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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

June 17, 2024
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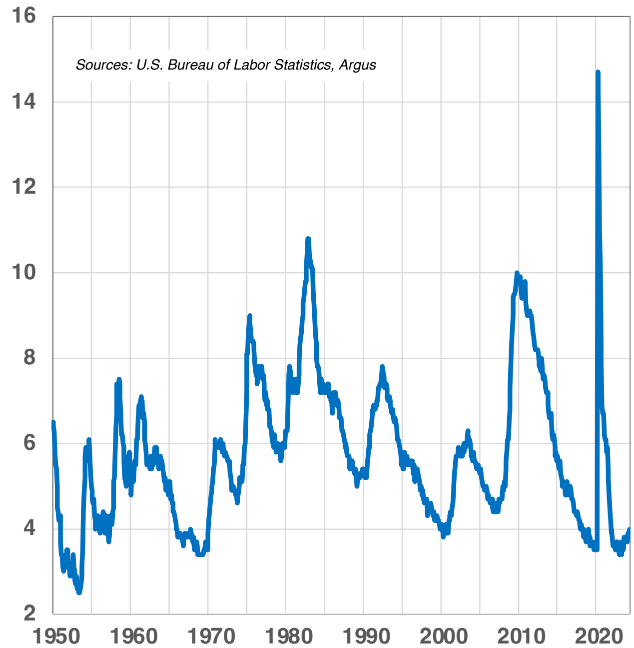
JOBS REPORT DINGS SEPTEMBER RATE CUT

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 272,000 new jobs in May, well above our forecast of 168,000 and the consensus of 185,000. April's result was revised lower to 165,000 from 175,000. March was revised down by 5,000. May's increase in payrolls and the revisions to April and March took the three-month average to 249,000, above the 12-month average of 232,000 and signaling a strong job market that -- when combined with hotter-than-expected wage growth -- may thwart the pre-release consensus for the Fed to cut the funds rate in September. The unemployment rate rose to 4.0% from 3.9%, which remains below the threshold for triggering the widely followed Sahm Rule recession indicator. The four-week average of initial jobless claims is 222,250, which remains well below the 300,000 that would trigger our concerns about a potential recession. Average hourly earnings increased 14 cents month-to-month and are now 4.1% higher year-over-year (compared to 4.0% in April). The average workweek remained at 34.3 hours in May. Job gains occurred in healthcare; government; leisure and hospitality; and professional, scientific, and technical services. Employment showed little or no change in mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; transportation and warehousing; information; financial activities; and other services.

U.S. UNEMPLOYMENT RATE (%)



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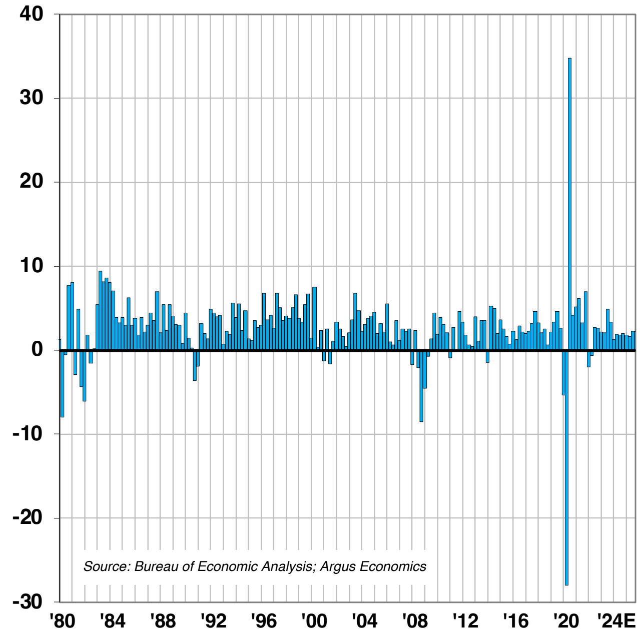
TRIMMING 2024 GDP GROWTH FORECAST

We are reducing our full-year 2024 forecast for GDP growth to 1.7% from 1.8%, as consumer spending is softer than we expected. We remain optimistic that the U.S. economy will continue to grow and that inflation will resume its decline. It is only June, but we are entering the critical part of the year for consumer spending and the economy. Beginning in just a few weeks, we will be getting vital information that will affect our 2024 and 2025 outlook. The key market-moving debates are on the persistence of inflation, consumers' capacity to drive two-thirds of a $27 trillion economy, and whether housing can continue to supplement economic growth without help from 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. With a still-strong job market, we're inclined to the latter case. If we don't get encouraging news from the Retail Sales, Personal Income, and Outlays reports for July and August and in the 2Q earnings calls that Walmart and Target will provide in August, our concern about consumers and economic growth will increase. Our 2Q GDP estimate remains at 1.9%, with 3Q at 1.8%, and 4Q at 2.0%. Our 2025 estimate is 2.0%.

