

THE ECONOMY AT A GLANCE

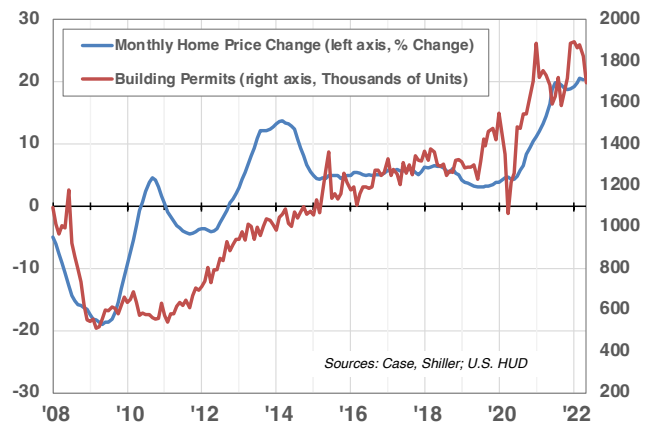
ECONOMIC HIGHLIGHTS

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HIGH HOME PRICES SLOW GROWTH

The housing market has been an important contributor to the U.S. economic recovery from the pandemic, but high prices and high interest rates have recently cooled the market. The National Association of Realtors reported that existing home sales in May 2022 totaled 5.4 million at a seasonally adjusted annual rate, down 16% from the beginning of the year. The Commerce Department reported that new single-family homes were selling at a 696,000 annualized rate in May -- down from 831,000 in January. Meanwhile, a leading indicator for the industry, housing permits, has turned lower as well. But housing prices remain high, and until pricing pressures start to ease, we look for modest growth (at best) in the housing sector.

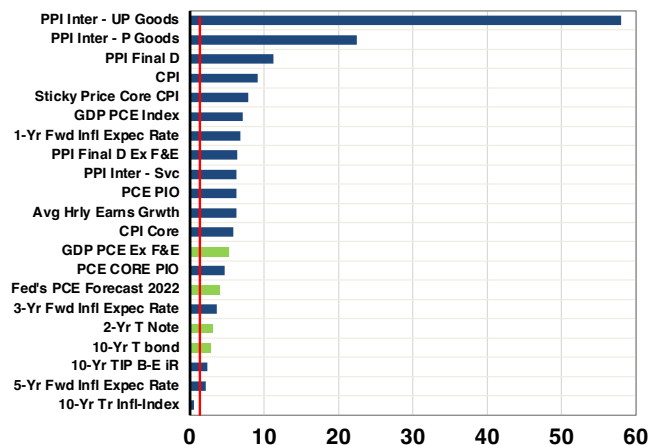
HOUSING MARKET TRENDS



INFLATION TOPS FED AGENDA

We track 21 inflation measures on a monthly basis. On average, they now indicate that prices are rising at an 8.7% year-over-year rate. Drilling down to core inflation, our reading is 4.1%, down from 4.4% last month. We note some movement among indicators. Deep in the production pipeline, the PPI for Final Demand is now 6.4%, down slightly from 7.0% at the beginning of the year. While consumers can't really detect differences in pricing from the PPI, we note that the rate of increase in average hourly earnings last month was 6.3%, flat with the prior month. The three-year forward inflation expectation rate is now 3.6%, down from 3.9%. Investors are expecting that rate hikes ultimately will corral inflation, with the five-year forward expectation rate now down to 2.1%.

INFLATION MEASURES (% CHANGE Y/Y)

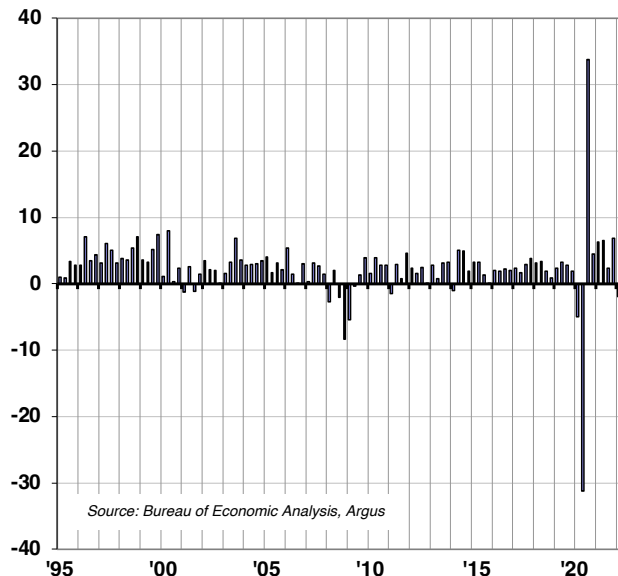


ECONOMIC HIGHLIGHTS (CONTINUED)

