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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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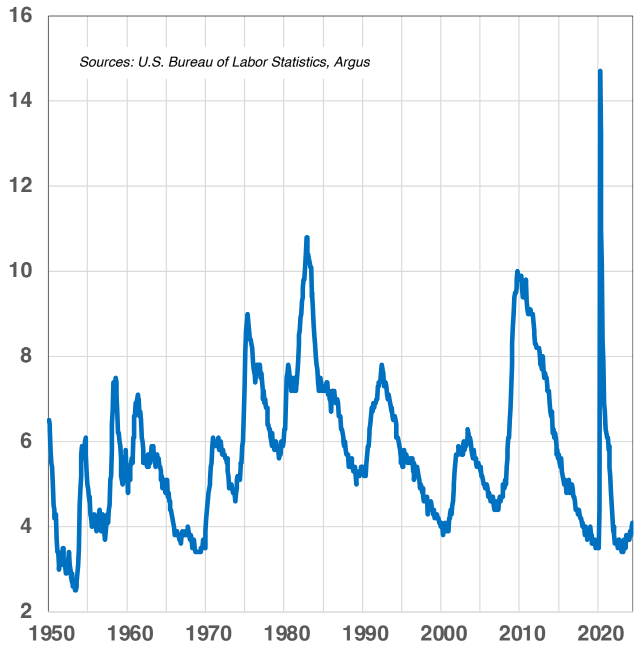
RATE CUT LOOKS MORE LIKELY

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 206,000 new jobs in June. June's increase in payrolls and revisions lower to results from May and April took the three-month average to 177,000, below the 12-month average of 220,000 and signaling a cooling job market that -- when combined with unemployment that is creeping higher -- should allow the Fed to reduce interest rates this year. The unemployment rate rose to 4.1% from 4.0%, and remains below the threshold for triggering the widely followed Sahm Rule recession indicator. The four-week average of initial jobless claims is 238,500, which remains well below the 300,000 that would trigger our concerns about a recession. Average hourly earnings increased 10 cents month to month and are 3.9% higher year over year. The average workweek remained at 34.3 hours for a third consecutive month. Job gains occurred in government; healthcare; social assistance; and construction. Employment showed little or no change in mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; transportation and warehousing; information; financial activities; leisure and hospitality; and other services. Employment declined slightly in retail trade and in professional and business services.

U.S. UNEMPLOYMENT RATE (%)



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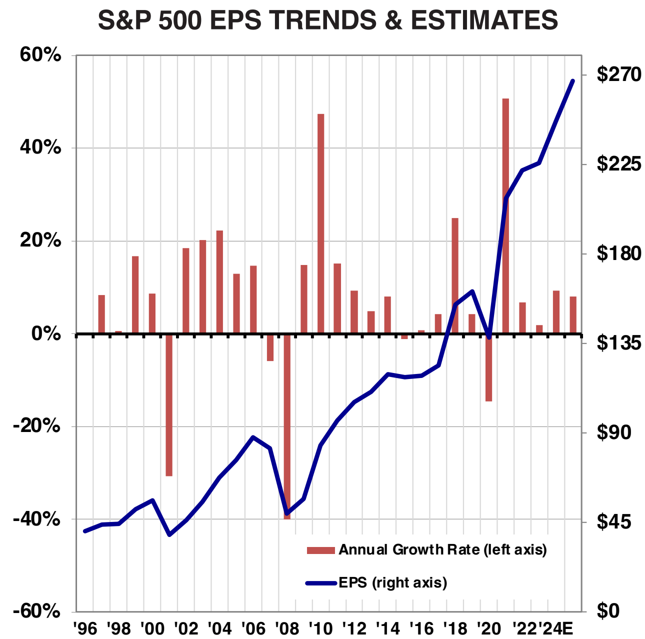
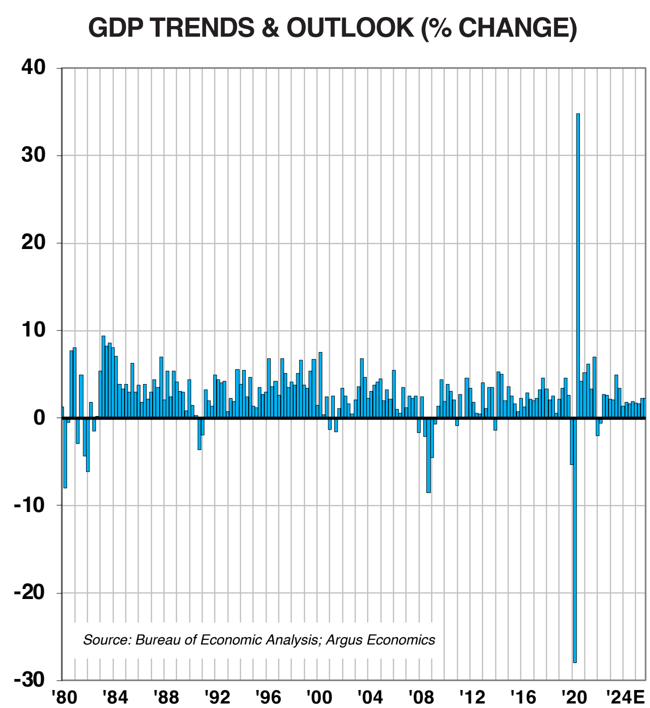
HIGH-SINGLE-DIGIT EPS GROWTH FORECAST FOR 2Q24

