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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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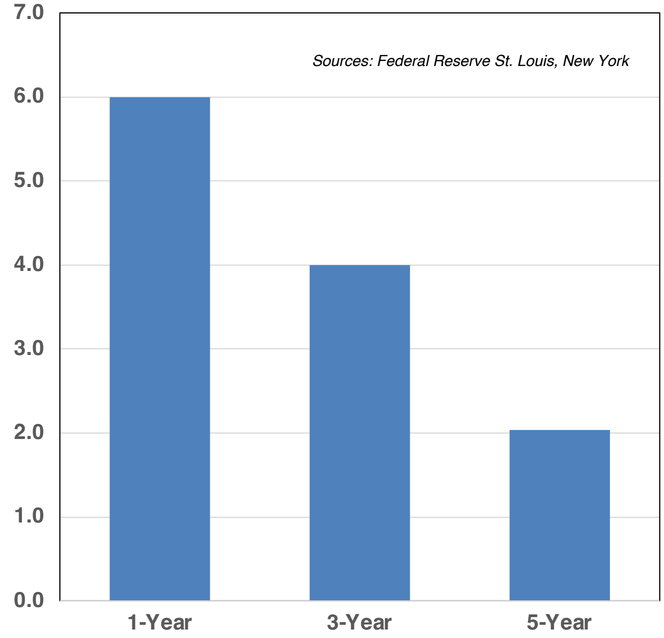
INFLATION FANNING INVESTOR FEARS

Pricing pressures are hot and the Federal Reserve is getting ready to respond. We track 20 inflation measures on a monthly basis. On average, they indicate that prices are rising at a 7.4% rate, ahead of last month's 7.2%. Drilling down to core inflation -- which we obtain by averaging core CPI, core GDP PCE, market-based PCE ex-food & energy, the five-year forward inflation expectation rate, and the 10-year TIPs breakeven interest rate -- our reading is 3.8%. The all-important five-year target rate is at 2.0%. Recently, the Labor Department reported a 7.5% increase in overall inflation, driven by 27% higher energy prices, 40% higher used-car prices, 12% higher commodity prices, and 7% higher food prices. The only category that is below recent historical trends is medical care services, which are up 2.7%. According to consumer surveys, expectations are for inflation to decline to the Fed's target of 2.0% over the next five years. The Fed's inflation forecasts now call for a core inflation reading of 2.7% in 2022. If the central bank is correct, the inflation data will need to start declining soon.

INFLATION EXPECTATIONS (%)



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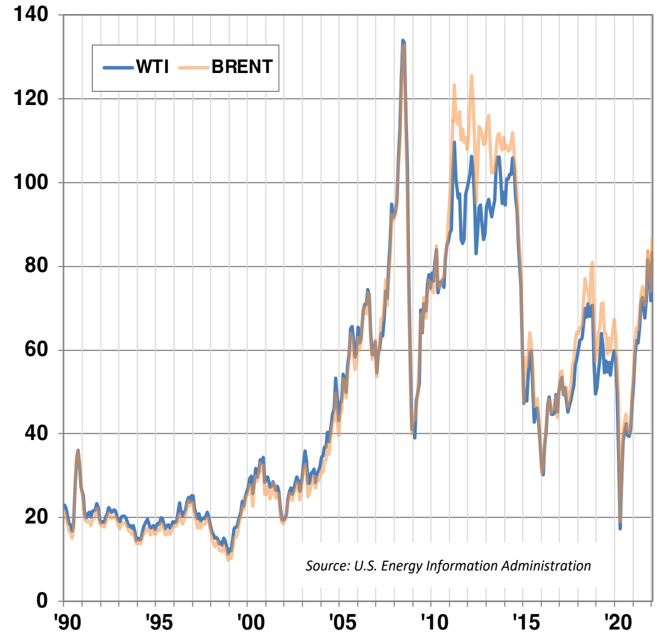
ARGUS RESEARCH ADJUSTS 2022 OIL PRICE FORECAST

