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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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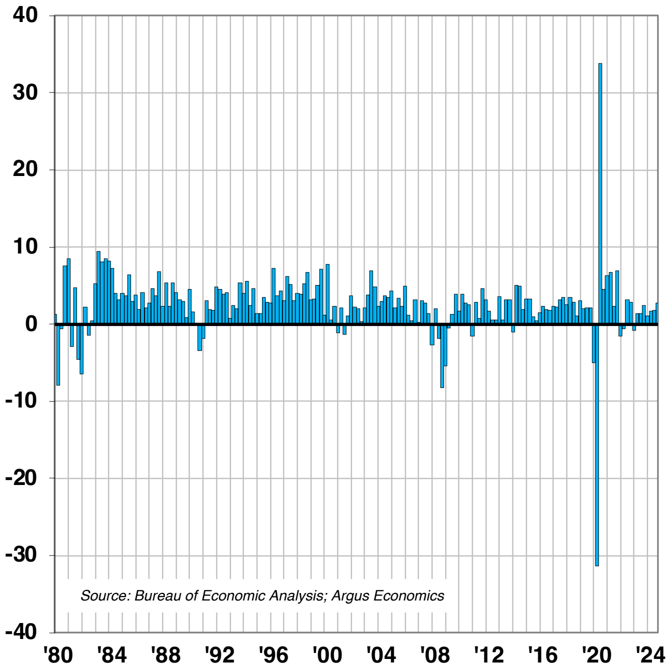
OUR FIRST LOOK AHEAD TO 2024 GDP

Our analysis of recent data indicates that key parts of U.S. GDP are still expanding, despite the impact of inflation, the pandemic, and geopolitical developments. That said, growth is not consistent across all segments of the economy, and, in many cases, growth rates are slowing. The risk of recession is real. After reviewing the latest economic fundamentals, we are maintaining our forecast for full-year GDP growth of 0.7% in 2022. In 2023, we look for the first quarter to start at a negative rate, but then for the economy to improve as the year progresses. Our 2023 GDP growth estimate is now 1.1%, down from our prior forecast of 1.3%. The Federal Reserve is combating inflation with aggressive interest rate hikes. Our concern is that it is raising rates too quickly and will send the U.S. economy into recession in 2023. Our initial forecast for GDP growth in 2024 is 1.8%, as the Fed, with its tool chest again full, can contemplate lowering rates to recharge economic growth. Our GDP estimates are generally in the range of other forecasters. The Federal Reserve now projects GDP growth of 0.5% for 2022 and 2023, and then looks for stronger growth of 1.6% in 2024. Meanwhile, the IMF is calling for growth of 1.6% in 2022 and 1.0% in 2023. The Philadelphia Federal Reserve's Survey of Professional Forecasters is calling for growth of 1.6% in 2022 and 1.3% in 2023. The recent GDPNow Forecast from the Federal Reserve Bank of Atlanta is 4.1% for 4Q22.

GDP TRENDS & OUTLOOK (% CHANGE)



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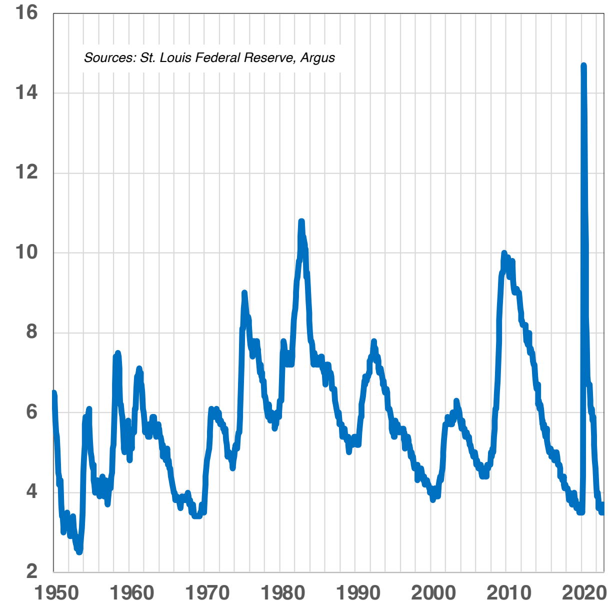
223,000 NEW JOBS IN DECEMBER

The U.S. economy generated 223,000 new jobs in December, ahead of consensus expectations and near our forecast of 220,000. The unemployment rate declined slightly to a cycle-low 3.5%. Average hourly earnings increased nine cents from the prior month and 4.6% from the prior year (down 50 basis points from the November growth rate). Revisions to the totals for the previous two months subtracted 28,000 jobs. In December, employment gains occurred in leisure and hospitality, healthcare, and construction. Industries notably absent from the gains included technology and financial and professional services. The job gains in December, though down from a revised 264,000 in November, suggest continued growth in the consumer sector of the economy despite the impact of Fed rate hikes, the Russian invasion of Ukraine, and low consumer confidence readings. The news on the inflation front was also positive as year-over-year wage growth slowed.