Consensus EPS estimates for 2Q24 growth range from mid-single-digits to low-double-digits. This follows 8% growth in 1Q24 EPS and 10% growth in 4Q23, according to Refinitiv. Leading sectors for 2Q24 are expected to be Communication Services, Healthcare, Information Technology, Energy, and Consumer Discretionary. On the downside, earnings from the Industrial sector, Real Estate, and Materials are expected to decline. Revenue is expected to increase 4%, and 5% excluding the Energy sector. For 2024, our full-year S&P 500 earnings estimate is $247, implying high-single-digit growth from 2023 levels. Companies almost always exceed earnings expectations. Last quarter, just over four-fifths of companies exceeded consensus expectations; and the average beat against expectations was above 7%.



TRIMMING 2Q GDP GROWTH FORECAST

We are reducing our second quarter 2024 forecast for GDP growth to 1.8% from 1.9%, primarily because residential fixed investment (housing) is poised to detract from economic growth after making a strong contribution in 1Q. We made a small increase to our expectation for election-year spending by state and local governments that keeps our full-year 2024 growth forecast at 1.7%. The key market-moving debates are on the persistence of inflation, consumers' capacity to drive two-thirds of a $28 trillion economy, and whether housing can continue to supplement economic growth without lower interest rates. The more-specific debate on consumers is whether softness in the 1Q GDP report is the start of a meaningful slowdown or whether spending is just normalizing after a strong run. We are more optimistic that inflation will moderate towards the Fed's 2% target, but have become more concerned about housing. We are, however, reducing our estimate of 2Q Personal Consumption Expenditures by 10 basis points to 2.3%. We expect residential fixed investment to fall 2.2% versus our previous expectation for a 0.7% decline. Mortgage rates stuck near 7% are straining affordability and forcing prospective buyers to the sidelines. We are reducing our estimate of core PCE inflation in 2Q to 2.8% from 3.0%, which would be a nice decline from 3.7% in 1Q. We continue to believe that back-to-school season is the next critical test for U.S. consumers. Our 3Q GDP estimate is now 1.6%, down from 1.8%, and our 4Q estimate is 1.9%, down from 2.0%. Our 2025 estimate is 2.0%.

