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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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DOLLAR STRENGTH REFLECTS U.S. ECONOMIC TRENDS

The U.S. dollar has strengthened in 2024, this as the U.S. economy has grown at a somewhat surprisingly solid pace and the high level of interest rates has attracted global investors into dollar-denominated securities. The greenback has climbed 2.5% on a trade-weighted basis in 2024 and is 17% above its average value since 2000. Looking ahead, we anticipate a relatively stable/lower trading range for the dollar into 2025, for several reasons. For one, the dollar typically tracks GDP growth trends, and we think the U.S. economic expansion is poised to slow in coming quarters as the unemployment rate ticks higher. In addition, we expect the higher rates to increase the interest payments as a percentage of GDP from recent lows of 1.2%, putting a modest strain on the U.S. balance sheet: the current rate is 2.4%. Finally, the still-elevated valuation of the greenback implies that other currencies -- and even gold or other commodities -- are possibly undervalued, and we would expect investors such as the petrodollar-fueled sovereign wealth funds to bid up those values at a measured pace over time. For global investors, a higher dollar is a positive factor for export companies (particularly from China), as their goods become relatively cheaper in the global marketplace. But a higher dollar also can generate higher commodity prices, imported inflation, higher interest payments on global borrowings, and (ultimately) trade wars if U.S. exports stall.

U.S. DOLLAR TREND
REAL TRADE-WEIGHTED U.S. DOLLAR INDEX

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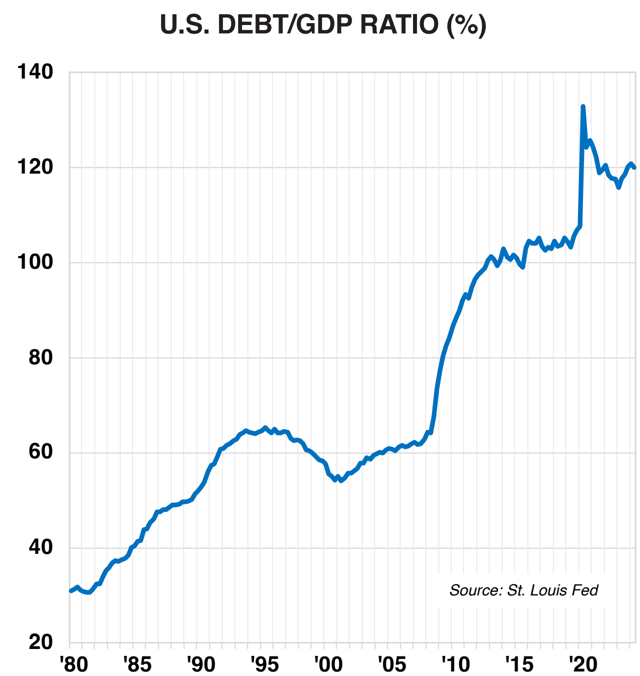
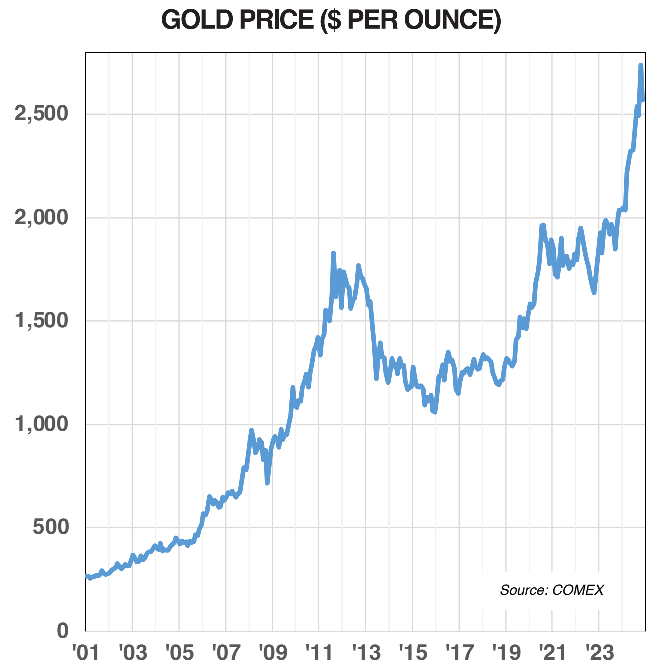
DEBT IS A HIGH LEVEL OF GDP