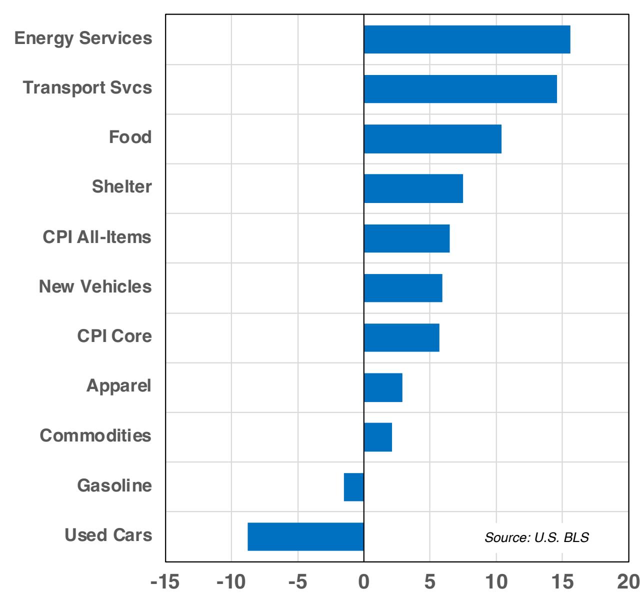
U.S. UNEMPLOYMENT RATE (%)



INFLATION CONTINUES TO EASE

The Bureau of Labor Statistics reported a 6.5% year-over-year increase in overall inflation in December, down from 7.1% in November and 9.1% back in June. Core inflation, excluding the impact of food and energy prices, also declined — to 5.7% in December from 6.0% in November. The consensus forecasts had called for a 6.7% overall inflation rate and a 5.6% core rate. The overall rate benefited from falling energy prices (down 4.5% from the prior month), as well as from lower prices for new and used cars and commodities. The increase in transportation prices was modest at just 0.2%. But food and shelter inflation remained elevated (up 10.4% and 7.5% year-over-year, respectively). We think that the 9.1% CPI rate in June will prove to be the peak reading for this cycle, as the housing market cools, supplies of new vehicles are replenished, and oil stays below $90 per barrel. Even so, the Fed still has wood to chop in order to bring core inflation down to its target rate of 2.0%. The Fed's last rate hike in December was 50 basis points. We think the central bank will slow the pace to 25 basis points at its next meeting, and follow with two more 25-basis-point increases in 1H23.

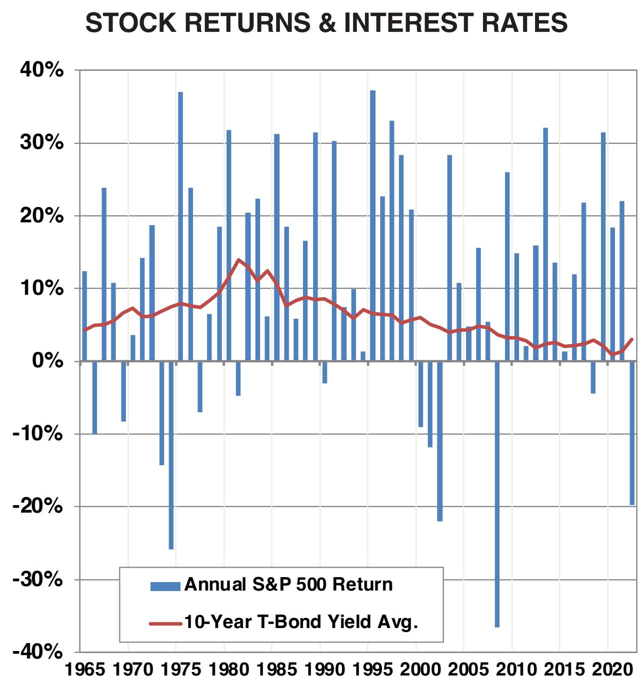
INFLATION FACTORS (% CHANGE Y/Y)



