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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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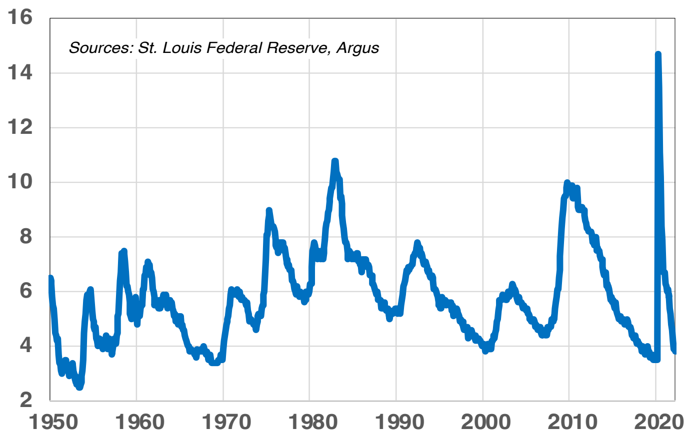
JOBS GROWTH STRENGTHENS IN FEBRUARY

The U.S. economy added 678,000 jobs in February, well above the consensus forecast of 450,000. The unemployment rate dropped two-tenths of a percent to 3.8%, and the number of unemployed persons fell to 6.3 million from 6.5 million in January. Average hourly earnings increased by just $0.01 from the prior month and are now up 5.1% from the prior year, compared to 5.7% a month ago. Revisions for the previous two months added another 92,000 jobs. In February, jobs gains occurred in leisure and hospitality, which points toward strength in consumer spending on services; professional and business services; healthcare; construction; and transportation and warehousing, which may ultimately help relieve the current supply-chain challenges.

U.S. UNEMPLOYMENT RATE (%)



STOCKS LAG SLIGHTLY IN EARLY STAGE OF RATE HIKE CYCLES

We have studied stock performance during the six periods of rising federal funds rates since 1980. On average, these periods lasted about 19 months. The average change over the cycle was a cumulative hike of 300 basis points. The fed funds rate at the end of the cycle averaged 3.8%. Our study found that stocks generally perform better knowing that hikes are coming (up 6.3% in the six months before the cycle) than after the cycle actually begins (4.8% in the six months after the first hike). Performance across the cycle was an annualized 9.0%. While that is less than the average annual return of 10.7% in the S&P 500 since 1980, it is not much below the average. In a nutshell, a rising-rate environment does not usually crush the stock market, but it does impact performance.

STOCKS & FED RATE CYCLES, 1980 TO PRESENT

Number of cycles	6
Average duration of cycles (months)	18.7
Average increase of rates during cycle	300 bps
Average fed funds rate at cycle end	3.8%
S&P 500 performance pre cycle start (6-month period)	6.3%
S&P 500 performance post cycle start (6-month period)	4.8%
Average S&P 500 performance across rate hike cycle	14.0%
Annualized S&P 500 return across rate hike cycle	9.0%
Annualized S&P 500 return all years	10.7%

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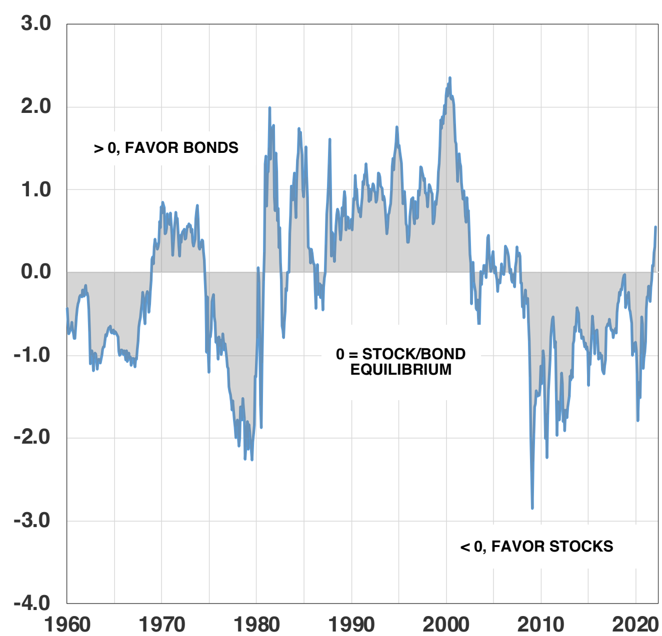
STOCKS AND BONDS BOTH OVERVALUED

Our bond/stock asset-allocation model indicates that stocks and bonds -- both of which are overvalued against their own metrics -- are near fair value against each other. Our model takes into account current levels and forecasts of short-term and long-term fixed-income yields, inflation, stock prices, GDP, and corporate earnings. The model 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 0.15 sigma, with a standard deviation of 1.0. The current valuation level is a 0.55 sigma premium for stocks. Over time, the model has done a good job of highlighting asset class value. The markets can manage with premiums and discounts for extended periods of time. We become more concerned about equity valuations when the stock premium approaches 1.0 sigma. Our current recommended asset allocation for moderate accounts is 70% growth assets, including 65% equities and 5% alternatives; and 30% fixed income, with 200 basis points of the bond allocation in cash.

