemployment at about 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%. Federal Reserve board members and bank presidents are anticipating GDP growth of 1.4% in 2024 and 1.8% in 2025, based on median estimates provided in December.

GDP TRENDS & OUTLOOK (% CHANGE)



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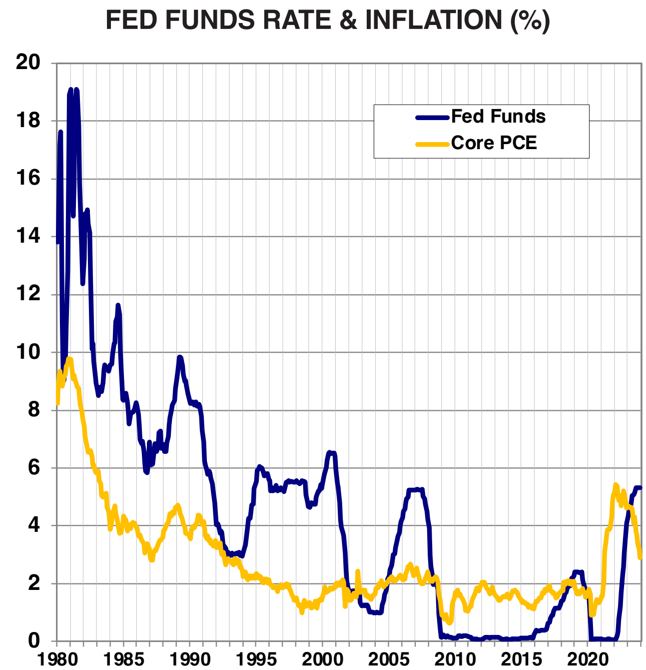
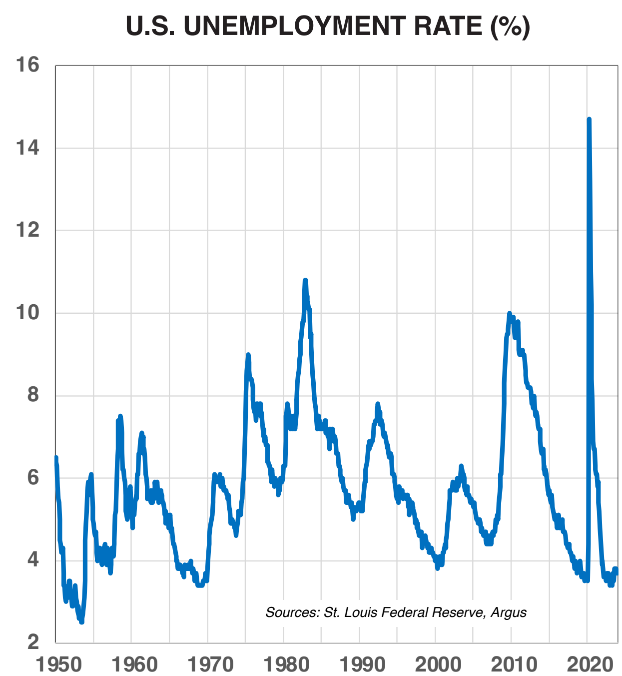
FED STAYS THE COURSE, SURPRISES WALL STREET

The Fed recently held the federal funds rate steady at 5.25%-5.50%. But despite a recent downtrend, inflation is still above the Fed's target of 2.0%. And that's the problem. While the central bank disclosed at previous meetings that it may lower interest rates three times in 2024, Wall Street jumped the gun a bit and was expecting five or six. Then, when Fed Chairman Powell commented that the March meeting is probably not the appropriate time for a rate cut, stocks tumbled. At Argus, our forecast has been that the Fed will start to cut rates in July, and will likely use fewer cuts, rather than more cuts. That forecast stands. We believe the most important sentence from the Fed's recent statement was the following. "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent." The Fed is indeed ahead of the inflation curve, and the current real fed funds rate of 2.4% is above the historical average of 1.6%. At the recent pace of decline, core PCE could be closer to 2.5% by mid-year, at which point the Fed might feel a move is more appropriate.