FINANCIAL MARKET HIGHLIGHTS

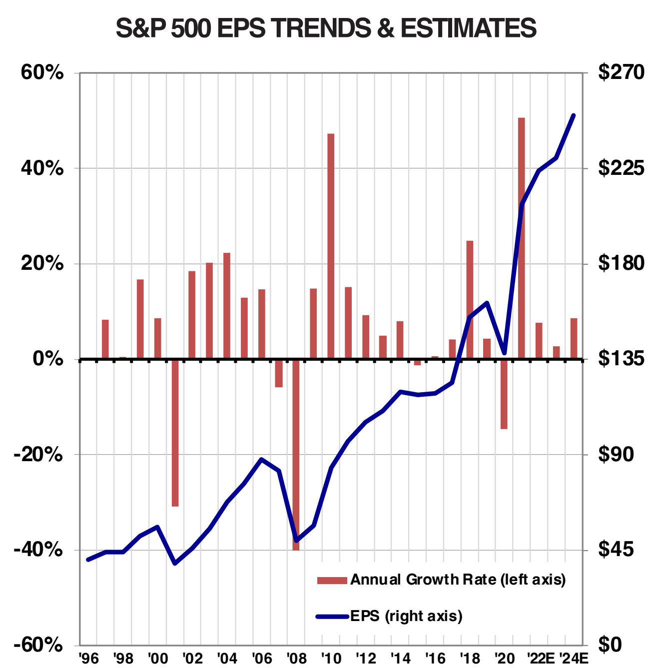
ARGUS S&P 500 FORECAST FOR 2023 IS 4,300

For stocks, 2022 was a clunker. In 2023, we see a market that is more likely to generate normal returns compared to the past three or four years, even if volatility remains high. The start of the year may be difficult, as the Fed further raises rates, the economy flirts with recession, and the Russian invasion of Ukraine continues. Earnings growth may be minimal in the first half, as margins are high and the consumer-led economy stalls a bit. At the same time, the Fed should gradually move to the sidelines and interest rates at the long and short end of the curve are unlikely to climb as far and as fast as in 2022. This will help equity valuations. Indeed, the bond market often leads the Fed, and investors may push long-term rates lower in 2023. Likewise, stocks have historically led the economy out of recession, typically bottoming during the middle of the pullback. Given low unemployment, we don't think any recession in 2023 will be particularly long or deep, allowing for an earnings recovery in 2H23. In addition, the third year of the presidential cycle is historically strong. The S&P 500 has posted 13 down years out of the past 60. The years following the down years are up 77% of the time, and the average increase is 13%. Our formal price target for the S&P 500 in 2023 is 4,300.



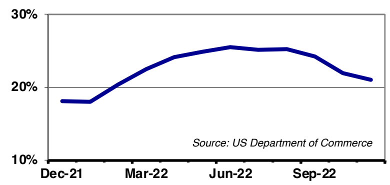
FOURTH-QUARTER EARNINGS SEASON

The consensus forecast (according to data from Refinitiv) calls for 4Q22 earnings at S&P 500 companies to decline 2.2% from the prior year. Excluding the Energy sector, earnings are expected to decline 6.7%. Companies typically exceed consensus estimates, and our S&P 500 EPS estimate of $224 for all of 2022 still implies 8%-9% growth. Drilling down to sectors, in addition to Energy, we look for positive comparisons in the Industrial, Real Estate, and Utility groups. On the negative side, we expect the Consumer Discretionary, Communication Services, and Basic Materials sectors to post EPS declines in the 15%-25% range. Looking ahead and reflecting the impact of Fed rate hikes, cautious consumer spending, and geopolitical factors, we have lowered our 2023 and 2024 estimates for S&P 500 earnings from continuing operations. We have lowered our 2023 estimate to $230 from $235 and our 2024 forecast to $250 from $258. This marks our second reduction in the past three months.

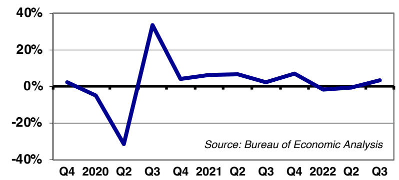


ECONOMIC TRADING CALENDAR CHARTS

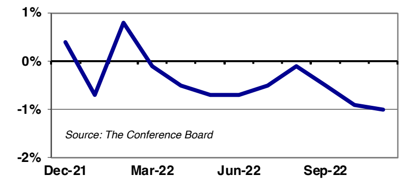
Release:	**Wholesale Inventories**
Date:	1/26/2023
Month:	December
Previous Report:	21.0%
Argus Estimate:	20.0%
Street Estimate:	NA



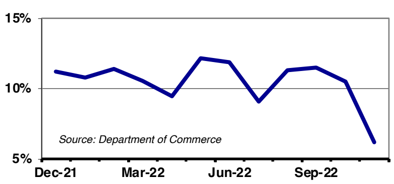
Release:	**GDP Annualized QoQ**
Date:	1/26/2023
Month:	4Q
Previous Report:	3.2%
Argus Estimate:	2.9%
Street Estimate:	2.9%



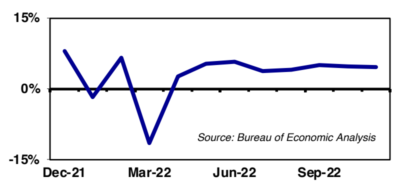
Release:	**Leading Index**
Date:	1/23/2023
Month:	December
Previous Report:	-1.0%
Argus Estimate:	0.5%
Street Estimate:	-0.7%



