

T H E E C O N O M Y A T A G L A N C E

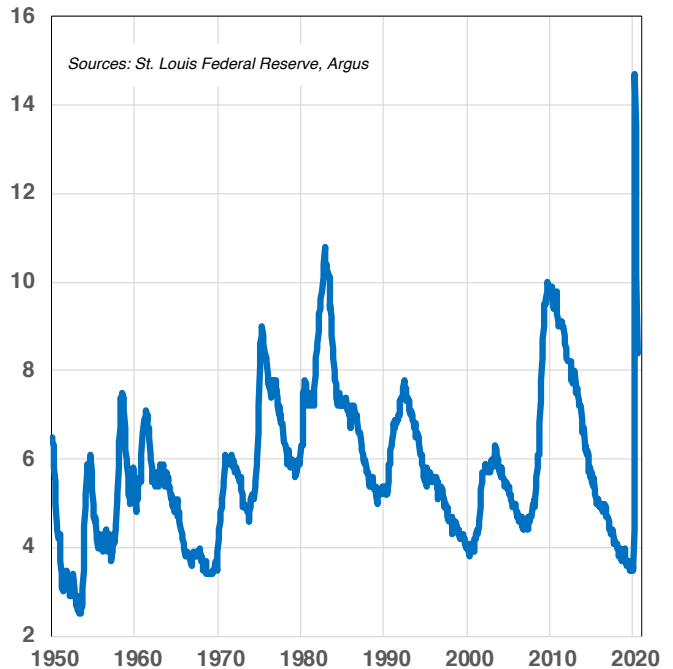
ECONOMIC HIGHLIGHTS

September 14, 2020
Vol. 87, No. 133

UNEMPLOYMENT RATE DROPS TO 8.4%

The U.S. economy added almost 1.4 million jobs in August, as companies continued to bring employees back to work. The unemployment rate dropped from 10.2% in July to a still-high 8.4%. Employment rose sharply in Government (one-fourth of the jobs growth and linked to the census); Retail and Professional & Business Services (temporary help) also reported growth. The Leisure & Hospitality category added back 174,000 jobs, but payrolls in this group are still down 2.5 million from pre-pandemic levels. The employment data remains fluid. Indeed, the Labor Department recently reported that another 881,000 people had filed unemployment claims and the total of continuous claims was 14.5 million. The broader U6 unemployment rate, which includes persons marginally attached to the labor force and part-time workers who want full-time jobs, stands at 14.2%. That’s down from 16.5% last month, but well above last August’s reading of 7.3%. We expect the unemployment rate will remain elevated through 2020 as the U.S. economy slowly recovers. The stock market is looking ahead to that recovery and set all-time highs recently. But the VIX volatility index remains extremely high, and expect volatile trading conditions for an extended period.

U.S. UNEMPLOYMENT RATE (%)

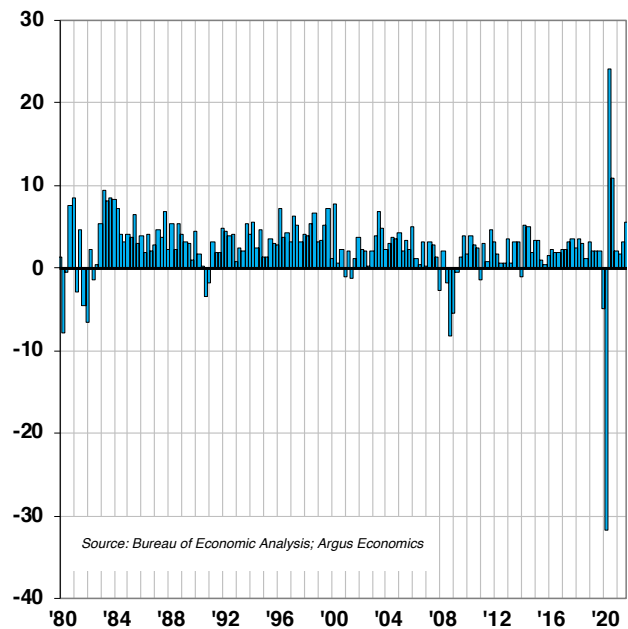


ECONOMIC HIGHLIGHTS (CONTINUED)

LOOK FOR BIG GDP SPIKE IN 3Q

We continue to think that 2Q20 marked the trough of the recession, and that GDP results are going to improve through year-end and into 2021. How rapidly things improve depends on the status of public health and the number of COVID-19 cases in the U.S. Given all the uncertainty, forecasts from economists are all over the map. Members of the Federal Reserve call for a 6.5% GDP decline in 2020, a 5.0% rebound in 2021 and another year of above-trend growth (at 3.5%) in 2022. The Atlanta Fed GDPNow forecast calls for a 3Q rebound of 26%. Our quarterly forecasts call for a 6% increase in absolute GDP in 3Q from 2Q, which in our model translates to an annualized gain of 24.0%. Our annual forecasts now call for overall GDP to decline about 1% in 2020 and rebound 3.2% in 2021. The economic data that has emerged in recent weeks (ranging from consumer confidence and spending, to housing statistics and auto sales, and to manufacturing surveys and even financial market performance) illustrates that conditions are improving, yet serious risks remain.