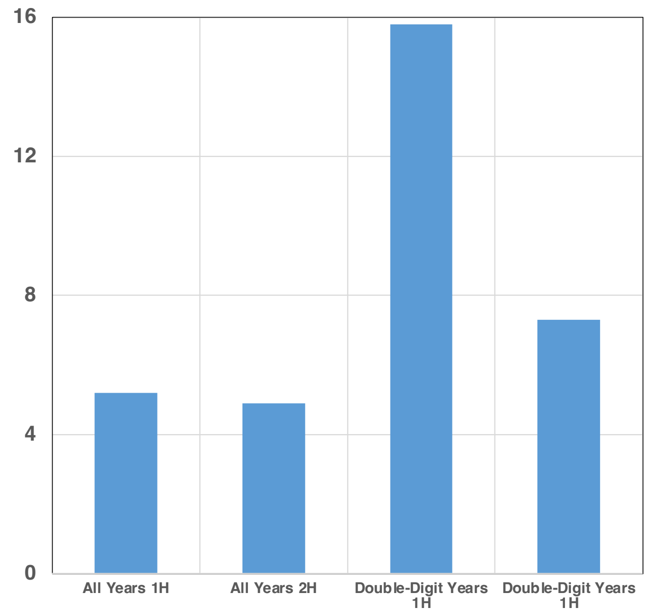


FINANCIAL MARKET HIGHLIGHTS

STRONG FIRST HALF BODES WELL FOR YEAR

Equity investors enjoyed the first half of 2024, as the S&P 500 logged a double-digit gain. Historically, that type of performance has been a precursor to further increases in stocks by the end of the year. Our study of seasonal stock market returns identified 16 first-half periods since 1980 during which the S&P 500 rose at least 10% (in fact, the average gain was 15.8%). The average S&P 500 return in the second half of those years was 7.3%. How do these compare against the overall averages? Well, for all years, first-half gains averaged 5.2% and second-half gains averaged 4.9%. So not bad. Going back to our double-digit first half years, the best performance came in 1986, when the market roared out of the starting gate and soared 25.5%. The best second half from that group was in 2012, when the S&P 500 tacked on another 17%. Still, there are no guarantees that stocks will continue to climb in the second half. In three of the 16 years, the S&P 500 lost ground, for a winning percentage of 81% -- which isn't bad. One of those years really stung: that was 1987, when stocks plunged 23.5% during a period that included the Great Crash. This time around, stocks may benefit from positive economic and earnings trends and the possibility of lower interest rates.

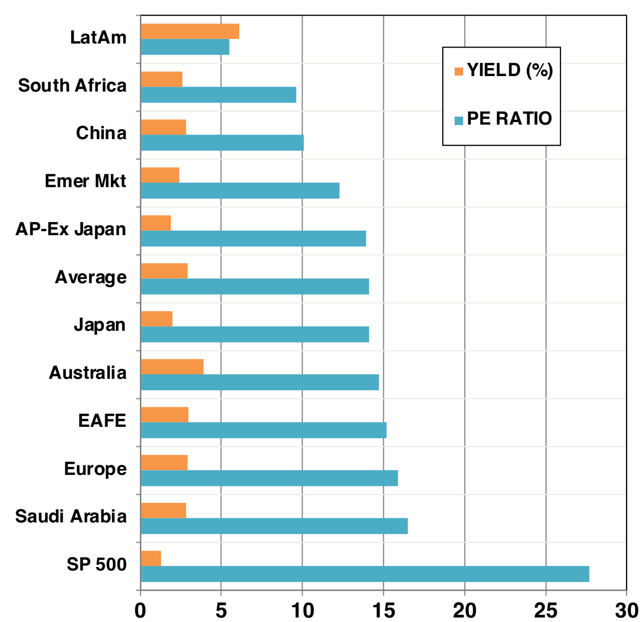
STOCK MARKET RETURNS (% CHANGE IN S&P 500)



GLOBAL STOCKS AT A DISCOUNT TO U.S. STOCKS

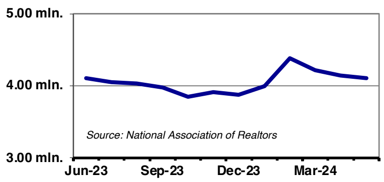
U.S. stocks remain more expensive than global stocks. The trailing P/E ratio on the S&P 500 is 27, above the global average of 14 and well above the 6-12 average for P/Es on stocks in emerging markets. The current dividend yield for the S&P 500 is 1.3%, versus the global average of 2.8%, and Asian, Australian, and Latin American yields of 3%-5%. The foreign region that does not completely fit the pattern is the Middle East. The average P/E on a stock in Saudi Arabian is a relatively high 16.5. This can be blamed on high oil prices. One reason investors are willing to pay a higher price for North American securities is the transparency of the U.S. financial system as well as the liquidity of U.S. markets. As well, global returns can be volatile across individual countries, given currency, security, political, and geopolitical risks. Indeed, U.S. stocks (ETF SPY) have outperformed EAFE (ETF EFA) over the past year as well as over the past five years. Even so, we recommend that growth investors have approximately 5%-10% of their equity allocations in international stocks in order to take advantage of the value.

GLOBAL EQUITY VALUATION METRICS

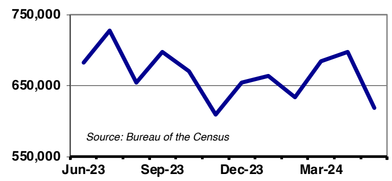


ECONOMIC TRADING CHARTS & CALENDAR

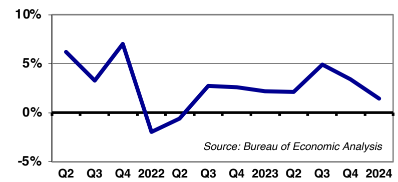
Release: **Existing Home Sales**
Date: 7/23/2024
Month: June
Previous Report: 4.11 mln.
Argus Estimate: 4.00 mln.
Street Estimate: 3.91 mln.



