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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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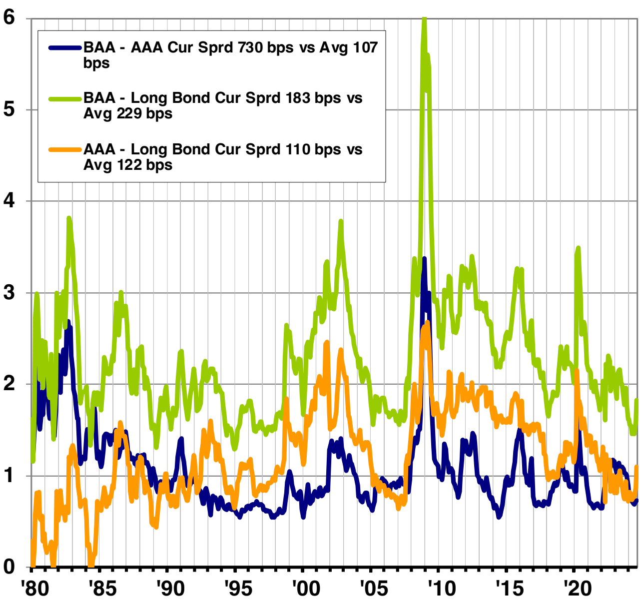
BOND SPREADS WIDEN A BIT

Yields on Treasury bonds have been declining as concerns over inflation have eased. Meanwhile, corporate bond yields have declined as well, but not as rapidly as have Treasury yields -- this as fixed-income investors are now more concerned about a slowing economy and rising bond default rates. As a consequence, spreads between corporate and Treasury bond yields have widened in recent months. The spread between AAA-rated corporate bonds and 10-year government bonds in August was 110 basis points (bps), below the 35-year average of 122 bps but up 35 bps from April. The gap between the government 10-year bond yield and a BAA-rated bond (still investment grade) in August was 183 basis points, below the historical average spread of 229 bps and but up about 40 bps in the past three months. We watch these spreads closely for multiple reasons. From an asset-allocation standpoint, tight corporate bond spreads signal that corporate bond prices are above historical fair value, and we may look to underweight the segment in our model portfolios. From a broad-market standpoint, the changes in the spreads offer clues to the bond market's view of corporate financial strength (which currently appears to be improving given the narrowing spreads). This is important as the economy approaches a period of slower growth.

CORPORATE/GOVERNMENT BOND SPREADS (%)



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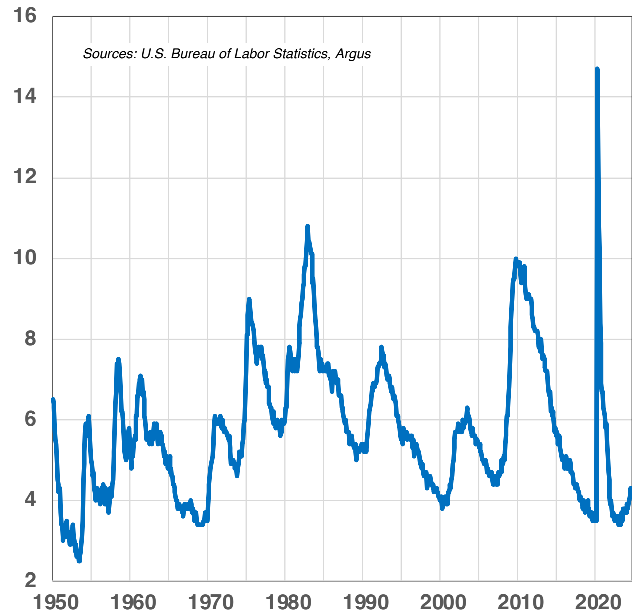
JOBS JUMP

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 254,000 new jobs in September, well above our forecast of 135,000 and the consensus of 140,000. August's result was revised higher by 17,000 to 159,000. July was revised up by 55,000 to 144,000. September's increase in payrolls and revisions higher to past results took the three-month average up to 186,000, just below the 12-month average of 203,000. With inflation descending towards 2%, the Fed felt comfortable reducing the federal funds rate by 50 basis points last month to support the economy and bolster the job market. But there is little evidence of weakness in this morning's report. The September unemployment rate declined to 4.1%, a tenth below our estimate and consensus. Average hourly earnings increased 13 cents month to month and are 4.0% higher year over year (compared to 3.9% in August). The average workweek ticked down to 34.2 hours. Job gains continued to trend higher in food services and drinking places, healthcare, government, social assistance, and construction. Employment showed little or no change in mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; retail trade; transportation and warehousing; information; financial activities; professional and business services; and other services. After the report, stock futures rose and the yield on the 10-year Treasury climbed. Futures contracts suggested a 90% probability that in November the Fed will reduce the funds target by 25 basis points and a 10% chance that it will cut the funds rate by 50 basis points, compared with probabilities of 72% and 28%, respectively, before the report. The probability that the funds target will be lower by 75 basis points or more from current levels after the December meeting was 26%, down from 54% before the release.