JOB GROWTH REMAINS VERY STRONG

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 353,000 new jobs in January, well above the consensus of 180,000. Job gains in November and December were revised higher by a total of 126,000. January's increase in payrolls and the December revision took the three-month average to 289,000, above the 12-month average of 255,000 during 2023. The unemployment rate was unchanged at 3.7%. These strong statistics support the Fed's decision to not reduce interest rates and align with why Chair Powell downplayed the possibility of a rate reduction in March. This report provides additional evidence that the U.S. economy is on solid ground and further reduces the likelihood of a recession in 2024. Average hourly earnings increased 19 cents month-to-month and are now 4.5% higher year-over-year. The average workweek declined to 34.1 hours in January from 34.3 hours in December. Before the jobs report, futures contracts suggested a 37% probability that the Fed will cut rates when it meets on March 19 and 20. After the release, the probability dropped to 17.5%. The chance of a Fed rate cut in May (either by 20 or 50 basis points) plunged from 92% to 70%.

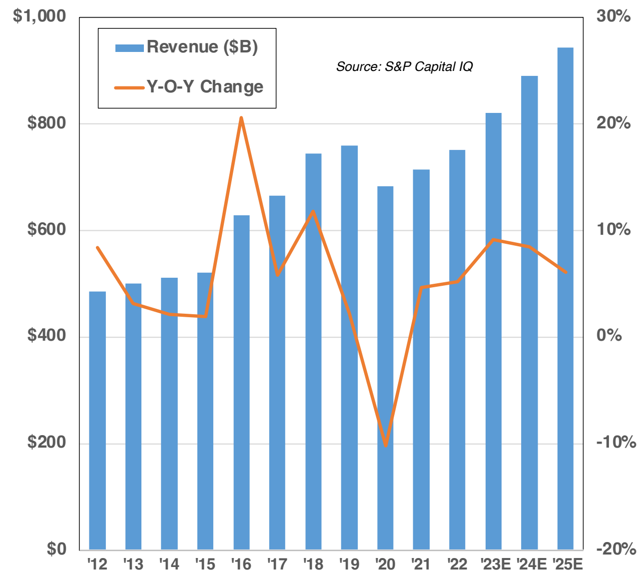


FINANCIAL MARKET HIGHLIGHTS

HEALTHY OUTLOOK FOR AEROSPACE AND DEFENSE

Aerospace and defense design and manufacturing is one of the core competencies of the U.S. economy. At Argus, we believe the industry will be able to recover a substantial amount of its pre-COVID-19 revenues and profitability into 2024. That should drive increased commercial aerospace demand, as airlines resume investing in products after cutting all but the most crucial expenditures during the pandemic. We also expect solid military spending over the next few years, as President Biden has long favored a strong military. According to the Office of the Undersecretary of Defense, military funding for FY2023 tallied $852 billion for national defense. For FY2024, the White House is requesting a base defense budget of $842 billion, which would represent 3% growth over the base budget for FY2023. On top of the country's typical strong level of defense spending, the budget has been influenced by the ongoing Russian invasion of Ukraine, rising inflation, and other factors. We see the current geopolitical environment keeping this type of spending high.

