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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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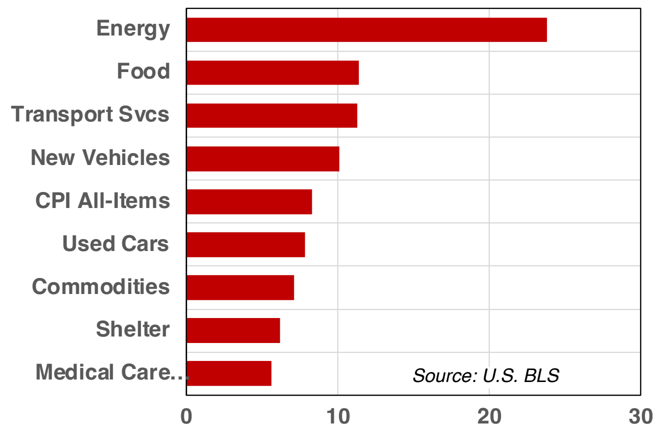
LITTLE IMPROVEMENT IN INFLATION

The Bureau of Labor Statistics reported an 8.3% year-over-year increase in overall inflation in August, compared to an 8.5% rate in July. The core rate (excluding the impact of food and energy prices), increased to 6.3% in August from 5.9% in July. The overall rate benefited from falling energy prices, as well as from lower prices for used cars. But food and new vehicle prices continued to rise, as did shelter and transportation costs. We think that the 9.1% CPI rate in June will prove to be the peak reading in 2022, as gas prices slide and the housing market cools. Even so, the Fed has a lot of wood to chop in order to bring core inflation down to its target of 2.0%.

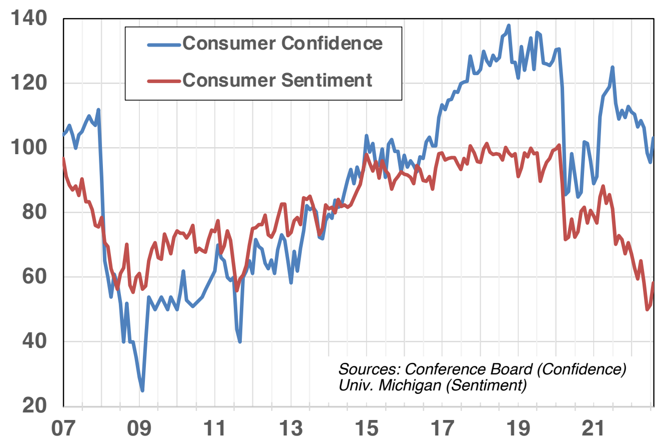
INFLATION FACTORS (% CHANGE Y/Y)



CONSUMER CONFIDENCE WAVERING

The Conference Board's Consumer Confidence Index was near cycle highs at 133 in February 2020, but plunged to 92.6 in May 2020 and then to 84.8 in August 2020. As COVID cases moderated in the summer of 2021, the index climbed back to 125. The latest reading, for August 2022, was 103.2. 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 index did not reclaim prior highs for another eight years. We doubt the recovery this time will take as long, as unemployment is low and household balance sheets are healthy. 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.

CONSUMER CONFIDENCE & SENTIMENT



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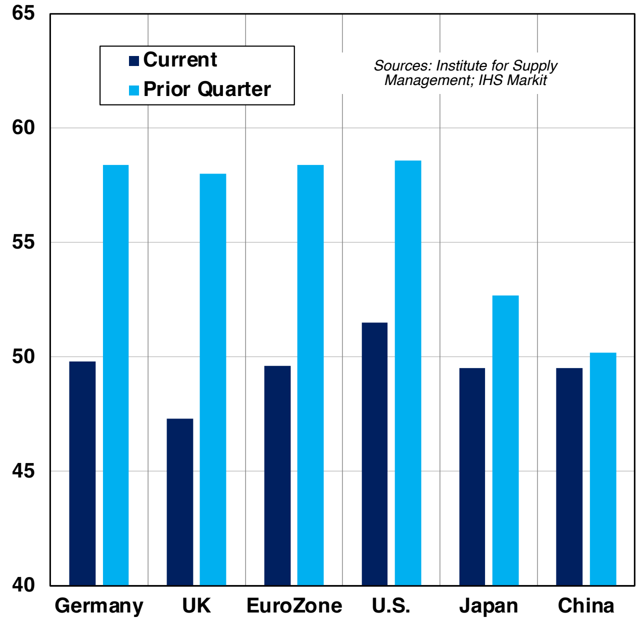
GLOBAL MANUFACTURING SLOWS