GDP NEGATIVE FOR TWO QUARTERS IN A ROW

U.S. GDP contracted at a 0.9% annualized rate in 2Q22. Combined with the 1Q decline of 1.6%, this marks two consecutive quarters of declining GDP -- one of the technical definitions of a recession. There were fewer pockets of strength in 2Q than in 1Q, though we note that Consumer Spending on Services rose 4.1%, Capital Investment into Intellectual Property Products rose 9.2%, and Exports increased 18%. Segments of the economy that struggled included PCE-Durable Goods (-2.6%), PCE-Nondurable Goods (-5.5%), Investment into Equipment (-2.7%), and Government Spending (-1.9%). The PCE price index increased 7.1%, compared to an increase of 7.1% in 1Q. Excluding food and energy prices, the PCE price index increased 4.4%, compared to an increase of 5.2% in 1Q. The report clearly shows an economy that is weakening. But with unemployment so low and jobs growth so strong, we doubt that any recession will be especially long or deep.

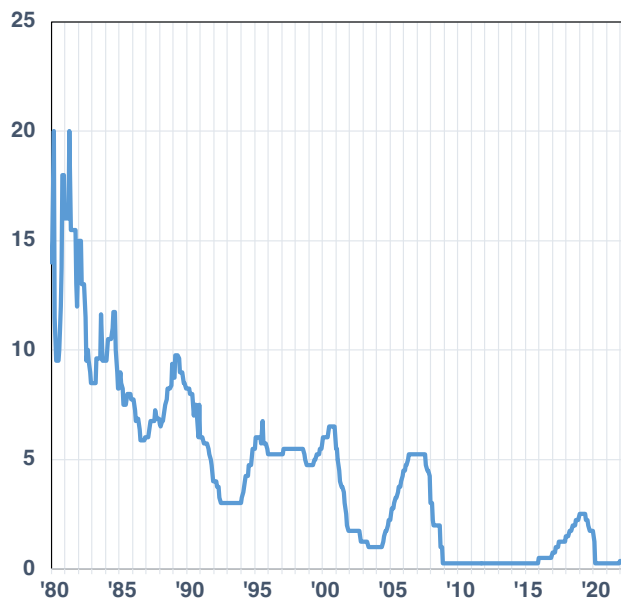
REAL GDP (% GROWTH/QTR)



FED MAKES ANOTHER BIG MOVE

The Federal Reserve wrapped up its latest Open Market Committee meeting and, as expected, raised the federal funds rate by 75 basis points to 2.25%-2.50%. This was the fourth increase since the central bank lowered the fed funds rate to the rock-bottom level of 0.00%-0.25% early in the pandemic, and the second 75-basis-point hike in a row. All nine voting governors voted in favor of the hike, as inflation remains elevated (the latest CPI reading was 9.1%). In the press conference after the meeting, Fed Chairman Jerome Powell commented that the fed funds rate is basically at a neutral level. The Fed does not meet again until September, and several important economic data points will be released between now and then. Will the Fed move aggressively above the current neutral level at its next meeting? If the upcoming CPI reports show a rapid cooling in pricing pressure, the answer will be no. But that's unlikely, as rate hikes typically don't have an impact on the economy for six months or so. Our call is for a 50-basis-point increase in September, as CPI readings stay north of 7.0%. While the U.S. economy is in fairly good shape and can likely continue to grow for another quarter or two, the odds of a recession in 2023 are rapidly increasing.

FEDERAL FUNDS TARGET RATE & FORECASTS (%)



FINANCIAL MARKET HIGHLIGHTS

MIN VOL: MORE THAN A DEFENSIVE STRATEGY

Rapidly rising inflation in 2022 has knocked stocks into a bear market. While Growth strategies have suffered the most, Value strategies have also declined. Even bond prices are lower year-to-date. Volatility, though down from the highs of 2020, still has not returned to pre-COVID levels. Is it time for investors to cash in their chips? We note that investors exit the stock market at their own peril, as long-term returns from equities have consistently outpaced long-term returns from other asset classes such as fixed income and cash. In addition, those returns are from eras when the 10-year Treasury bond yield was much higher than the current 3.0%. So what's a potential equity strategy for investors amid all the uncertainty? Argus believes that Min Vol is an all-weather strategy that is timely in any investing climate. Academic literature and, more to the point, historical returns, indicate that Min Vol can deliver market-matching returns on an absolute basis and superior returns on a risk-adjusted basis over various time periods.