Our forecast for the average price of West Texas Intermediate crude oil in 2022 is now $83 per barrel, up from last year's average of $68. We anticipate a trading range of $60-$100 for the year. Our estimates assume that OPEC and OPEC+ members continue to coordinate on production, and that global economic activity gradually improves in 2022. Geopolitics are also impacting energy prices, both on the upside (the war in Ukraine may reduce supply and raise prices) and the downside (a new deal with Iran may lead to increased supply and lower pricing). At the same time, our target price takes into account the long-term downward pressure on crude prices as "peak oil" approaches. We also expect Biden administration policies to continue to favor clean energy initiatives over carbon-based energy. Our rating on the Energy sector is Market-Weight. The U.S. rig-count trend remains supportive and valuations are attractive. Still, Energy companies may be forced to cut production as more electric vehicles enter the market, and as utilities increase renewable generation. The current weight for the sector in the S&P 500 is approximately 3.0%, down from the 12% range in 2010. Within the group, we favor companies with strong balance sheets and a history of growing dividends.

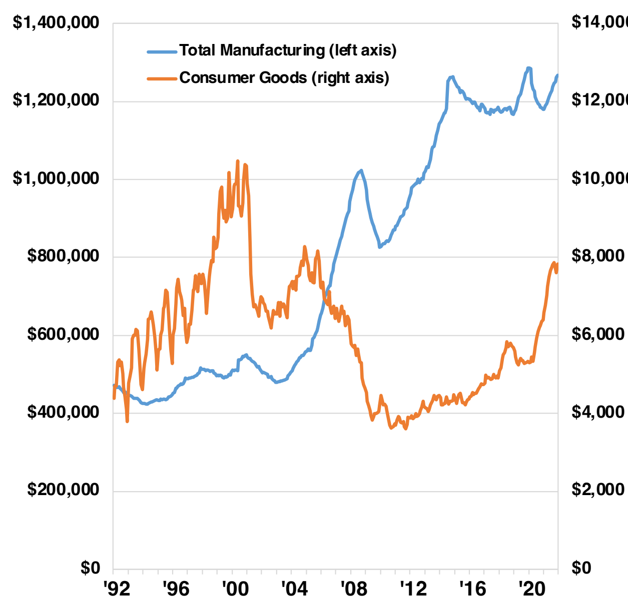
OIL PRICE TRENDS ($/BBL)



STUCK IN THE SUPPLY CHAIN

Companies talked about it 4Q conference calls. Consumers are complaining about it. Everyone is affected by problems in the supply chain, caused first by trade wars and exacerbated by the pandemic. How bad is the situation? According to the U.S. Census Bureau, the value of unfilled manufacturers' orders is 13% above the 10-year average, while the value of unfilled consumer orders is 60% above average. The general trend in unfilled orders has been higher over the past 20 years in manufacturing and over the past 10 years for consumers, as companies have adopted just-in-time inventory practices and kept shelves lean in order to keep costs low. The shock from the pandemic has further lengthened wait times -- and pushed up prices. As the economy returns to normal, and workers re-enter the workforce, we expect to see the level of unfilled orders decline and pricing pressures abate in 2022-2023.

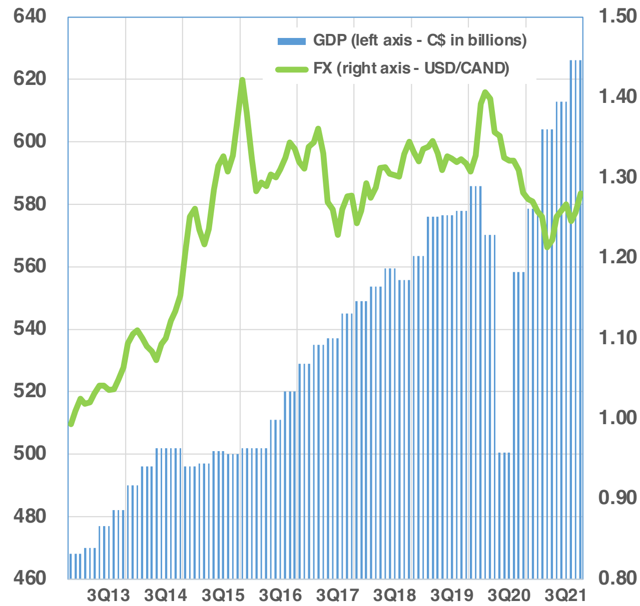
UNFILLED ORDERS ($MIL.)



