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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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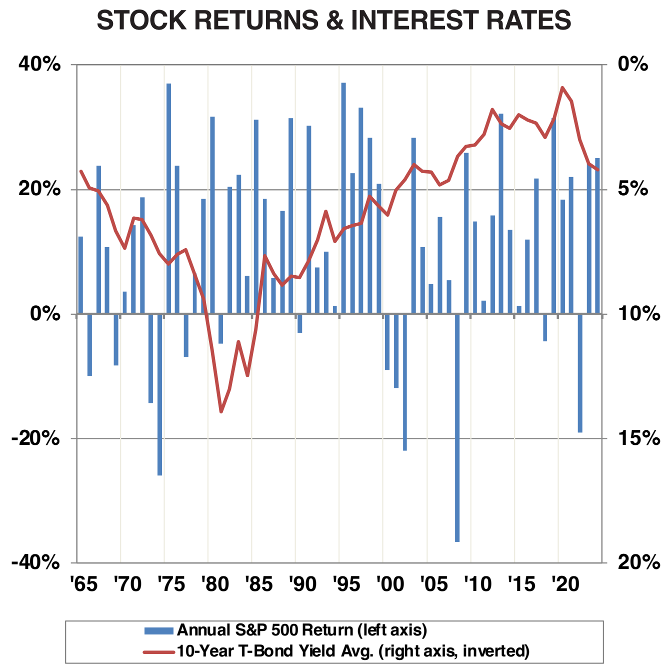
ARGUS S&P 500 FORECAST FOR 2025 IS 6,700

The year 2024 was another winner, as stocks extended a bull market that started in October 2022. The rally was ignited by falling inflation and has been fueled by lower interest rates, consistent economic growth, and rising corporate profit growth rates. But despite the historical trends, there's no guarantee that 2025 will be a bell-ringer as well. The start of the year may be difficult, as the Fed wrestles with stubborn inflation, the employment environment potentially weakens from a historically strong position, and geopolitical issues simmer. But earnings growth is expected to accelerate to a low-double-digit rate year over year during the first half. And should inflation resume its downward trek, giving the central bank more latitude to cut rates, the outlook for the second half should improve. We believe the stock market will take its cues from two sources in 2025. First is the Fed, which has been in the driver's seat for this second leg of the bull market ever since it pivoted on its rate outlook. Second will be earnings growth, which is already solid but could get a boost in 2025 from Donald Trump's new policies. It is at least modest comfort that the first year of the four-year presidential cycle as historically has been good for equity returns. In all, our economic, earnings, and valuation models support a forecast for another positive year for stocks. We expect to see earnings grow 12%, after a 9% increase in 2024; interest rates that will continue to trend lower as the Fed continues to ease; and valuations that will at least hold steady. Our target price for the S&P 500 is 6700.



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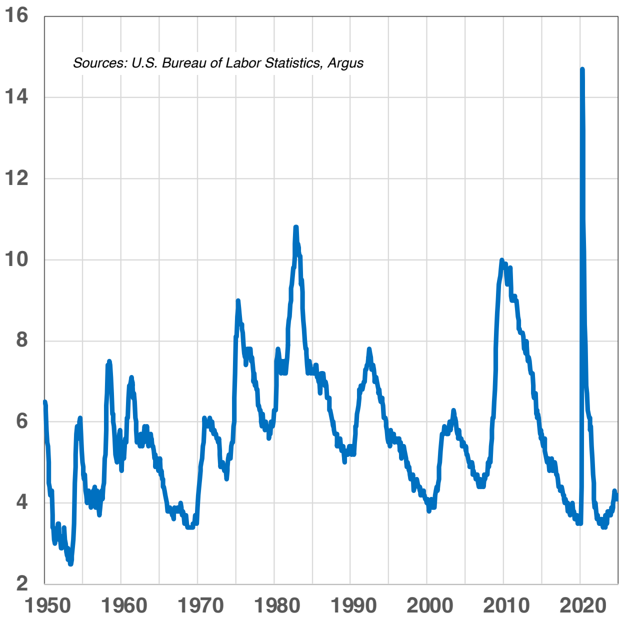
STRONG JOBS REPORT PUTS FED ON HOLD

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 256,000 new jobs in December, well above the consensus of 160,000. Our forecast was 125,000. The report confirmed that the U.S. economy is strong and suggested that it needs little additional stimulus from the Federal Reserve. November's payrolls were revised lower by 15,000 to 212,000. October was revised up by 7,000 to 43,000. December's result and overall revisions to past results kept the three-month average near 170,000. The 12-month average was a strong 186,000 in 2024, but down from 251,000 in 2023. The December unemployment rate ticked down to 4.1%, which was below our estimate and the consensus. Average hourly earnings increased 10 cents month to month and are 3.9% higher year over year (compared to 4.0% in November). This is good news for consumers, and may not worry the Fed as long as productivity remains strong. The average workweek was 34.3 hours for a fifth consecutive month, which matched our estimate and the consensus. Employment increased in healthcare, government, and social assistance. Retail trade added jobs in December, following a job loss in November. Employment showed little change in mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; transportation and warehousing; information; financial activities; professional and business services; and other services. After the report, futures contracts suggested a 97% probability that the Fed will maintain the funds target at 4.25%-4.5% on January 29, compared with a 93% probability before the report. The probability that the funds target will remain unchanged after the March meeting rose to 74%, from 60% before the release. The probability that the fed funds target will be lower after the May 7 meeting dropped to 32% from 44%.

