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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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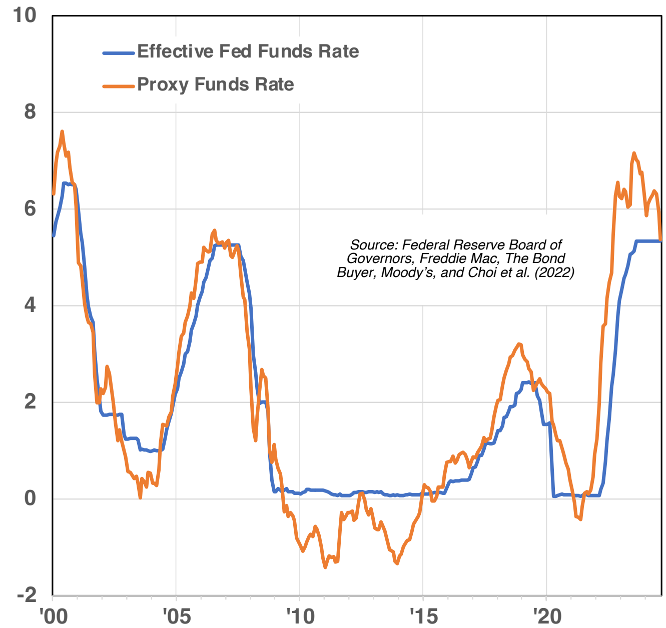
THE 10-YEAR TO THE RESCUE

The movements of the 10-Year Treasury could be much more important to the economy than the fed funds rate -- three-times as important, according to a Fed "rule of thumb" that Nobel Prize winner and former Fed Chairman Ben Bernanke mentions in his 2022 book titled "21st Century Monetary Policy." This three-to-one ratio was often cited by Federal Reserve staff, Bernanke says in a footnote to the book. The Proxy Funds Rate, an analytical tool tracked and updated monthly by the Federal Reserve Bank of San Francisco, recognizes that central bankers use multiple tools to meet their "dual mandate" of stable prices and maximum sustainable employment. The Proxy Funds Rate uses the analysis of 12 financial variables to translate the full range of policy actions into an analogous level of the funds rate that can help assess whether policy is tighter or easier than the official funds rate suggests. In a November 2022 San Francisco Fed Economic Letter, the developers of the rate noted the following: "As the FOMC increasingly used forward guidance and the balance sheet, the proxy rate has tended to lead the actual funds rate, reflecting the fact that financial markets are forward looking." The proxy rate has declined to 5.36%, from more than 7% in July 2023. The 10-year Treasury yield has declined by approximately 90 basis points since reaching 4.7% in late April. This could boost the economy and offset some of the drag from rising unemployment.

PROXY FUNDS RATE AND EFFECTIVE FED FUNDS RATE (%)



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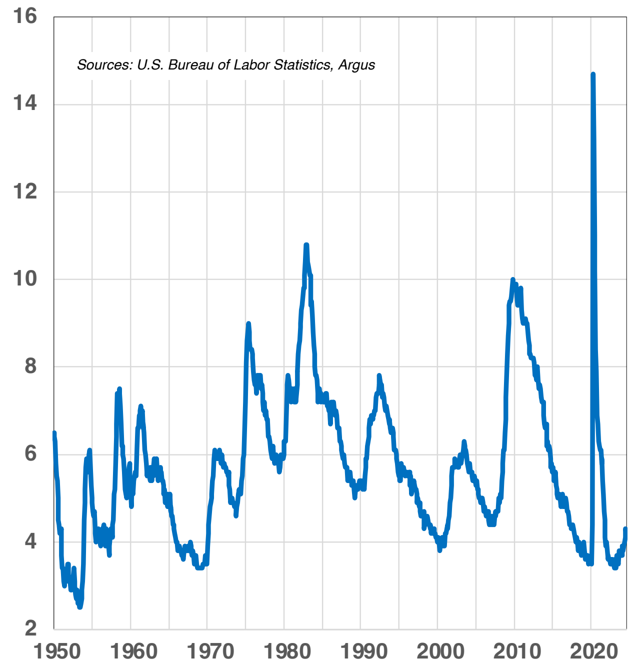
JOBS REPORT KEEPS 50BP RATE CUT IN PLAY

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 142,000 new jobs in August, above our forecast of 130,000 but below the consensus of 160,000. July's result was revised lower to 89,000 from 114,000. June was revised down by 61,000 to 118,000. August's increase in payrolls and revisions lower to past results took the three-month average to 116,000, below the 12-month average of 202,000, which seems consistent with Fed Chairman Powell's recent description of a job market that is "solid" but slowing. The unemployment rate ticked down to 4.2%, matching consensus. While the jobless rate has risen from 3.8% last August, the four-week average of initial jobless claims is 230,000, well below the 300,000 that would trigger our concerns about a recession. Average hourly earnings increased 14 cents month to month and are 3.8% higher year over year (compared to 3.6% in July). The average workweek ticked up to 34.3 hours in August. Job gains occurred in healthcare, construction and social assistance. Employment showed little or no change in mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; transportation and warehousing; information; financial activities; professional and business services; leisure and hospitality; other services; and government. Employment declined in manufacturing. After the report, futures contracts suggested a 49% probability that the Fed will reduce the funds target by 25 basis points from the current 5.25%-5.50% and a 51% chance that it will cut the funds rate by 50 basis points when it meets on September 17 and 18. That compared with probabilities of 57% and 43%, respectively, before the release. The probability that the funds target will be 4.25%-4.5% or lower after the December meeting was 94%, up from 85% before the release.

