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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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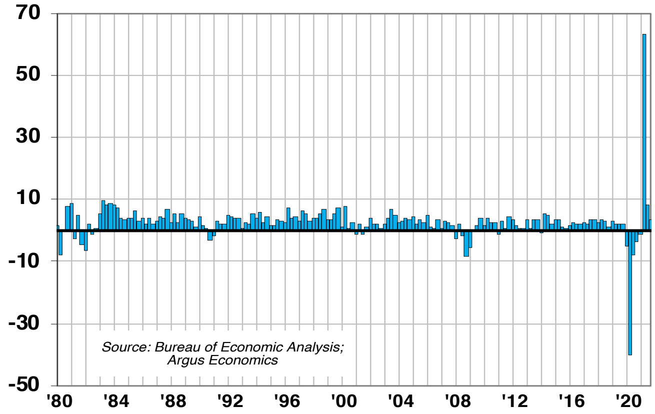
NOW LOOKING FOR 40% GDP DECLINE IN 2Q

We have again revised our GDP forecast as more data emerges about the trauma the economy is enduring. Our revised forecasts now call for a 2Q20 GDP decline of 40%. Our estimate is not far from the Atlanta Fed GDP-Now forecast of a 51% decline. We look for a recovery in 2021 and for growth above 4.0%. We think the worst quarter for U.S. GDP will be the current (second) quarter. We also expect a decline in 3Q20, before a return toward flat-line in 4Q20-1Q21, as the quarters are compared on an annualized basis rather than period-to-period. Looking out through 2021, we expect overall GDP in 4Q to be back to the level of 4Q19, just before the coronavirus started spreading across the globe.

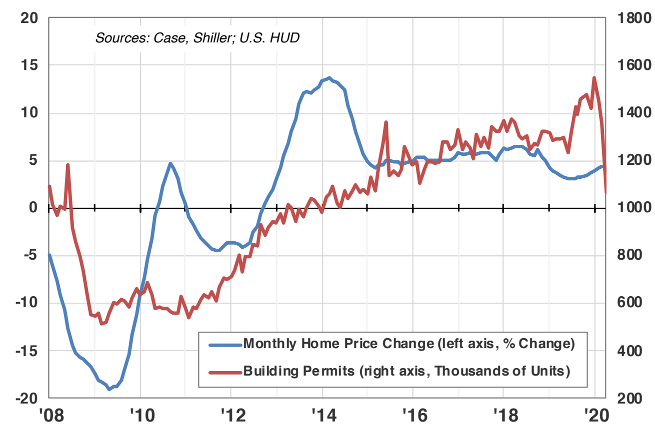
GDP TRENDS & OUTLOOK (% CHANGE)



HOUSING PRICES HOLDING UP

The housing market -- a major pillar of the U.S. economy in recent years -- is starting to falter due to the pandemic, though prices are holding up. Building permits, which are a leading indicator, peaked in January at 1.55 million units and are now down 30% (based on data through April). But they may be near a bottom. Existing home sales were down 18% month-to-month in April, after falling 8% in March. Prices have not fallen -- yet. The S&P/Case-Shiller National Home Price Index for March showed that prices gained 4.4% year-over-year, up from 3.9% growth in January. Meanwhile, inventories of homes have ticked higher. On the other side of the pandemic, we expect demand for homes -- with yards between neighbors and no elevator buttons to push -- to once again be strong.