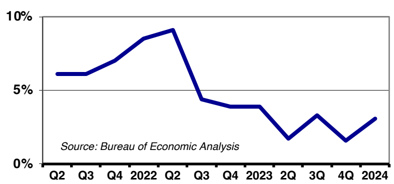
Release: **New Home Sales**
Date: 7/24/2024
Month: June
Previous Report: 619000
Argus Estimate: 600000
Street Estimate: 640000



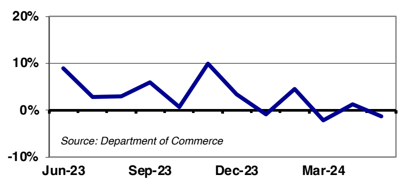
Release: **GDP Annualized QoQ**
Date: 7/25/2024
Month: 2Q
Previous Report: 1.4%
Argus Estimate: 1.8%
Street Estimate: 1.7%



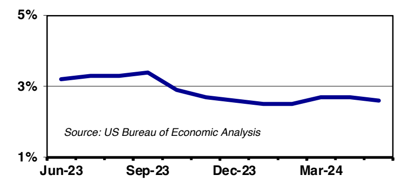
Release: **GDP Price Index**
Date: 7/25/2024
Month: 2Q
Previous Report: 3.1%
Argus Estimate: 2.4%
Street Estimate: NA



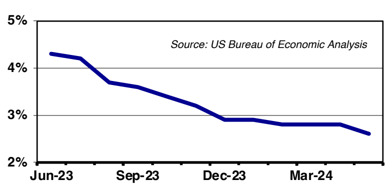
Release: **Durable Goods Orders**
Date: 7/25/2024
Month: June
Previous Report: -1.3%
Argus Estimate: -7.0%
Street Estimate: NA



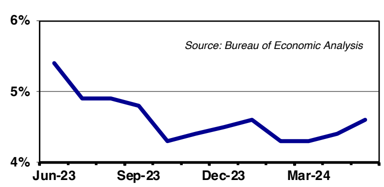
Release: **PCE Deflator**
Date: 7/26/2024
Month: June
Previous Report: 2.6%
Argus Estimate: 2.4%
Street Estimate: 2.5%



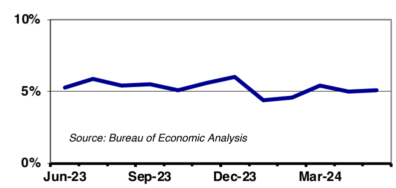
Release: **PCE Core Deflator**
Date: 7/26/2024
Month: June
Previous Report: 2.6%
Argus Estimate: 2.4%
Street Estimate: 2.6%



Release: **Personal Income**
Date: 7/26/2024
Month: June
Previous Report: 4.6%
Argus Estimate: 4.4%
Street Estimate: NA



Release: **Personal Spending**
Date: 7/26/2024
Month: June
Previous Report: 5.1%
Argus Estimate: 4.9%
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
16-Jul	Retail Sales	June	2.3%	1.8%	NA	NA
	Retail Sales ex-autos	June	2.5%	2.2%	NA	NA
	Business Inventories	May	1.0%	1.1%	NA	NA
	Import Price Index	June	1.1%	1.6%	NA	NA
17-Jul	Industrial Production	June	0.1%	0.8%	NA	NA
	Capacity Utilization	June	78.2%	78.4%	78.6%	NA
	Housing Starts	June	1,277 K	1,250 K	1,290 K	NA
18-Jul	Leading Index	June	-0.5%	-0.4%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
30-Jul	Consumer Confidence	July	100.40	NA	NA	NA
1-Aug	ISM Manufacturing	July	48.5	NA	NA	NA
	ISM New Orders	July	49.3	NA	NA	NA
	Construction Spending	June	6.4%	NA	NA	NA
	Nonfarm Productivity	2Q	0.2%	NA	NA	NA
	Unit Labor Costs	2Q	4.0%	NA	NA	NA
2-Aug	Nonfarm Payrolls	July	206 K	NA	NA	NA
	Unemployment Rate	July	4.1%	NA	NA	NA
	Average Weekly Hours	July	34.3	NA	NA	NA
	Average Hourly Earnings	July	3.9%	NA	NA	NA
	Factory Orders	June	0.9%	NA	NA	NA