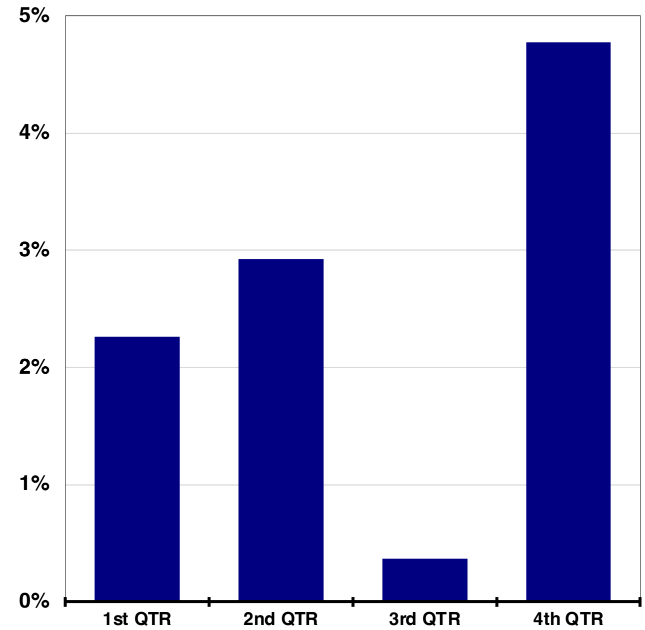
U.S. UNEMPLOYMENT RATE (%)



FOURTH QUARTER TYPICALLY POSITIVE FOR STOCKS

In theory, investors can breathe easier heading into the fourth quarter, when markets typically post the strongest returns of the year. We analyzed data collected on S&P 500 performance from 1980-2022. By our calculations, the quarter has generated average gains of 4.8%, compared to gains of 2.3%, 2.9%, and 0.4% for 1Q, 2Q, and 3Q, respectively. The fourth quarter is consistent as well, with a "win percentage" of 82%, compared to winning percentages of 67% in 1Q and 2Q and 62% in 3Q. But the quarter has posted its share of clunkers. In 1987, which included Black Friday, stocks fell 23% during the period; in 2008 they sold off 18%, after the collapse of Lehman Brothers and as the U.S. economy plunged into a deep recession. As recently as 2018, stocks slid 14% in the quarter when trade wars intensified and the Fed raised rates. But last year, when stocks were still in the early stages of the current bull market, 4Q performance was up 12%. This year, it is reasonable to expect a slow start, given concerns over inflation, a potential economic slowdown, and the upcoming presidential election.