HOUSING MARKET TRENDS



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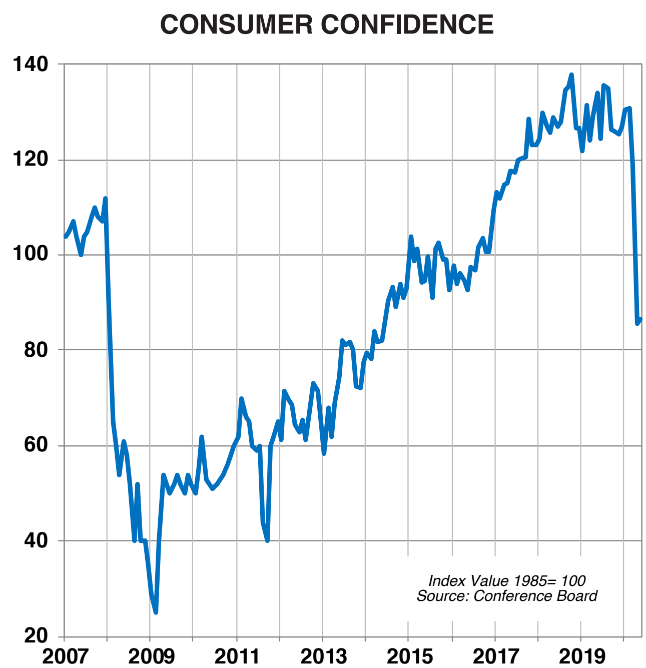
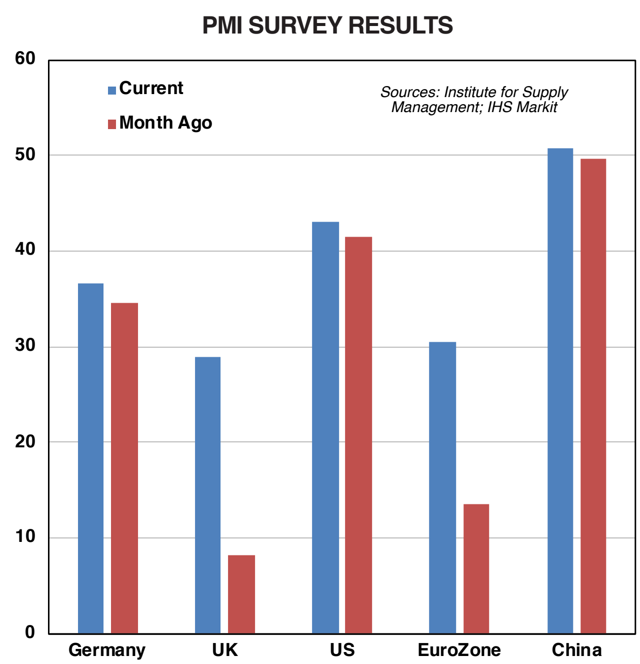
CONSUMER CONFIDENCE PLUNGES, STABILIZES

Economic data has started to catch up to the current state of the economy. Taking a cue from the stock market, the data is beginning to stabilize and possibly point toward recovery. In February, Consumer Confidence rose to 130.7 -- among the highest readings in the past 15 years. By April, it had slumped almost 50 basis points to 85.7. Then, in May, as unemployment claims continued to come in by the hundreds of thousands, confidence ticked slightly higher. Have we seen the lows? Hard to say. It is worth looking back at the experience during the financial crisis of 2007-2009. Back in 2007, confidence peaked at 112 in November, before falling sharply and consistently over the next year to a low of 25 in February 2009 (as the bear market was bottoming). The depth and speed of the trajectory this time will depend on several factors: success in slowing the spread of the disease, the effectiveness of the government's rescue plan, and changes in consumer behavior on the other side of the crisis. From an investment standpoint, we have found that the bottom of the consumer confidence cycle -- when everybody has given up on a recovery -- has been a good time to buy stocks.



MANUFACTURING RISING FROM DEPTHS?

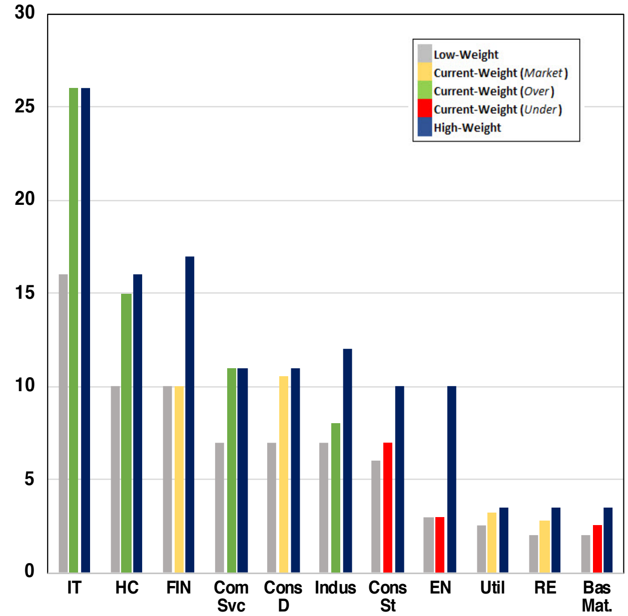
Manufacturing appears to be improving from the depths of April, when global trade shut down to slow the spread of the coronavirus. But most regions are far from returning to expansion. Take a look at the Eurozone, which recently reported that its manufacturing PMI reading in May was 30.5. That's ugly, as anything below 50 implies a contraction in activity. But it is more than double the 22-year low of 13.6 for the region in April. The experience was similar in the UK, which recorded a 28.9 reading in May after a drop to 8.2 in April. Nations that have greater exposure to industrial activity, such as Germany and the U.S., have reported somewhat higher PMI readings (though they remain below the all-important 50 threshold). And then there is China, which was among the first nations to shut down earlier this year. In February, China's PMI reading was 40.3. But China recently reported a reading of 50.8, signaling a return to manufacturing expansion. Other nations hope to follow that recovery path.