HIGHER RATES AND OIL PLAY TO CANADIAN STRENGTHS

As is the case in the U.S., Canada's inflation rate has been running hot. Canada's central bank (The Bank of Canada) is expected to begin raising interest rates soon, with three rate hikes forecast for 2022, according to the Conference Board of Canada. Meanwhile, oil prices have reached seven-year highs, pushed up by strong demand from recovering economies, a lack of investment in new drilling projects, and the war between Russia and Ukraine. With the Financial and Energy sectors accounting for nearly half of Canada's TSX 60 market cap, the above-mentioned factors have (not surprisingly) led to outperformance for the index -- which has risen 20% over the past year versus 12% for the S&P 500. The Canadian dollar also continues to trade above its five-year average against the U.S. dollar, making translated earnings from Canadian companies more valuable and helping valuations. We believe that select companies in Canada offer compelling investment opportunities.

CANADA ECONOMIC TRENDS



GOLD PRICES ON THE UPSWING

When global economic and geopolitical conditions become unpredictable, and stocks are volatile, investors often flock to gold. In 2020, as COVID-19 emerged, the spot price for an ounce of gold broke through the $2,000 level (up 67% in a little over a year). The fundamental factors behind the uptrend (in addition to the virus) included the global economic recession; increased volatility in U.S. stock markets; uncommon negative interest rates in much of Europe and Japan; and trillions of dollars of U.S. government stimulus spending. As vaccines were rolled out and economies recovered in 2021, gold pulled back from its highs. But now that inflation is percolating (remember the aggressive government spending?) and Russia has invaded Ukraine, the precious metal again has a bid. Our forecast trading range for gold in 2022 is $2,100-$1,600, and our average forecast for the year is $1,900. This compares to average gold prices of $1,806 in 2021, $1781 in 2020, $1,400 in 2019, and $1,265 in 2018.

GOLD PRICES ($/OZ)

ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
28-Feb	Wholesale Inventories	January	2.2%	2.0%	1.5%	NA
1-Mar	ISM Manufacturing	February	57.6	58	58.2	NA
	Construction Spending	January	0.2%	0.1%	-0.1%	NA
3-Mar	ISM Non-Manufacturing	February	59.9	61.2	61	NA
	Factory Orders	January	-0.4%	0.5%	0.5%	NA
	Non-farm Productivity	4Q	6.6%	NA	6.7%	NA
	Unit Labor Costs	4Q	0.3%	NA	0.3%	NA
4-Mar	Non-farm Payrolls	February	467 K	450 K	400 K	NA
	Average Weekly Hours	February	34.5	34.5	34.6	NA
	Average Hourly Earnings	February	0.7%	0.5%	0.5%	NA
	Unemployment Rate	February	4.0%	4.0%	3.9%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Mar	PPI Final Demand	February	1.0%	NA	NA	NA
	PPI ex-Food & Energy	February	0.8%	NA	NA	NA
16-Mar	Retail Sales	February	3.8%	NA	NA	NA
	Retail Sales; ex-autos	February	3.3%	NA	NA	NA
	Business Inventories	January	2.1%	NA	NA	NA
	Import Price Index	February	2.0%	NA	NA	NA
17-Mar	Industrial Production	February	1.4%	NA	NA	NA
	Capacity Utilization	February	77.6%	NA	NA	NA
	Housing Starts	February	1638 K	NA	NA	NA
18-Mar	Leading Economic Indicators	February	-0.3%	NA	NA	NA
	Existing Home Sales	February	6.50 Mil.	NA	NA	NA