With the U.S. presidential election now concluded, and a Republican-led Congress, market participants are starting to consider the potential impact of new fiscal policies on the federal debt. While President-elect Trump argues that new tariffs will raise revenue for the government, others are concerned that tax cuts will have the opposite impact and increase borrowing. In recent weeks, the yield on the benchmark Treasury 10-year bond has jumped from 3.6% to 4.4%, in part due to fiscal policy fears. There is no doubt that U.S. debt levels have quietly and quickly grown over the past 10 years -- and total U.S. debt is now more than 120% of GDP, according to the Office of Management & Budget. That is the highest level since World War II. In the 1970s and 1980s, the debt/GDP ratio consistently was in the 30%-40% range, and moved up toward 60% by 2000. The level soared around 2010, as the government spent aggressively to halt the Great Recession and rekindle growth (according to Keynes, that's what the government is supposed to do). However, despite more than 10 years of economic growth prior to the pandemic, debt had only increased as a percentage of GDP. And now, reflecting the fiscal spending allocated to fight the impact of COVID-19, debt levels have surged further. This is not a problem that has to be fixed today. After all, interest rates are reasonably low on an historical basis, with interest expense accounting for 2.4% of GDP, versus the historical average of 1.7% and a high of 3.2% in 1991. But politicians should start to establish a plan to address the issue in the next 10-15 years. If the problem is not solved, a debt debacle could result in persistent hyper-inflation and a weak dollar, which would send interest rates higher and cut into economic growth and equity valuations.



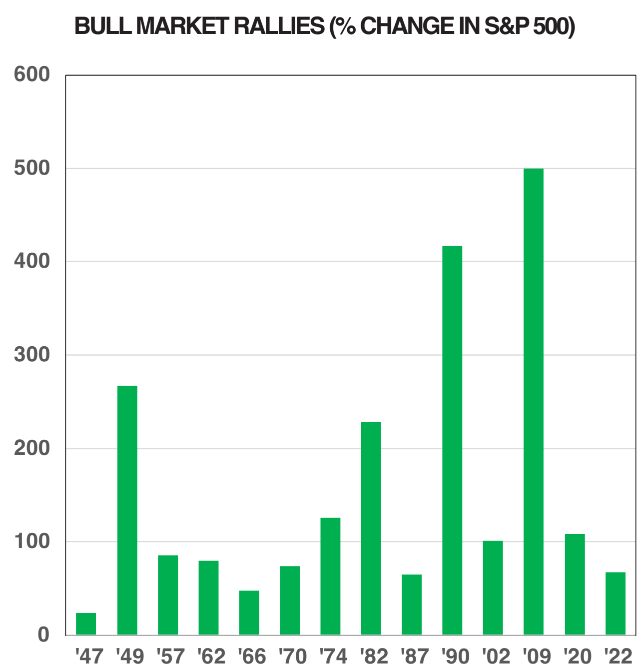
GOLD PRICES

When global economic conditions become unpredictable, investors often flock to gold. During the first phase of the global pandemic, as uncertainty abounded, the spot price for an ounce of gold jumped 33% in six months and broke through the $2,000 level. Gold spot prices also spiked above $2,000 in early March 2022 due to the war in Ukraine, and are now at even higher levels as tension simmers in the Middle East and East Asia. Gold is near all-time highs in the wake of a rally in the dollar after the U.S. presidential election. The current price of gold reflects the perceived safety of hard assets amid the global conflicts, as well as expectations for lower U.S. interest rates. The outlook for additional Federal Reserve rate cuts also helps gold, as lower rates reduce the risk for a global economic recession and thus a potential decline in gold purchased for jewelry. Looking ahead, our forecast trading range for gold in 2025 is $2,800-$2,300, and our average forecast for the year is $2,600. As long as geopolitics and global economic uncertainty are part of the market conversation, gold is likely to remain at levels well above the historical averages of $1,150 since 2000 and $1,500 since 2010.



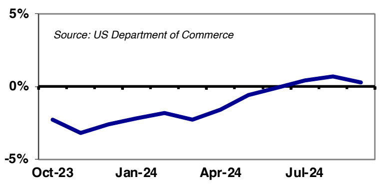
BULL MARKET BUILDING STRENGTH

The S&P 500 has popped approximately 67% from its bear-market lows at 3577 on October 12, 2022. Yes, there have been some wobbly steps along the way, due to concerns over high inflation, high interest rates, and the risk of a recession. But the market seems to have settled down as the economy continues to grow and inflation remains under control. What can investors expect going forward from a bull market? We studied the 13 bull markets that have occurred since the end of World War II. On average, the S&P 500 gained 164% during these 13 periods, which averaged 57 months in duration. We also note that recent bull markets have generated higher returns over longer periods of time. On average, the five bull markets since 1980 have seen stocks advance about 240% over a period of 70 months. The bull market prior to the pandemic carried on for 11 years, during which stocks rose 500%. It is worth pointing out, though, that the 2009-2020 bull market began with stocks deeply depressed on valuation, whereas stocks are already near fair value in the current market environment. Even so, if rates continue to head lower on mild inflation news, earnings growth accelerates, and the economy can avoid a recession, then this new bull market could have more room to run.