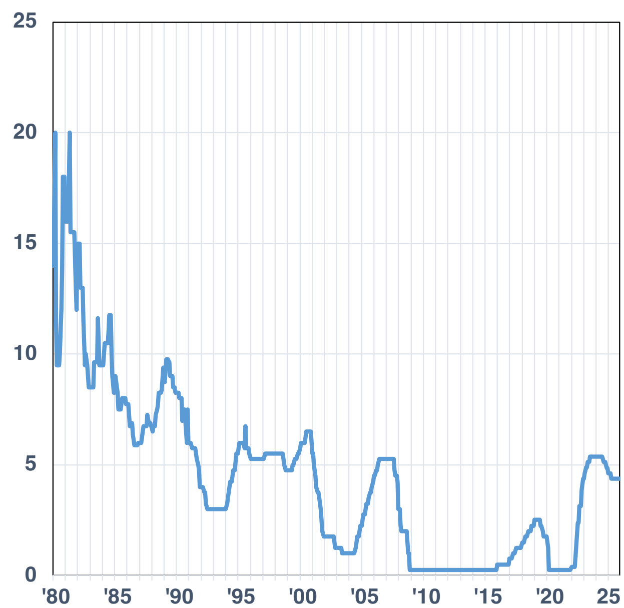
GDP TRENDS & OUTLOOK (% CHANGE)



FED TAKES A HAWKISH TURN

The Federal Reserve, as expected, held the federal funds rate steady at 5.25%-5.50%. This is the Fed's plan: keep rates high to push inflation lower. In the meantime, inflation has indeed been on a downward trek. The latest CPI reading was 3.3%, down from 9.1% in July 2022, and the latest core PCE Price Index reading (the Fed's favorite metric) was 2.8%. Yet despite progress, both measures are still well above the Fed's target of 2.0%, and the slope of the downward trajectory has flattened lately. Those are potential problems for a central bank that watched while inflation got out of hand in 2020-2021 and wants to rebuild its reputation as an effective inflation fighter. We still think that two cuts is the right number for the Federal Reserve in 2024 and then two more in 2025. We reckon the central bank wants to cut rates in order to save face after previous projections and also get one cut in prior to the presidential election.

FEDERAL FUNDS TARGET RATE & FORECASTS (%)