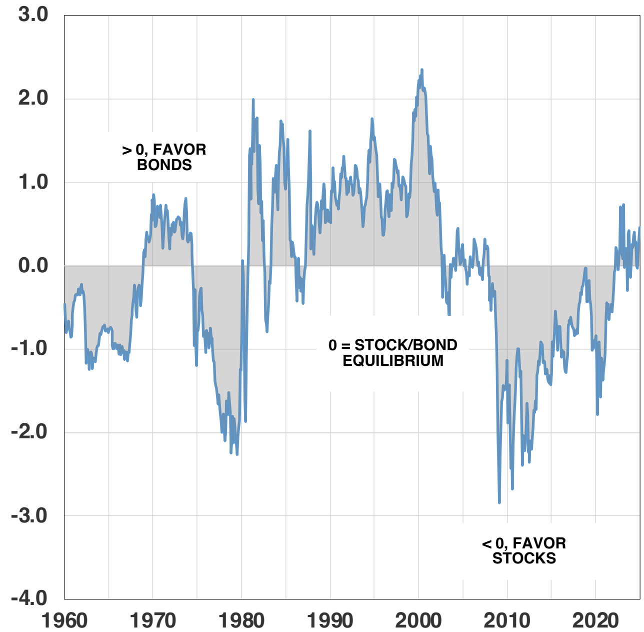
U.S. UNEMPLOYMENT RATE (%)



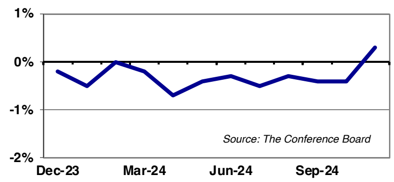
STOCKS ABOVE FAIR VALUE

Our stock/bond asset-allocation model, which we call the Stock-Bond Barometer, is indicating that bonds are the asset class offering the most value at the current market juncture. Our model takes into account real-time levels, growth rates, and forecasts of short-term 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 from the model, going back to 1960, is a modest premium for stocks, of 0.09 sigma, with a standard deviation of 1.05. In other words, stocks normally sell for a slight premium valuation, which they have since inflation started kicking higher in 2022. The current valuation level now is a 0.45 sigma premium for stocks, reflecting in large part the move higher in long-term interest rates since the start of autumn and the conclusion of the election. Other valuation measures also show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is approximately 21, within the normal range of 15-24. The current S&P 500 dividend yield of 1.2% is below the historical average of 2.9%, but is also 26% 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 305 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-to-3. We expect the results from our stock-bond valuation model to tilt more toward stocks, as EPS growth picks up. Based in part on the output from our Stock-Bond Barometer, our recommended asset-allocation model for growth accounts is 70% growth assets and 30% fixed-income.

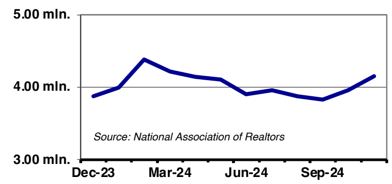
STOCK BOND BAROMETER (STANDARD DEVIATIONS)



Release:	**Leading Index**
Date:	1/22/2025
Month:	December
Previous Report:	0.3%
Argus Estimate:	0.2%
Street Estimate:	-0.1%



Release:	**Existing Home Sales**
Date:	1/24/2025
Month:	December
Previous Report:	4.15 mln.
Argus Estimate:	4.00 mln.
Street Estimate:	4.15 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
14-Jan	PPI Final Demand	December	3.0%	3.0%	NA	**3.3%**
	PPI ex-Food & Energy	December	**3.5%**	3.2%	NA	**3.5%**
15-Jan	Consumer Price Index	December	2.7%	2.9%	NA	NA
	CPI ex-Food & Energy	December	3.3%	3.3%	3.2%	NA
16-Jan	Retail Sales	December	3.8%	3.5%	NA	NA
	Retail Sales ex-autos	December	3.2%	2.9%	NA	NA
	Import Price Index	December	1.3%	1.2%	NA	NA
	Business Inventories	November	2.4%	2.5%	NA	NA
17-Jan	Industrial Production	December	-0.9%	-0.4%	NA	NA
	Capacity Utilization	December	76.8%	76.6%	77.0%	NA
	Housing Starts	December	1,289K	1,300K	1,315K	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
27-Jan	New Home Sales	December	664K	NA	NA	NA
28-Jan	Durable Goods Orders	December	-6.4%	NA	NA	NA
	Consumer Confidence	January	104.7	NA	NA	NA
30-Jan	GDP Annualized QoQ	4Q "1st est."	3.1%	NA	NA	NA
	GDP Price Index	4Q "1st est."	1.9%	NA	NA	NA
30-Jan	PCE Deflator	December	2.4%	NA	NA	NA
	PCE Core Deflator	December	2.8%	NA	NA	NA
	Personal Income	December	5.3%	NA	NA	NA
	Personal Spending	December	5.5%	NA	NA	NA