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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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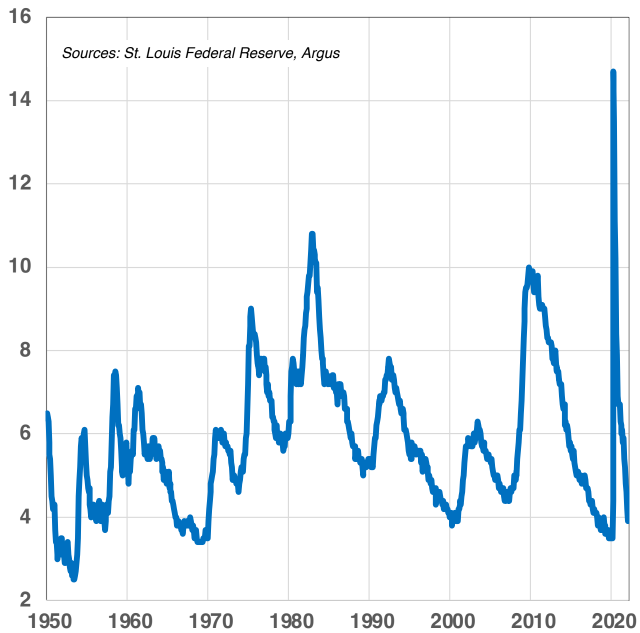
JOBS GROWTH STRENGTHENS IN JANUARY

The U.S. economy added 467,000 payroll jobs in January, well above the consensus expectation of 150,000. Turning to other data points, the unemployment rate rose one-tenth of a percent to 4.0%, and the number of unemployed persons rose to 6.5 million from 6.3 million in December — this as more people re-entered the work force. Average hourly earnings rose $0.23 from the prior month and 5.7% from the prior year. Revisions for the two previous months added back a whopping 709,000 jobs, though we note that the adjustments also reflect the Labor Department's annual benchmarking process. In January, employment gains occurred in leisure and hospitality, professional and business services, retail trade, transportation and warehousing, construction, and manufacturing. The report (and especially the revisions) explains some of the inconsistencies in the December report that we highlighted last month and indicates that the economy remains on a growth track -- even with the impact of the Omicron variant. The robust jobs numbers and high wage growth further strengthen the case for Fed rate hikes beginning in March.

U.S. UNEMPLOYMENT RATE (%)



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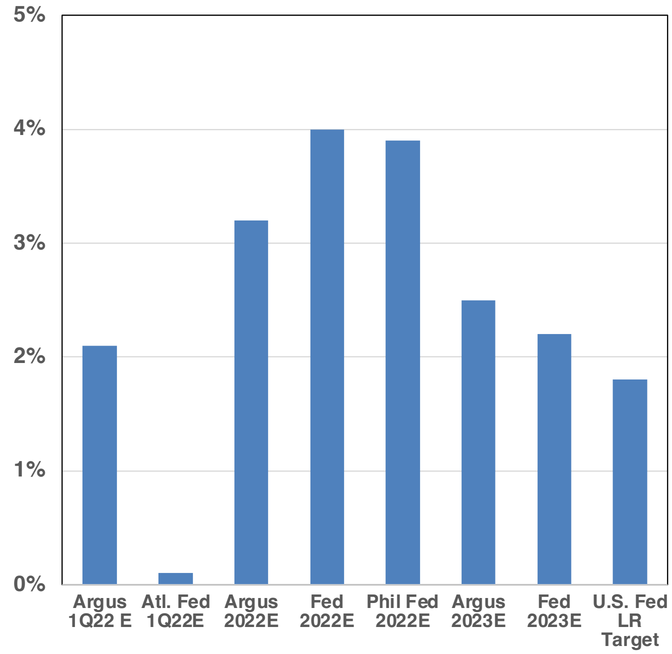
WE LOOK FOR 2.1% GROWTH IN 1Q GDP

Recent data indicates that U.S. GDP is still expanding, though not consistently across all segments of the economy. COVID-19 is likely to affect GDP for several more quarters, at least. We expect resiliency from the economy, however, and don't anticipate a recession in the near term. The primary driver of GDP over the next few quarters is likely to be the course of the pandemic. Trends here have been positive of late, as new Omicron cases appear to have passed their peak. The domestic employment environment is in better shape than it was a year ago, although consumer confidence trends are mixed. Auto sales have recovered from their pandemic lows, but growth has slowed due to supply-chain issues (that are beginning to be resolved). Businesses are again expanding. But the housing market has started to cool as home prices soar. Our model calls for a 2.1% increase in 1Q22 GDP. We look for stronger growth as 2022 progresses and Omicron fears fade. On an annual basis, our forecast for 2022 GDP growth is 3.4%. Our estimates are a bit lower than those of other forecasters. The Federal Reserve and the IMF project 2022 growth of 4.0%. The Philadelphia Federal Reserve's Survey of Professional Forecasters calls for growth of 3.9%. That said, the GDPNow Forecast from the Federal Reserve Bank of Atlanta is only 0.1% for 1Q22.