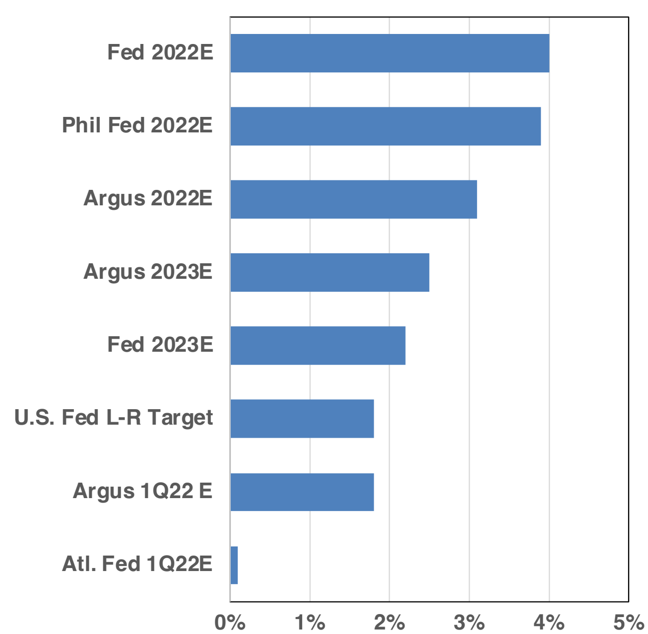
BOND V STOCK BAROMETER (STANDARD DEVIATIONS)



WE LOOK FOR 1.8% GROWTH IN 1Q GDP

Recent data indicates that GDP is still expanding despite the pandemic, though not consistently across the economy. We don't anticipate a recession in the near term even amid the war in Ukraine. The primary driver of GDP over the next few quarters is likely to be the pandemic. Trends have been positive in recent weeks, as the impact of the Omicron variant has peaked. 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 and are growing again. Businesses are expanding. The U.S. housing market has added to the recovery. While home prices have cooled, many metrics remain positive. Geopolitical tensions in Europe and a rising dollar will likely slow export growth. And the Fed is poised to raise rates. Rolling the data up -- and taking into account the Russian invasion of Ukraine, COVID trends, supply-chain issues, and inventory levels -- our model calls for a 1.8% increase in GDP in 1Q22, down from our earlier forecast of 2.1% and reflecting pressure in the export sector. On an annual basis, our forecast for overall GDP growth is 3.1% in 2022. Our estimates are a bit lower than those of other forecasters.