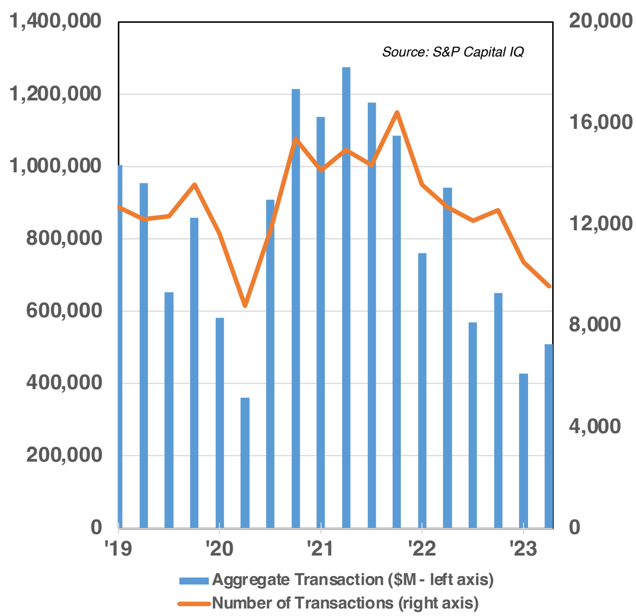


FINANCIAL MARKET HIGHLIGHTS

OPPORTUNITIES IN THE CAPITAL MARKETS SECTOR

Allocating capital is one of the core competencies of the U.S. economy. That doesn't mean the industry isn't cyclical, and the recent period of high rates certainly has been a challenge. Consider the IPO segment of the industry. The U.S. initial public offering market, which sizzled in 2021 with 1,144 IPOs and a total transaction value of $253 billion, saw a sharp downturn in 2022, with only 368 deals raising $20 billion. IPO valuations improved markedly during 2023, but overall activity again fell as the uncertain economic environment and still-high interest rates kept private companies on the sidelines. Meantime, the asset management and brokerage segment, which suffered from lower stock valuations in 2022, experienced improved valuations throughout 2023 and into 2024. The financial exchange and data segment has a strong backdrop, with higher trading volumes due to global macro developments leading to volatility across markets. But those sharply higher interest rates have pushed up the cost of financing and put a damper on high-profile debt underwriting and merger/acquisition activity. On the positive side, as the Fed's rate-hike campaign nears its conclusion, we expect to see better M&A and IPO environments emerge throughout 2024.

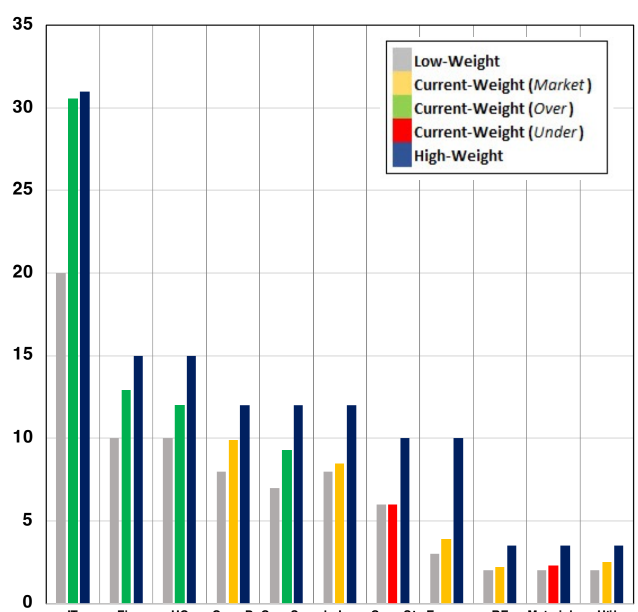
GLOBAL M&A ACTIVITY TOTAL TRANSACTIONS ($M), NUMBER OF TRANSACTIONS



ARGUS ADJUSTS SECTOR RATINGS

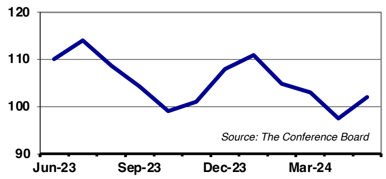
We have reviewed our recommended sector allocations this month, and based on the analysis adjusted our current sector Over-Weight, Under-Weight, and Market-Weight recommendations. Our multi-factor process yielded 42 total points, for an average sector score of 3.8. To earn an Over-Weight designation, sectors had to score five points or above; for Market-Weight, three or four points; and for Under-Weight, two points or below. Our current Over-Weight sectors are Healthcare, Communication Services, Financial, and Information Technology. Our current Market-Weight sectors are Consumer Discretionary, Energy (raised from Under-Weight), Industrials, Real Estate and Utilities. Our Under-Weight sectors are Materials and Consumer Staples. We suggest that advisors and investors leverage this consistent and comprehensive process to adjust sector weightings within their diversified equity portfolios, with a primary focus on the largest sectors.

SECTOR WEIGHTS (% OF S&P 500)

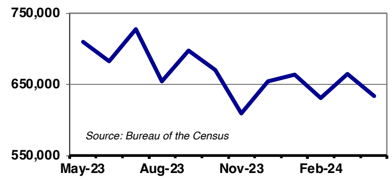


ECONOMIC TRADING CHARTS & CALENDAR

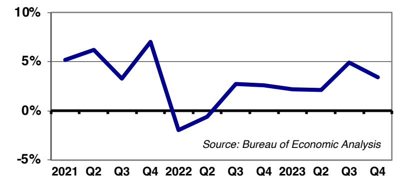
Release:	**Consumer Confidence**
Date:	6/25/2024
Month:	June
Previous Report:	102.0
Argus Estimate:	98.0
Street Estimate:	100.0