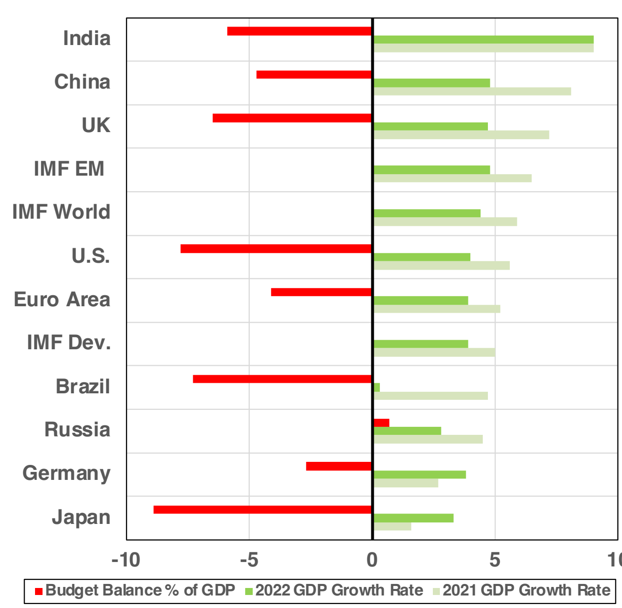
GDP ESTIMATES



GLOBAL GROWTH FORECAST DIALED DOWN

Expectations for robust global economic growth in 2022 have been revised lower, this in the wake of ongoing supply-chain disruptions, earlier-than-expected monetary policy changes, and cutbacks in aggressive fiscal spending by governments around the world. Late in 2021, the International Monetary Fund projected global growth of 4.9% in 2022, down from 5.9% in 2021. In its latest update, the IMF projected 4.4% growth, with industrialized economies expanding 3.9% and emerging economies 4.8%. The IMF expects U.S. GDP to grow 4%, while European GDP expands 3.9%, and Japan's economy increases at a 3.3% rate. The outlook for China has been cut as well; the forecast for the world's second-largest economy is now 4.8%. India is among the few nations for which forecasts remain intact (at 9.0% growth). In terms of asset allocation, we recommend that investors over-weight portfolios toward U.S.-based securities. Global stocks generally offer value, but outlooks are less certain.

GLOBAL GDP GROWTH RATES & FORECASTS (%)

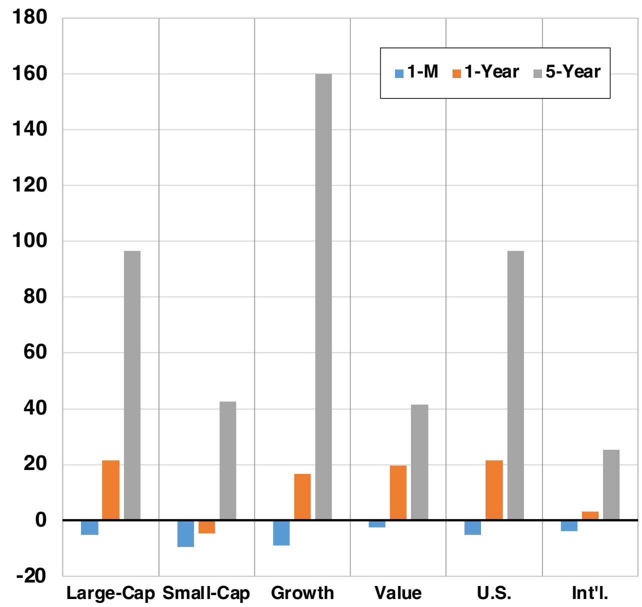


FINANCIAL MARKET HIGHLIGHTS

ARGUS'S FAVORED CLASSES, SEGMENTS

Stocks got off to a slow start in 2022, as rising interest rates compressed valuations. Bond prices also slumped on inflation concerns. Looking ahead, our Stock-Bond Barometer model is close to equally balanced between stocks and bonds for long-term investors. In other words, these asset classes should be near their normal weights in diversified portfolios. We have looked for large-cap companies with strong balance sheets and experienced managements to be the leaders during the recovery from COVID-19. This has played well, and now, with vaccines being distributed, small-cap risks are reduced and values are attractive. Our recommended exposure to small- and mid-caps is now 15% of equity allocation, in line with the benchmark weighting. U.S. stocks have outperformed global stocks over the trailing one- and five-year periods. We expect this to continue over the long term given volatile global economic and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 5%-10% of equity exposure to the group. Value stocks took an early lead in 2021, but growth stocks ultimately outperformed. We anticipate that growth, led by Tech and Healthcare, will once again outperform value in 2022, led by Energy and Materials, as long as interest rates remain low.