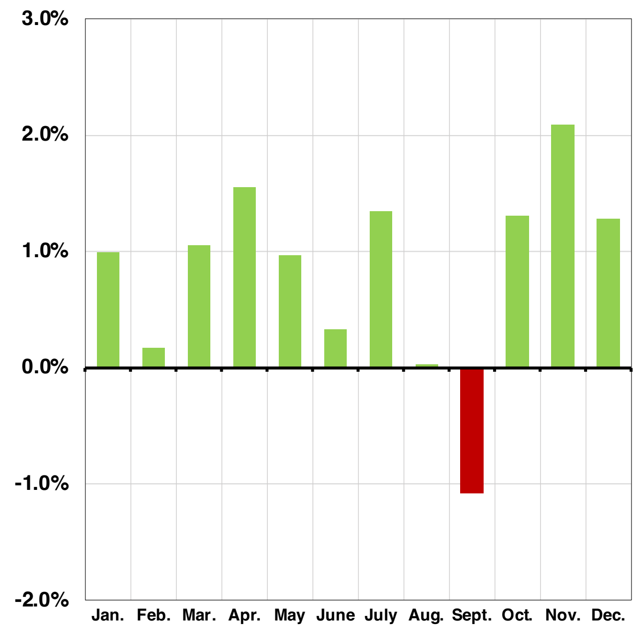
U.S. UNEMPLOYMENT RATE (%)



BEWARE SEPTEMBER

Our analysis of monthly S&P 500 returns going back to 1980 indicates that September is now the only month with an average loss. Now not every September is negative. The month has a "win percentage" of 46%. But there have been some bombs, including 2022 (-9.3%), 1986 (-8.5%), 2001 (-8.2%), 2002 (-11%), 2008 (-14%) and 2011 (-7.2%). Last year, the S&P 500 fell 5.0% in the month, and 2022 was a 4.8% loser. September is a transition month: the August doldrums are over and corporations get back into gear after Labor Day. The IPO market typically picks up. The Federal Reserve meets, which can add to volatility. And, sometimes ominously, the third-quarter earnings season approaches. By the end of 3Q, companies are pretty sure if they are (or are not) on track to meet their financial targets. If they are not and they pre-warn about disappointing results, investors can be quick to sell an entire sector.

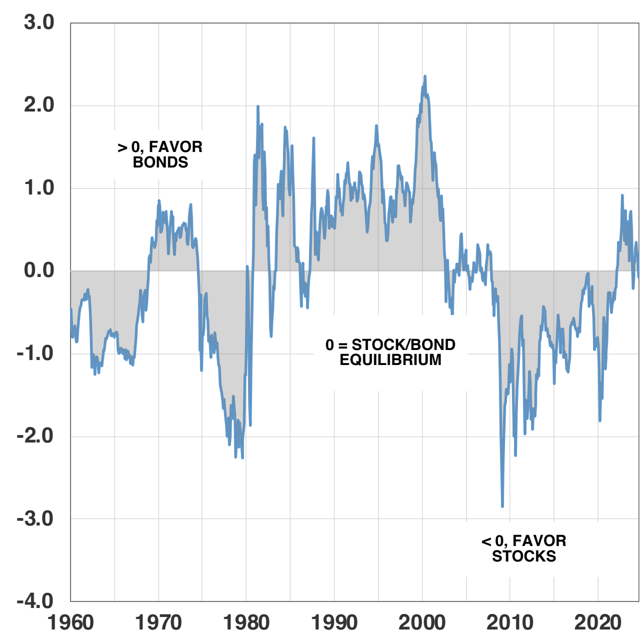
AVERAGE MONTHLY S&P 500 APPRECIATION



STOCKS BACK TO FAIR VALUE ON MODEL

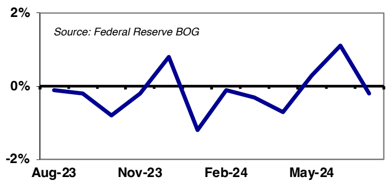
Our Stock-Bond Barometer is indicating that stocks are the asset class currently offering the most value. Our model takes into account levels and forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading going back to 1960 is a modest premium for stocks, of 0.16 sigma, with a standard deviation of 0.97. In other words, stocks normally sell for a slight premium valuation. But the current valuation level now is a 0.7 sigma discount for stocks, reflecting in large part the sharp move lower in long-term interest rates since the Fed's summit in Wyoming. Other valuation measures also show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is approximately 20, within the normal range of 13-24. The current S&P 500 dividend yield of 1.2% is below the historical average of 2.9%, but is also 32% of the 10-year Treasury bond yield, compared to the long-run average of 39% and the all-time low of 18%. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is about 360 basis points, compared to the historical average of 400. Lastly, the ratio of the S&P 500 price to an ounce of gold is now 2.2, within the historical range of 1-3. We expect the results from our stock-bond valuation model to tilt more toward stocks, as interest rates head lower and EPS growth picks up.