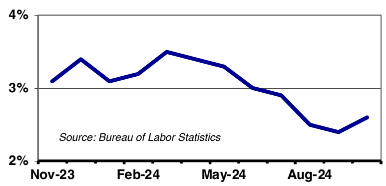


ECONOMIC TRADING CHARTS & CALENDAR

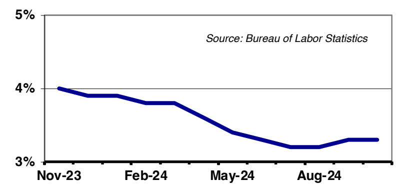
Release: **Wholesale Inventories**
Date: 12/9/2024
Month: October
Previous Report: 0.3%
Argus Estimate: 0.9%
Street Estimate: NA



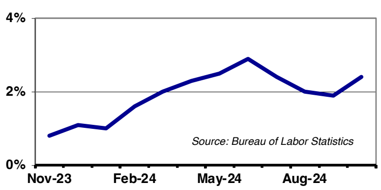
Release: **Consumer Price Index**
Date: 12/11/2024
Month: November
Previous Report: 2.6%
Argus Estimate: 2.7%
Street Estimate: 2.7%



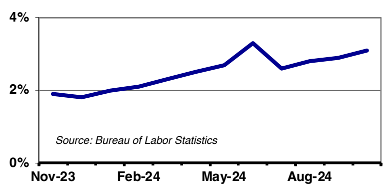
Release: **CPI ex-Food & Energy**
Date: 12/11/2024
Month: November
Previous Report: 3.3%
Argus Estimate: 3.3%
Street Estimate: 3.2%



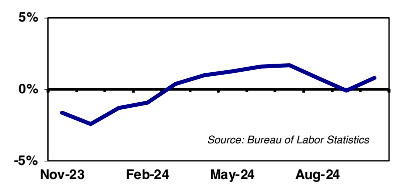
Release: **PPI Final Demand**
Date: 12/12/2024
Month: November
Previous Report: 2.4%
Argus Estimate: 2.6%
Street Estimate: NA



Release: **PPI ex-Food & Energy**
Date: 12/12/2024
Month: November
Previous Report: 3.1%
Argus Estimate: 3.3%
Street Estimate: NA



Release: **Import Price Index**
Date: 12/13/2024
Month: November
Previous Report: 0.8%
Argus Estimate: 0.6%
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
2-Dec	ISM Manufacturing	November	46.5	47.0	48.1	**48.4**
	ISM New Orders	November	47.1	48.0	NA	**50.4**
	Construction Spending	October	**5.3%**	3.9%	NA	**5.0%**
4-Dec	ISM Services Index	November	56.0	56.0	56.4	NA
	Factory Orders	October	-1.6%	-1.0%	NA	NA
5-Dec	Trade Balance	October	-$84.4 Bil.	-$80.0 Bil.	-$78.7 Bil.	NA
6-Dec	Nonfarm Payrolls	November	12 K	210 K	200 K	NA
	Unemployment Rate	November	4.1%	4.2%	4.2%	NA
	Average Weekly Hours	November	34.3	34.4	34.3	NA
	Average Hourly Earnings	November	4.0%	4.0%	NA	NA
	Total Vehicle Sales	November	16.04 mln.	16.0 mln.	16.0 mln.	NA
	U. of Michigan Sentiment	December	71.8	70.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
17-Dec	Industrial Production	November	-0.3%	NA	NA	NA
	Capacity Utilization	November	77.1%	NA	NA	NA
	Retail Sales	November	2.8%	NA	NA	NA
	Retail Sales ex-autos	November	2.7%	NA	NA	NA
	Business Inventories	October	2.2%	NA	NA	NA
18-Dec	Housing Starts	November	1,311K	NA	NA	NA
19-Dec	GDP Annualized QoQ	3Q "3rd est."	2.8%	NA	NA	NA
	GDP Price Index	3Q "3rd est."	1.9%	NA	NA	NA
	Existing Home Sales	October	3.96 Mln.	NA	NA	NA
	Leading Index	November	-0.4%	NA	NA	NA
20-Dec	PCE Deflator	November	2.3%	NA	NA	NA
	PCE Core Deflator	November	2.8%	NA	NA	NA
	Personal Income	November	5.3%	NA	NA	NA
	Personal Spending	November	5.4%	NA	NA	NA
	Durable Goods Orders	November	5.3%	NA	NA	NA