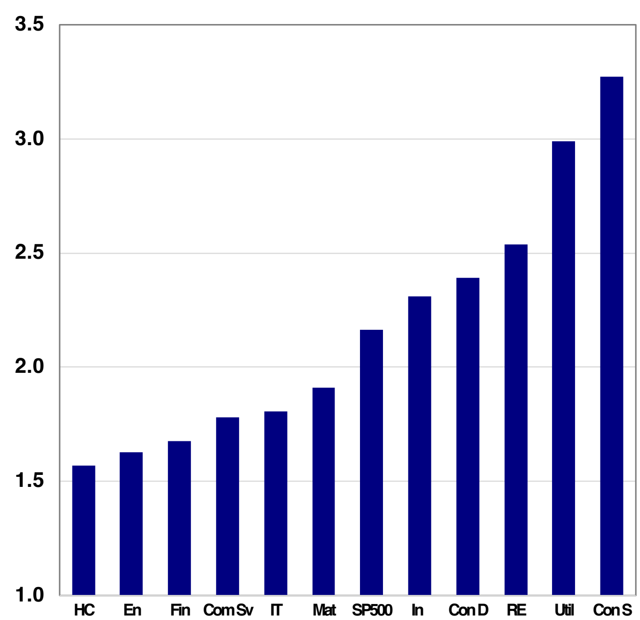
MARKET SEGMENT RETURNS 2022
(% THROUGH 1/31/22)



VALUES IN HEALTHCARE, FINANCIAL, TECH

Investors hunting for stocks that reasonably balance long-term growth prospects and current value characteristics might want to look at companies in the Financial Services, Information Technology, and Healthcare sectors. These are among the groups that are selling for (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 2.2. To generate PEGY ratios, we use the P/E ratio for each sector (based on forward earnings) for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates (to achieve a smoother, less volatile, earnings trend), and then add the current yield (to approximate total return). Premium-valued sectors with low growth rates include Consumer Staples and Utilities. Our Over-Weight sectors include Healthcare, Financial Services, Industrial, Materials and Information Technology. Our Under-Weight sectors include Consumer Staples and Utilities.

SECTOR PEGY RATIOS



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Feb	PPI Final Demand	January	0.2%	0.3%	0.5%	NA
	PPI ex-Food & Energy	January	0.5%	0.4%	0.4%	NA
16-Feb	Retail Sales	January	-1.9%	1.5%	1.7%	NA
	Retail Sales; ex-autos	January	-2.3%	1.0%	0.7%	NA
	Business Inventories	December	1.3%	1.6%	1.5%	NA
	Import Price Index	January	-0.2%	0.5%	1.3%	NA
	Industrial Production	January	-0.1%	0.5%	0.4%	NA
	Capacity Utilization	January	76.5%	76.5%	76.8%	NA
17-Feb	Housing Starts	January	1702 K	1675 K	1672 K	NA
18-Feb	Leading Economic Indicators	January	0.8%	0.5%	0.3%	NA
	Existing Home Sales	January	6.18 Mil.	6.00 Mil.	6.04 Mil.	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
28-Feb	Wholesale Inventories	January	2.2%	NA	NA	NA
1-Mar	ISM Manufacturing	February	57.6	NA	NA	NA
	Construction Spending	January	0.2%	NA	NA	NA
3-Mar	ISM Non-Manufacturing	February	59.9	NA	NA	NA
	Factory Orders	January	-0.4%	NA	NA	NA
	Non-farm Productivity	4Q	6.6%	NA	NA	NA
	Unit Labor Costs	4Q	0.3%	NA	NA	NA
4-Mar	Non-farm Payrolls	February	467 K	NA	NA	NA
	Average Weekly Hours	February	34.5	NA	NA	NA
	Average Hourly Earnings	February	0.7%	NA	NA	NA
	Unemployment Rate	February	4.0%	NA	NA	NA