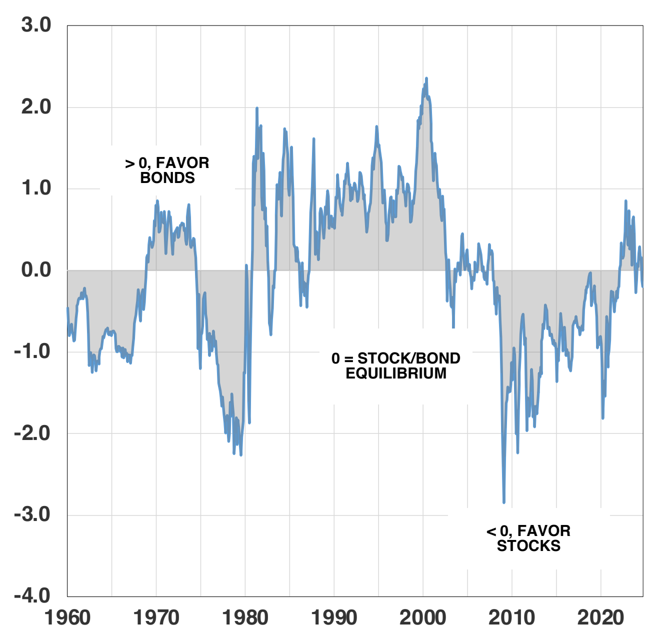
AVERAGE QUARTERLY STOCK-MARKET APPRECIATION



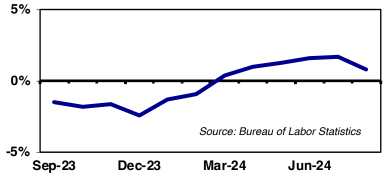
EQUITY SEGMENT VALUATION IMPROVES

Our stock/bond asset-allocation model, which we call the Stock-Bond Barometer, is indicating that stocks are the asset class offering the most value at the current market juncture. The model's 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. As such, stocks normally sell for a slight premium valuation. But the current valuation level now is a 0.19 sigma discount for stocks, reflecting in large part the recent sharp move lower in long-term interest rates. 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%. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is about 390 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 model to tilt more toward stocks as interest rates head lower and EPS growth picks up.

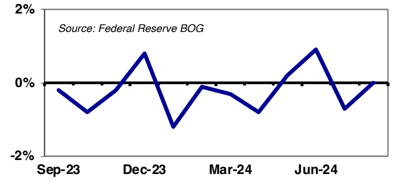
STOCK BOND BAROMETER (STANDARD DEVIATIONS)



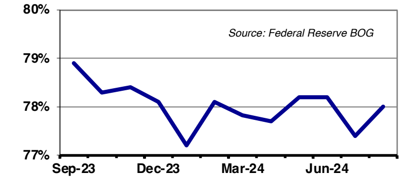
Release:	**Import Price Index**
Date:	10/16/2024
Month:	September
Previous Report:	0.8%
Argus Estimate:	0.7%
Street Estimate:	NA



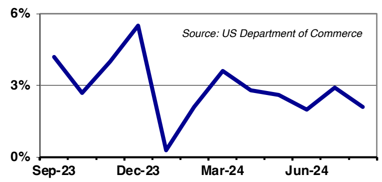
Release:	**Industrial Production**
Date:	10/17/2024
Month:	September
Previous Report:	0.0%
Argus Estimate:	0.1%
Street Estimate:	NA



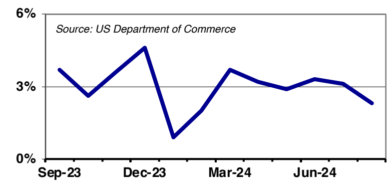
Release:	**Capacity Utilization**
Date:	10/17/2024
Month:	September
Previous Report:	78.0%
Argus Estimate:	78.2%
Street Estimate:	77.8%



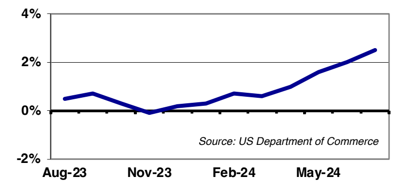
Release:	**Retail Sales**
Date:	10/17/2024
Month:	September
Previous Report:	2.1%
Argus Estimate:	2.2%
Street Estimate:	NA



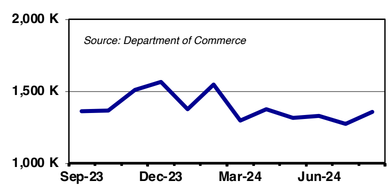
Release:	**Retail Sales ex-autos**
Date:	10/17/2024
Month:	September
Previous Report:	2.3%
Argus Estimate:	2.0%
Street Estimate:	NA



Release:	**Business Inventories**
Date:	10/17/2024
Month:	August
Previous Report:	2.5%
Argus Estimate:	2.6%
Street Estimate:	NA



Release:	**Housing Starts**
Date:	10/18/2024
Month:	September
Previous Report:	1,356 K
Argus Estimate:	1,310 K
Street Estimate:	1,350 K



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
8-Oct	Trade Balance	August	**-$78.9 Bil.**	-$80.0 Bil.	-$73.3.0 Bil.	**-$70.4 Bil.**
9-Oct	Wholesale Inventories	August	0.4%	0.7%	NA	NA
10-Oct	Consumer Price Index	September	2.5%	2.3%	2.3%	NA
	CPI ex-Food & Energy	September	3.2%	3.1%	3.2%	NA
11-Oct	PPI Final Demand	September	1.7%	1.5%	1.6%	NA
	PPI ex-Food & Energy	September	2.4%	2.2%	2.7%	NA
	U. of Michigan Sentiment	October	70.1	69.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
21-Oct	Leading Index	September	-0.2%	NA	NA	NA
23-Oct	Existing Home Sales	September	3.86 Mln.	NA	NA	NA
24-Oct	New Home Sales	September	716 K	NA	NA	NA
25-Oct	Durable Goods Orders	August	September	-0.5%	NA	NA