The outlooks of purchasing managers -- and the manufacturing sectors they represent -- have turned negative in recent months, due in part to supply-chain woes, the Russian invasion of Ukraine, and higher interest rates. In fact, most manufacturing sectors now are contracting, compared to earlier this year when they were still expanding. Consider the Eurozone, which had a Purchasing Managers' Index reading of 58.4 in 1Q22 and is now down to 49.6 (a reading below 50 indicates contraction). Manufacturing stalwart Germany has slipped to 49.8 from 58.4. And the latest UK reading is 47.3 versus 54.6 in the prior quarter. Chinese manufacturing is also contracting; the most recent PMI reading in the world's second-largest economy was 49.5. Japan also reported a PMI of 49.5. The one economy that is holding on? That would be the U.S., with a PMI of 52.8 in August, marking the twenty-seventh consecutive month of expansion. Drilling deeper into the U.S. report, the New Order Index is holding on, with a reading of 51.3, but the Backlog Index remains uncomfortably high at 53.

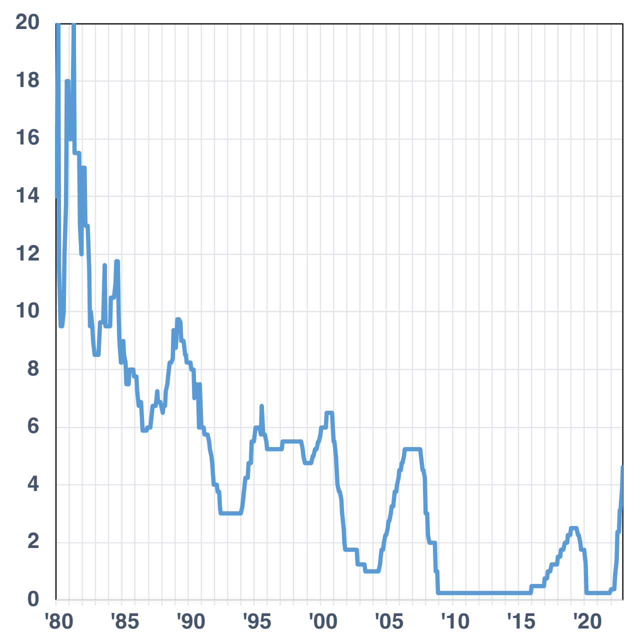
GLOBAL PMI SURVEY RESULTS



SEVENTY-FIVE IS THE NEW TWENTY-FIVE

As expected, the Federal Reserve has raised the federal funds rate by 75 basis points to 3.00%-3.25%. This was the fifth increase since the central bank lowered the rate to the rock-bottom level of 0.00%-0.25% early in the pandemic. All 12 FOMC members were in agreement about the hike as inflation remains elevated. In his press conference after the Fed meeting, Chairman Jerome Powell veered away from the idea that the central bank can engineer a soft landing in which rate hikes bring inflation lower without causing a recession. He said that in order to reach another period with a "very strong labor market," the Fed "has to get inflation behind us." He lamented that he didn't know of a "painless way to do that." Along with the rate-hike statement, Fed officials released their latest "dot-plot" projections for future interest-rate moves. The current consensus calls for the fed funds rate to reach 4.25%-4.5% by year-end. That's another 100 basis points in the next two meetings. The Fed then looks for one or two more hikes in 2023. While the U.S. economy is in fairly good shape and likely can continue to grow for another quarter or so, the odds of a recession in 2023 are increasing rapidly.

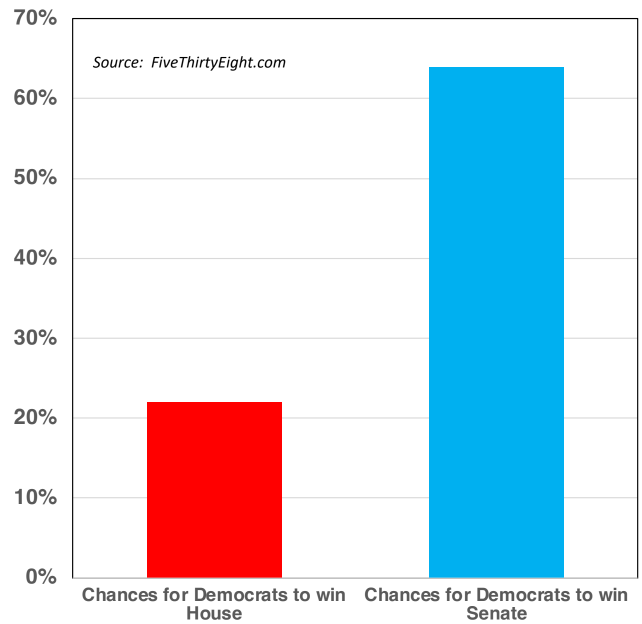
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