ASSET CLASS RETURNS

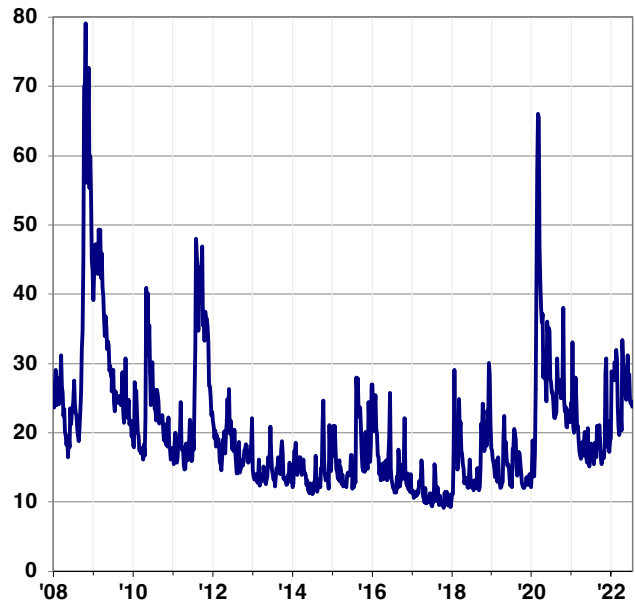
Asset Class	Index	Annual	Best	Worst
Large Cap Stocks	S&P 500 Index	11%	32%	-37%
Small Cap Stocks	Russell 2000 Index	9%	39%	-34%
Intl Developed Stocks	MSCI EAFE Index	4%	33%	-43%
Emerging Mkt Stocks	MSCI Emerging Mkts Index	5%	79%	-53%
REITs	FTSE NAREIT Index	7%	41%	-38%
High Grade Bonds	Barclays US Agg Bond Index	4%	9%	-2%
High Yield Bonds	BofAML US HY Master II Index	7%	58%	-26%
Cash	3-Month T-Bill	1%	4%	0%

Note: For period 2006-2020; source Novel Investor

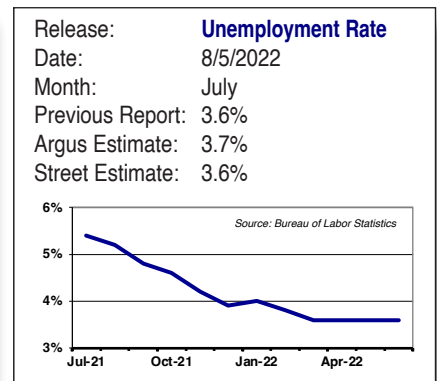
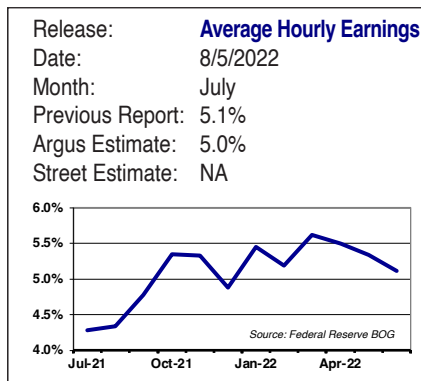
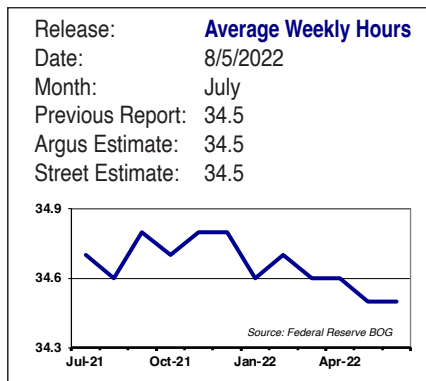
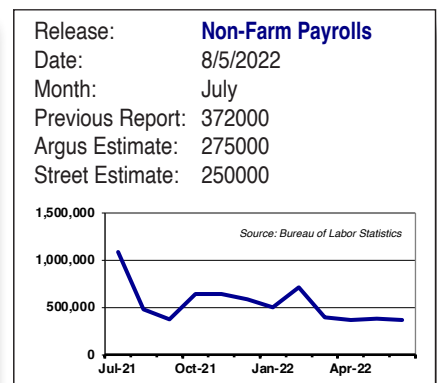
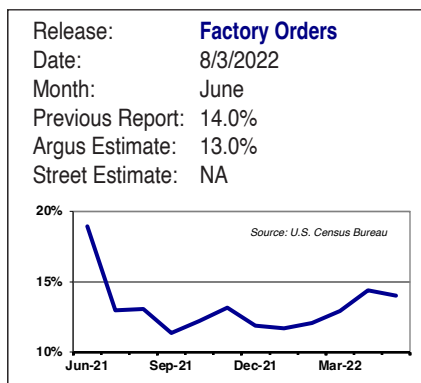
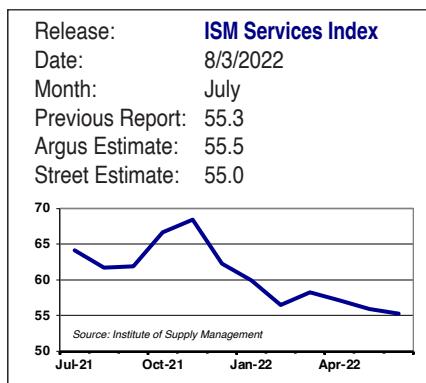
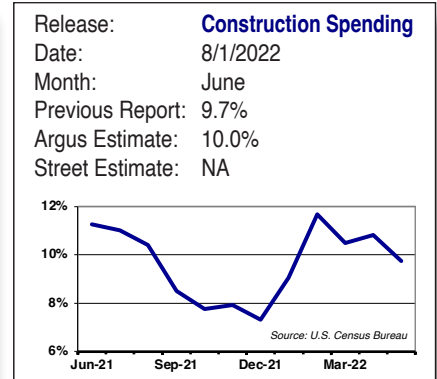
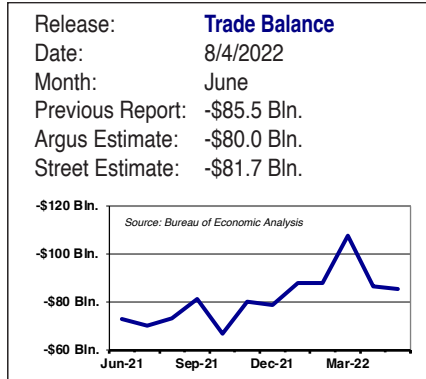
HIGH VIX REFLECTS MARKET FEARS