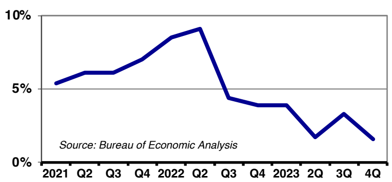
Release:	**New Home Sales**
Date:	6/26/2024
Month:	May
Previous Report:	634000
Argus Estimate:	640000
Street Estimate:	650000



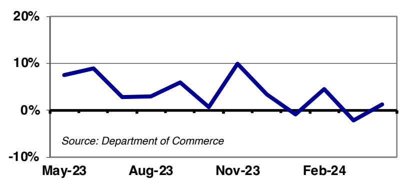
Release:	**GDP Annualized QoQ**
Date:	6/27/2024
Month:	1Q
Previous Report:	1.3%
Argus Estimate:	1.3%
Street Estimate:	1.5%



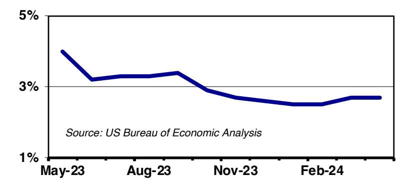
Release:	**GDP Price Index**
Date:	6/27/2024
Month:	1Q
Previous Report:	3.0%
Argus Estimate:	3.0%
Street Estimate:	NA



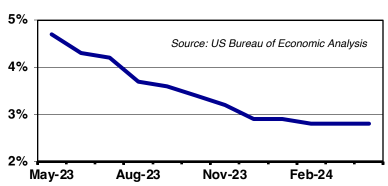
Release:	**Durable Goods Orders**
Date:	6/27/2024
Month:	May
Previous Report:	1.2%
Argus Estimate:	-2.0%
Street Estimate:	NA



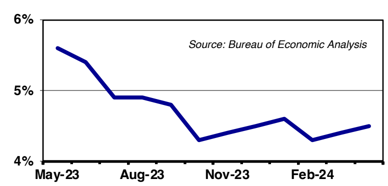
Release:	**PCE Deflator**
Date:	6/28/2024
Month:	May
Previous Report:	2.7%
Argus Estimate:	2.6%
Street Estimate:	2.6%



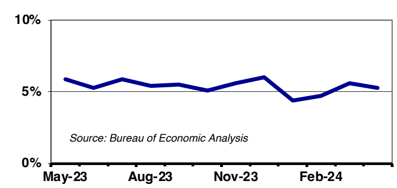
Release:	**PCE Core Deflator**
Date:	6/28/2024
Month:	May
Previous Report:	2.8%
Argus Estimate:	2.6%
Street Estimate:	2.6%



Release:	**Personal Income**
Date:	6/28/2024
Month:	May
Previous Report:	4.5%
Argus Estimate:	4.4%
Street Estimate:	NA



Release:	**Personal Spending**
Date:	6/28/2024
Month:	May
Previous Report:	5.3%
Argus Estimate:	4.9%
Street Estimate:	NA



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
18-Jun	Industrial Production	May	-0.4%	-0.5%	NA	NA
	Capacity Utilization	May	78.4%	78.3%	78.6%	NA
	Retail Sales	May	3.0%	3.3%	NA	NA
	Retail Sales ex-autos	May	3.6%	3.2%	NA	NA
	Business Inventories	April	0.7%	0.8%	NA	NA
20-Jun	Housing Starts	May	1,360 K	1,300 K	1,375 K	NA
21-Jun	Existing Home Sales	May	4.14 Mln.	4.10 Mln.	4.10 Mln.	NA
	Leading Index	May	-0.6%	-0.7%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Jul	ISM Manufacturing	June	48.7	NA	NA	NA
	ISM New Orders	June	45.4	NA	NA	NA
3-Jul	ISM Services Index	June	53.8	NA	NA	NA
	Construction Spending	May	10.0%	NA	NA	NA
	Trade Balance	May	-$74.6. Bil.	NA	NA	NA
	Factory Orders	May	1.3%	NA	NA	NA
5-Jul	Nonfarm Payrolls	June	272 K	NA	NA	NA
	Unemployment Rate	June	4.0%	NA	NA	NA
	Average Weekly Hours	June	34.3	NA	NA	NA
	Average Hourly Earnings	June	4.1%	NA	NA	NA