GOING FOR GRIDLOCK

In about two months, voters will head to the polls to vote for U.S. Representatives, for some U.S. Senators, and on numerous local issues. Currently, the Democratic party has control of the Presidency and both the House and the Senate. That is likely to change, as incumbent parties tend to lose votes in midterm elections. Indeed, the latest forecasts from FiveThirtyEight give the Republicans an almost 80% chance of taking over the House. In midterm election years, stocks have historically stumbled in early fall. Average S&P 500 returns in the third quarter of midterm election years since 1980 are negative 1.2%. However, once the results are in, investors often respond positively to divided government and the possibility of two years of Washington gridlock (meaning low odds of major legislation affecting taxes, trade, regulations, the economy, or the markets). This sentiment is reflected in the relative outperformance of the S&P in the fourth quarter of midterm years, when returns have averaged 3.7% since 1980.

BATTLE FOR CONGRESS IN MIDTERM ELECTIONS



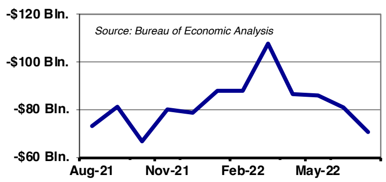
GOLD PRICES OFF PEAK

When global economic and geopolitical conditions become unpredictable and stocks get 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. (Note that the average price for gold in the previous decade was $1,344 per ounce.) 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 countries ranging from Germany to Japan to France and Switzerland, and trillions of dollars of U.S. federal government spending to help the country weather the COVID-19 crisis. As COVID vaccines emerged and economies recovered, gold pulled back from its highs. And after a rally in early 2022 related to geopolitical uncertainty in Europe, the yellow metal has declined 12%. Our forecast trading range for gold in 2022 is $1,600-$2,100, and our average forecast for the year is now $1,800. This compares to average gold prices of $1,806 in 2021, $1781 in 2020, $1,400 in 2019, $1,265 in 2018, $1,277 in 2017, $1,258 in 2016, and $1,155 in 2015. As long as global economic uncertainty and virus fears are part of the market conversation, gold prices are likely to remain well above historical average levels.

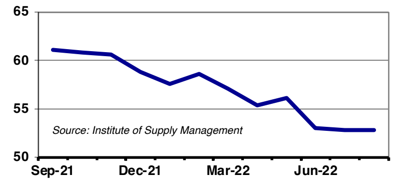
GOLD PRICES ($/OZ)

ECONOMIC TRADING CALENDAR

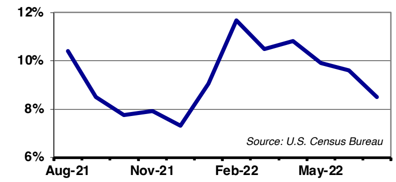
Release: **Trade Balance**
Date: 10/5/2022
Month: August
Previous Report: -$70.7 Bln.
Argus Estimate: -$68.0 Bln.
Street Estimate: -$68.8 Bln.



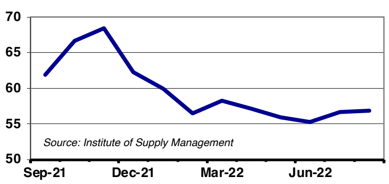
Release: **ISM Manufacturing**
Date: 10/3/2022
Month: September
Previous Report: 52.8
Argus Estimate: 51.0
Street Estimate: 52.8



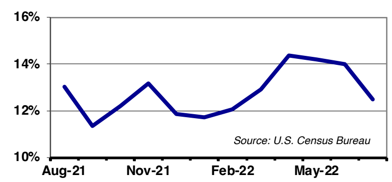
Release: **Construction Spending**
Date: 10/3/2022
Month: August
Previous Report: 8.5%
Argus Estimate: 6.5%
Street Estimate: NA