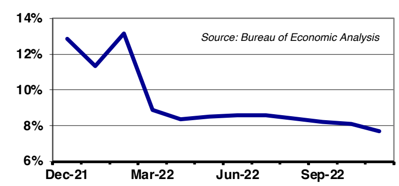
Release:	**Durable Goods Orders**
Date:	1/26/2023
Month:	December
Previous Report:	6.2%
Argus Estimate:	5.8%
Street Estimate:	NA



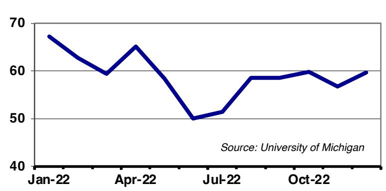
Release:	**Personal Income**
Date:	1/27/2023
Month:	December
Previous Report:	4.7%
Argus Estimate:	4.5%
Street Estimate:	NA



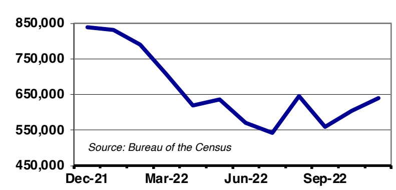
Release:	**Personal Spending**
Date:	1/27/2023
Month:	December
Previous Report:	7.7%
Argus Estimate:	7.3%
Street Estimate:	NA



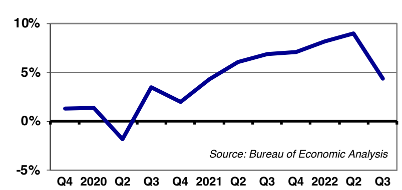
Release:	**U. of Michigan Sentiment**
Date:	1/27/2023
Month:	January
Previous Report:	64.6
Argus Estimate:	66.0
Street Estimate:	64.6



Release:	**New Home Sales**
Date:	1/26/2023
Month:	December
Previous Report:	640000
Argus Estimate:	620000
Street Estimate:	614000



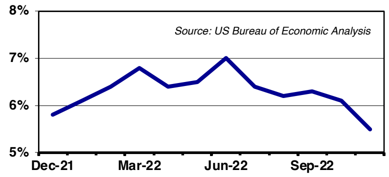
Release:	**GDP Price Index**
Date:	1/26/23
Month:	4Q
Previous Report:	4.4%
Argus Estimate:	3.2%
Street Estimate:	3.2%



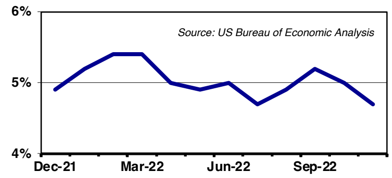
Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CALENDAR

Release:	**PCE Deflator**
Date:	1/27/2023
Month:	December
Previous Report:	5.5%
Argus Estimate:	5.0%
Street Estimate:	NA



Release:	**PCE Core Deflator**
Date:	1/27/2023
Month:	December
Previous Report:	4.7%
Argus Estimate:	4.7%
Street Estimate:	NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
18-Jan	Retail Sales	December	6.5%	6.0%	NA	NA
	Retail Sales ex-autos	December	7.7%	6.8%	NA	NA
	Business Inventories	November	16.5%	15.0%	NA	NA
	Industrial Production	December	2.5%	2.5%	NA	NA
	Capacity Utilization	December	79.7%	79.5%	79.6%	NA
	PPI Final Demand	December	7.4%	6.8%	6.8%	NA
	PPI ex-Food & Energy	December	6.2%	5.8%	5.5%	NA
19-Jan	Housing Starts	December	1427 K	1415 K	1358 K	NA
20-Jan	Existing Home Sales	December	4.06 Mil.	3.09 Mil.	3.94 Mil.	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
31-Jan	Consumer Confidence	January	108.3	NA	NA	NA
1-Feb	ISM Manufacturing	January	48.4	NA	NA	NA
	Construction Spending	December	8.5%	NA	NA	NA
	Total Vehicle Sales	January	13.31 Mil.	NA	NA	NA
	ISM New Orders	January	45.2	NA	NA	NA
2-Feb	Factory Orders	December	7.3%	NA	NA	NA
	Nonfarm Productivity	4Q	0.8%	NA	NA	NA
	Unit Labor Costs	4Q	2.4%	NA	NA	NA
3-Feb	ISM Services Index	January	49.6	NA	NA	NA
	Nonfarm Payrolls	January	223 K	NA	NA	NA
	Average Weekly Hours	January	34.3	NA	NA	NA
	Average Hourly Earnings	January	4.6%	NA	NA	NA
	Unemployment Rate	January	3.5%	NA	NA	NA