GDP ESTIMATES

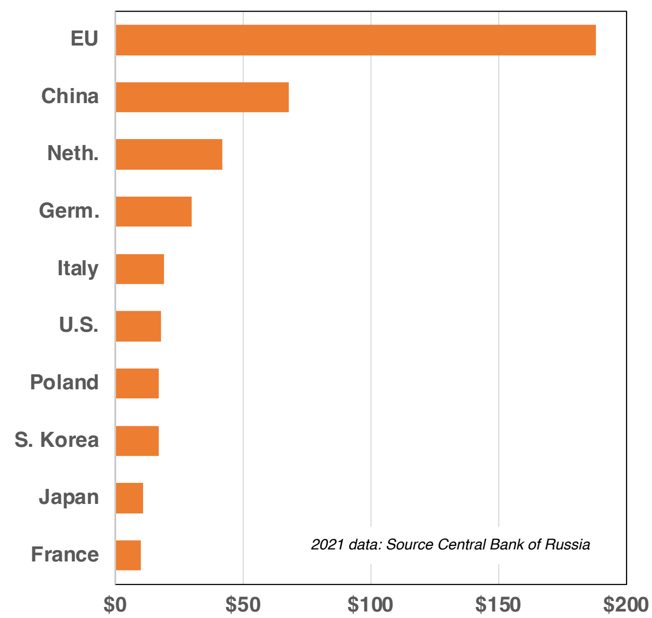


FINANCIAL MARKET HIGHLIGHTS

RUSSIA'S IMPACT ON THE GLOBAL ECONOMY

Russia's $1.7 trillion economy was already projected to grow at a lower-than-average rate in 2022 (2.8% compared to 3.9% for the average developed economy), and sanctions imposed on the country will not help. Russia's GDP per capita is about $31,000, higher than Ukraine's ($15,000) and China's ($20,000). But it pales compared to wealthier European nations such as France ($55,000), Germany ($61,000), and Norway ($68,000). Exports account for about 25% of Russia's GDP. Leading categories include oil (20% of exports), natural gas, metals, coal, wheat, and aluminum. The countries most dependent on Russian exports include European neighbors as well as China. The U.S. receives about 4% of Russia's exports. We expect the main near-term economic impact of the Russian invasion of Ukraine to be higher prices for oil and other commodities, at least until new supplies emerge. Over the long term, the break with Russia points toward continued deglobalization, with further supply-chain snags and inflationary pressures. We note that none of these forecasts envision the use of nuclear weapons in Ukraine.

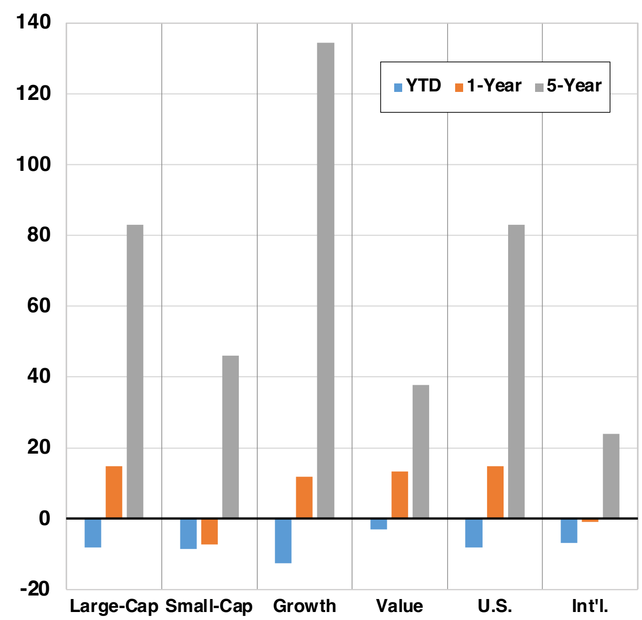
RUSSIAN EXPORT PARTNERS ($BIL)



ARGUS'S FAVORED CLASSES, SEGMENTS

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 are now balanced on large- and small-caps. We favor large-caps for growth exposure and financial strength, while small-caps are selling at historical discounts relative to large-caps and offer value. Our recommended exposure to small- and mid-caps is now 15%-17% 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 long-term trend to continue given volatile and often difficult-to-predict global economic and political conditions, along with fluctuating exchange rates. That said, international stocks offer favorable near-term valuations, and we target 5%-10% of equity exposure to the group. Value has taken an early lead in 2022 due to the negative impact of rising interest rates on the valuations of growth stocks. Over the longer term, we anticipate that growth, led by Tech and Healthcare, will continue to top returns from value, led by Energy and Materials, given favorable secular and demographic trends.

MARKET SEGMENT RETURNS 2022
(% THROUGH 2/28/22)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Mar	PPI Final Demand	February	1.0%	1.0%	0.8%	NA
	PPI ex-Food & Energy	February	0.8%	0.5%	0.5%	NA
16-Mar	Retail Sales	February	3.8%	1.0%	0.5%	NA
	Retail Sales; ex-autos	February	3.3%	1.2%	1.0%	NA
	Business Inventories	January	2.1%	1.5%	1.1%	NA
	Import Price Index	February	2.0%	1.4%	1.4%	NA
17-Mar	Industrial Production	February	1.4%	0.8%	0.2%	NA
	Capacity Utilization	February	77.6%	77.6%	77.6%	NA
	Housing Starts	February	1638 K	1725 K	1728 K	NA
18-Mar	Leading Economic Indicators	February	-0.3%	0.2%	0.2%	NA
	Existing Home Sales	February	6.50 Mil.	6.60 Mil.	6.10 Mil.	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
28-Mar	Wholesale Inventories	February	0.8%	NA	NA	NA
29-Mar	Consumer Confidence	March	110.5	NA	NA	NA
30-Mar	Real GDP	4Q	7.0%	NA	NA	NA
	GDP Price Index	4Q	7.1%	NA	NA	NA
31-Mar	Personal Income	February	0.0%	NA	NA	NA
	Personal Spending	February	2.1%	NA	NA	NA
1-Apr	ISM Manufacturing	March	58.6	NA	NA	NA
	Construction Spending	February	1.3%	NA	NA	NA
	Non-farm Payrolls	March	678 K	NA	NA	NA
	Average Weekly Hours	March	34.7	NA	NA	NA
	Average Hourly Earnings	March	0.0%	NA	NA	NA
	Unemployment Rate	March	3.8%	NA	NA	NA