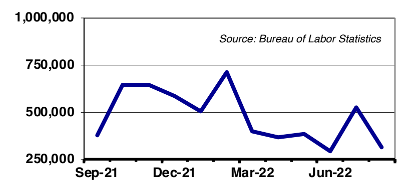
Release: **ISM Services Index**
Date: 10/5/2022
Month: September
Previous Report: 56.9
Argus Estimate: 56.0
Street Estimate: 56.5



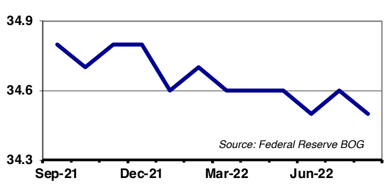
Release: **Factory Orders**
Date: 10/4/2022
Month: August
Previous Report: 12.5%
Argus Estimate: 10.0%
Street Estimate: NA



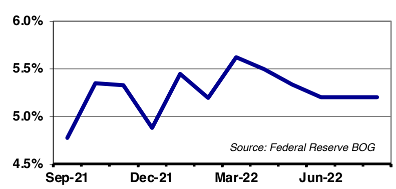
Release: **Nonfarm Payrolls**
Date: 10/7/2022
Month: September
Previous Report: 315000
Argus Estimate: 225000
Street Estimate: 250000



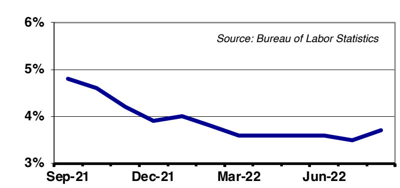
Release: **Average Weekly Hours**
Date: 10/7/2022
Month: September
Previous Report: 34.5
Argus Estimate: 34.6
Street Estimate: 34.5



Release: **Average Hourly Earnings**
Date: 10/7/2022
Month: September
Previous Report: 5.2%
Argus Estimate: 5.3%
Street Estimate: NA



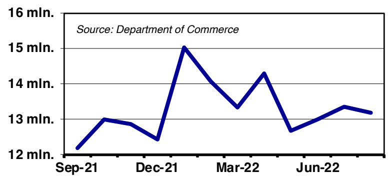
Release: **Unemployment Rate**
Date: 10/7/2022
Month: September
Previous Report: 3.7%
Argus Estimate: 3.7%
Street Estimate: 3.7%



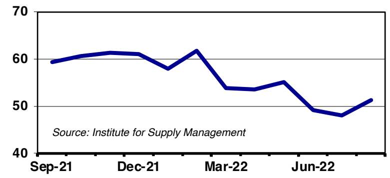
Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CALENDAR

Release:	**Total Vehicle Sales**
Date:	10/3/2022
Month:	September
Previous Report:	13.18 mln.
Argus Estimate:	13.50 mln.
Street Estimate:	13.60 mln.



Release:	**ISM New Orders**
Date:	10/3/2022
Month:	September
Previous Report:	51.3
Argus Estimate:	51.0
Street Estimate:	NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
27-Sep	Durable Goods Orders	August	9.3%	8.0%	NA	NA
	New Home Sales	August	511000	500000	500000	NA
	Consumer Confidence	September	103.2	98.0	104.0	NA
28-Sep	Wholesale Inventories	August	25.4%	20.0%	NA	NA
29-Sep	GDP Annualized QoQ	2Q	-0.6%	-0.4%	-0.6%	NA
	GDP Price Index	2Q	8.9%	8.9%	8.9%	NA
30-Sep	Personal Income	August	4.6%	5.0%	NA	NA
	Personal Spending	August	8.7%	7.5%	NA	NA
	PCE Deflator	August	6.3%	6.3%	NA	NA
	PCE Core Deflator	August	4.6%	4.6%	4.8%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Oct	PPI Final Demand	September	8.7%	NA	NA	NA
	PPI ex-Food & Energy	September	7.3%	NA	NA	NA
13-Oct	Consumer Price Index	September	8.3%	NA	NA	NA
	CPI ex-Food & Energy	September	6.3%	NA	NA	NA
14-Oct	Retail Sales	September	9.1%	NA	NA	NA
	Retail Sales; ex-autos	September	9.7%	NA	NA	NA
	Business Inventories	August	18.4%	NA	NA	NA
	Import Price Index	September	7.8%	NA	NA	NA