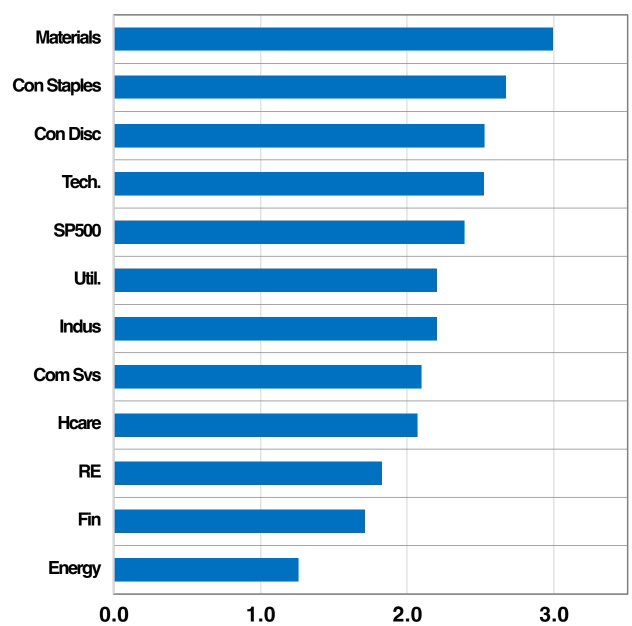
S&P 1500 AEROSPACE & DEFENSE INDEX REVENUE



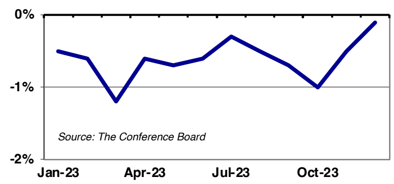
VALUES IN FINANCIALS AND COMMUNICATION SERVICES

Investors hunting for stocks that reasonably balance long-term growth prospects and current value characteristics might want to look at companies in the Financial Services, Communication Services, and Healthcare sectors. These are among the industry groups that are currently selling for PEGY ratios (price/earnings)/(growth+yield) that are at or below the S&P 500's ratio of 2.4. To generate PEGY 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 -- this in order to achieve a less-volatile earnings growth-rate trend. We then we add the current yield to approximate total return. Premium-valued sectors with low growth rates include Consumer Staples and Basic Materials. Based on our analysis of growth rates and valuations, along with other factors, we have established our current over-weight sectors as Technology, Financial Services, Consumer Discretionary, and Communication Services. Our under-weight sectors are Energy and Consumer Staples. Our Market-Weight sectors are Healthcare, Consumer Staples, Utilities, Real Estate, and Basic Materials.

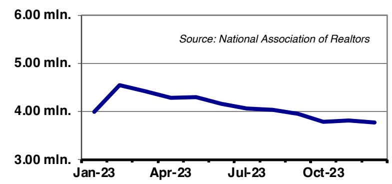
SECTOR PEGY RATIOS



Release:	**Leading Index**
Date:	2/20/2024
Month:	January
Previous Report:	-0.1%
Argus Estimate:	0.3%
Street Estimate:	NA



Release:	**Existing Home Sales**
Date:	2/22/2024
Month:	January
Previous Report:	3.78 mln.
Argus Estimate:	4.05 mln.
Street Estimate:	4.00 mln.



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
13-Feb	Consumer Price Index	January	3.4%	3.0%	NA	NA
	CPI ex-Food & Energy	January	3.9%	3.8%	NA	NA
15-Feb	Retail Sales	January	5.6%	4.0%	NA	NA
	Retail Sales ex-autos	January	4.5%	3.3%	NA	NA
	Business Inventories	December	0.4%	0.3%	NA	NA
	Import Price Index	January	-1.6%	-1.8%	NA	NA
	Industrial Production	January	1.0%	1.5%	NA	NA
	Capacity Utilization	January	78.6%	78.8%	78.7%	NA
16-Feb	PPI Final Demand	January	1.0%	0.4%	NA	NA
	PPI ex-Food & Energy	January	1.8%	1.8%	NA	NA
	Housing Starts	January	1,460 K	1,480 K	1,450 K	NA
	U. of Michigan Sentiment	February	79.0	82.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
26-Feb	New Home Sales	January	664 K	NA	NA	NA
27-Feb	Durable Goods Orders	January	3.7%	NA	NA	NA
	Consumer Confidence	February	114.8	NA	NA	NA
28-Feb	GDP Annualized QoQ	1Q	3.3%	NA	NA	NA
	GDP Price Index	1Q	1.5%	NA	NA	NA
29-Feb	PCE Deflator	January	2.6%	NA	NA	NA
	PCE Core Deflator	January	2.9%	NA	NA	NA
	Personal Income	January	4.7%	NA	NA	NA
	Personal Spending	January	5.9%	NA	NA	NA
1-Mar	ISM Manufacturing	February	49.1	NA	NA	NA
	ISM New Orders	February	52.5	NA	NA	NA
	Construction Spending	January	13.9%	NA	NA	NA