ARGUS ADJUSTS SECTOR RATINGS

We have adjusted our recommended sector allocations. The following reflects our guidance for the calendar third quarter of 2020. We have raised Utilities to Over-Weight from Market-Weight. We have lowered Industrial to Market-Weight from Over-Weight, and have raised Consumer Staples to Market-Weight from Under-Weight. The rebalancing process takes place four times a year, early in the months of March, June, September, and December. Our current Over-Weight sectors are Technology, Healthcare, Communication Services and Utilities. Our current Market-Weight sectors are Consumer Discretionary, Consumer Staples, Industrial, Financial Services and Real Estate. Our Under-Weight sectors are Energy and Materials. Argus suggests that investors use this process to tweak weightings within their balanced equity portfolios in order to take advantage of valuation imbalances.

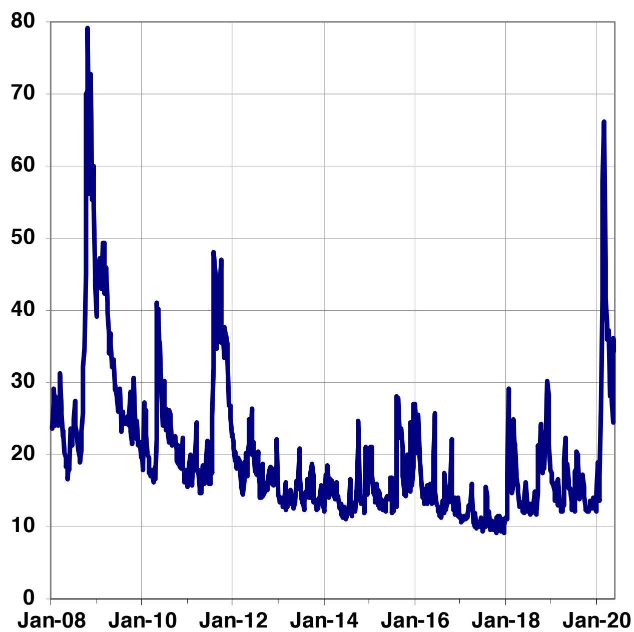
SECTOR WEIGHTS (5-YRS.. % OF S&P 500)



GETTING USED TO HIGH VIX

The VIX Volatility Index remains at elevated levels. We think investors should expect volatile market conditions through at least the balance of 2020. This forecast fits in with our Three Levels of Recovery theory. To begin, we look for recovery on the healthcare side first, with widespread COVID-19 testing by midyear, treatment options by year-end, and a vaccine in late 2020/early 2021. The second level will be the economy, helped by the government -- which we think will approve another multi-trillion-dollar rescue package. We look for historically weak economic numbers in 2Q20 and 3Q20 (the Atlanta Fed GDPNow forecast is -51.2% for 2Q), before the economy moves back to a flat line in 4Q and grows again in 2021 (recovering to precoronavirus levels by the end of 2021). The third level of recovery should be earnings and the stock market. Earnings season starts anew next month, and preliminary indications are bleak. But investors are likely to be focused on the outlook. Stock investors have anticipated a turnaround in earnings and have bid shares higher even before the economy grows again. But the path has not been straight higher, and investors should brace for high volatility in the months and quarters ahead.

VOLATILITY INDEX (WEEKLY CLOSE)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
22-Jun	Existing Home Sales	May	4.33mm	4.00mm	4.09mm	3.91mm
23-Jun	New Home Sales	May	580k	635k	640k	676k
25-Jun	U.S. Gross Domestic Product	1Q	-5.0%	-5.0%	-5.0%	NA
	GDP Price Index	1Q	1.4%	1.4%	1.4%	NA
26-Jun	Personal Income	May	10.5%	-2.0%	-6.0%	NA
	Consumer Spending	May	-13.6%	4.0%	9.0%	NA
	U. of Michigan Sentiment	June	78.9	80	79	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
6-Jul	ISM Non-Manufacturing Index	June	45.4	50	NA	NA
8-Jul	Consumer Credit	May	-$68.8B	-$70B	NA	NA
10-Jul	Producer Price Index	June	0.4%	0.3%	NA	NA
	PPI ex-Food & Energy	June	-0.1%	0.2%	NA	NA

** Preliminary*
*** Final*
^Final