STOCK BOND BAROMETER (STANDARD DEVIATIONS)

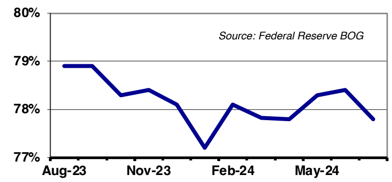


ECONOMIC TRADING CHARTS & CALENDAR

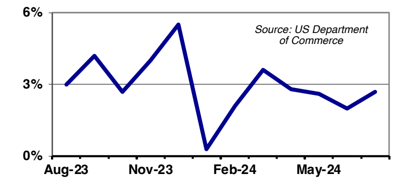
Release: **Industrial Production**
Date: 9/17/2024
Month: August
Previous Report: -0.2%
Argus Estimate: 0.2%
Street Estimate: NA



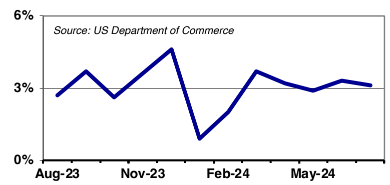
Release: **Capacity Utilization**
Date: 9/17/2024
Month: August
Previous Report: 77.8%
Argus Estimate: 77.6%
Street Estimate: 77.9%



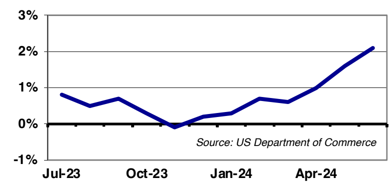
Release: **Retail Sales**
Date: 9/17/2024
Month: August
Previous Report: 2.7%
Argus Estimate: 2.4%
Street Estimate: NA



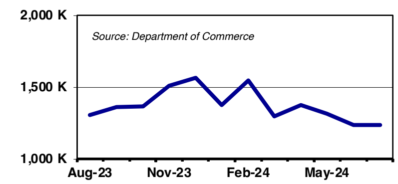
Release: **Retail Sales ex-autos**
Date: 9/17/2024
Month: August
Previous Report: 3.1%
Argus Estimate: 2.6%
Street Estimate: NA



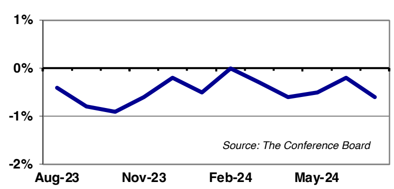
Release: **Business Inventories**
Date: 9/17/2024
Month: July
Previous Report: 2.1%
Argus Estimate: 2.4%
Street Estimate: NA



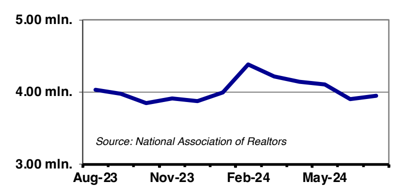
Release: **Housing Starts**
Date: 9/18/2024
Month: August
Previous Report: 1,238 K
Argus Estimate: 1,300 K
Street Estimate: 1,310 K



Release: **Leading Index**
Date: 9/19/2024
Month: August
Previous Report: -0.6%
Argus Estimate: -0.4%
Street Estimate: -0.3%



Release: **Existing Home Sales**
Date: 9/19/2024
Month: August
Previous Report: 3.95 mln.
Argus Estimate: 4.05 mln.
Street Estimate: 3.97 mln.



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
9-Sep	Wholesale Inventories	July	**-0.1%**	0.6%	NA	**0.4%**
11-Sep	Consumer Price Index	August	2.9%	2.6%	NA	NA
	CPI ex-Food & Energy	August	3.2%	3.2%	NA	NA
12-Sep	PPI Final Demand	August	2.2%	1.8%	NA	NA
	PPI ex-Food & Energy	August	2.4%	1.9%	NA	NA
13-Sep	Import Price Index	August	1.6%	1.4%	NA	NA
	U. of Michigan Sentiment	September	67.9	69.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
24-Sep	Consumer Confidence	September	103.3	NA	NA	NA
25-Sep	New Home Sales	August	739 K	NA	NA	NA
26-Sep	GDP Annualized QoQ	2Q "3rd est."	3.0%	NA	NA	NA
	GDP Price Index	2Q "3rd est."	2.5%	NA	NA	NA
	Durable Goods Orders	August	2.9%	NA	NA	NA
27-Sep	PCE Deflator	August	2.5%	NA	NA	NA
	PCE Core Deflator	August	2.6%	NA	NA	NA
	Personal Income	August	4.5%	NA	NA	NA
	Personal Spending	August	5.3%	NA	NA	NA