The onset of COVID-19 ended the good old days of low volatility index readings. Since the peak VIX reading of 85 in March 2020, the VIX had been slowly making progress back toward the mid-teens, enduring speed bumps along the way. But nerves have been rattled by surging inflation, an inverted yield curve, and aggressive Federal Reserve rate hikes. What's next? That depends on inflation and the Fed. If CPI numbers start to fall back toward 5%-6% later this year, the Fed might wrap up its rate hike campaign in 2022. That would cheer investors and could lift the S&P 500. Still, the economy is teetering on the brink of recession, and negative developments out of Ukraine could knock GDP off course. In this environment, we recommend that investors focus on high-quality companies, with strong balance sheets and experienced management.

VOLATILITY INDEX (WEEKLY CLOSE)

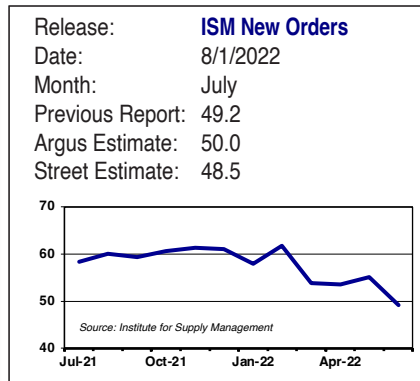
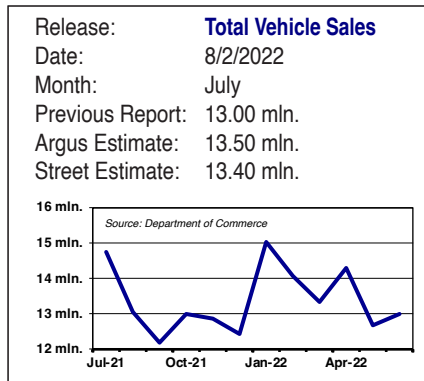


ECONOMIC TRADING CALENDAR



Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CALENDAR



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
26-Jul	New Home Sales	June	696 K	660 K	675 K	NA
	Consumer Confidence	July	98.7	99.0	97.0	NA
27-Jul	Durable Goods Orders	June	0.8%	0.2%	-0.3%	NA
28-Jul	Real GDP	2Q	-1.6%	-1.4%	0.9%	NA
	GDP Price Index	2Q	8.2%	7.5%	7.9%	NA
29-Jul	Personal Income	June	0.5%	0.5%	0.5%	NA
	Personal Spending	June	0.2%	0.5%	0.8%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
9-Aug	Non-farm Productivity	2Q	-7.3%	NA	NA	NA
	Unit Labor Costs		12.6%	NA	NA	NA
10-Aug	Wholesale Inventories	June	24.7%	NA	NA	NA
	Consumer Price Index	July	9.1%	NA	NA	NA
	CPI ex-Food & Energy	July	5.9%	NA	NA	NA
11-Aug	PPI Final Demand	July	11.3%	NA	NA	NA
	PPI ex-Food & Energy	July	820.0%	NA	NA	NA
12-Aug	Import Price Index	July	10.7%	NA	NA	NA

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