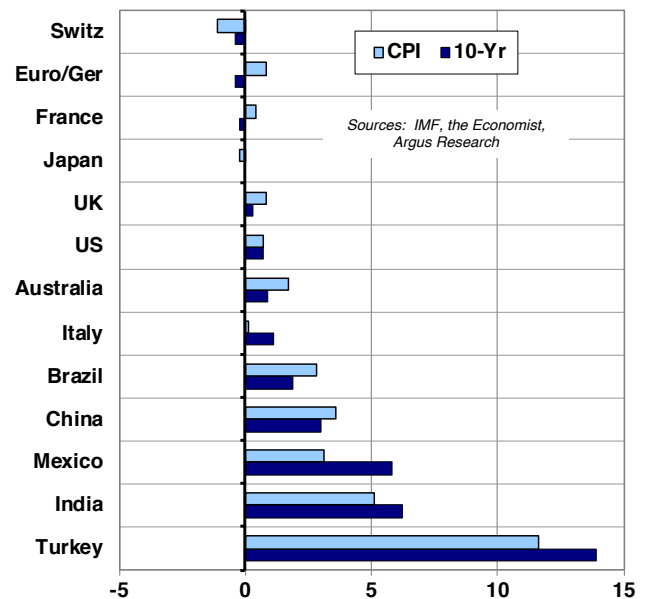
GDP TRENDS & OUTLOOK (% CHANGE)



GLOBAL RATES TRENDS MIXED

Runaway inflation (at an 11.8% rate) has sent Turkish 10-year bond rates soaring toward 14%. A relatively high inflation rate of 5% is also propping up 10-year bond rates in India (at 6.2%). But interest rates around the rest of the world are near all-time lows, as they are in the U.S. and the U.K. Some are even outright negative, as in Japan, France, Germany and Switzerland. In the U.S., the Federal Reserve has taken numerous extraordinary steps to keep financial markets functioning, and we don't look for the Fed to raise short-term rates for at least the next 12-18 months. At the same time, we do not expect the Fed to follow its European peers and establish negative interest rates in the U.S. First, the jury is out as to whether negative rates are actually helping economies recover. Second, money-market funds in the U.S. play an important role in the financial markets, and negative government bond yields would "break the buck." Our advice to fixed-income investors seeking yield is to consider ETF specializing in securitized debt, corporate debt, and high-yield or floating bonds.

GLOBAL INTEREST RATES & INFLATION (%)

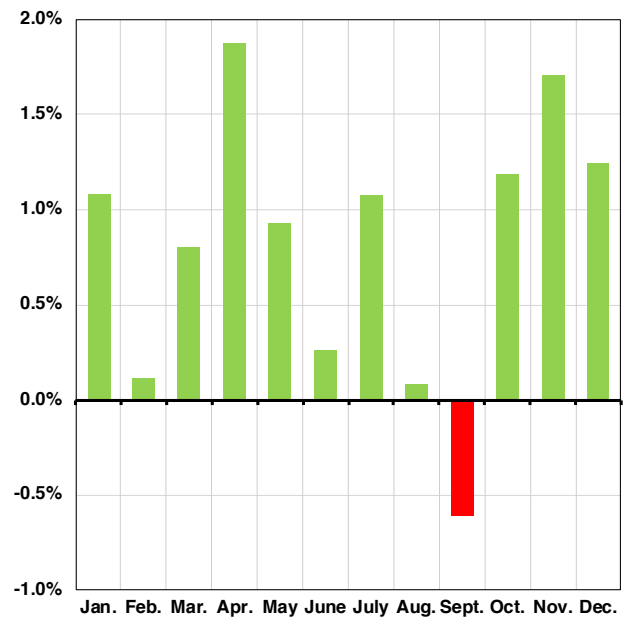


FINANCIAL MARKET HIGHLIGHTS

BEWARE SEPTEMBER

The U.S. stock market tends to rise. The long-term upward trajectory has a foundation in the country's democratic political system and its market-based, capitalist economic system. In theory, the market allocates the nation's capital efficiently, generating solid returns. Then there is September. Our analysis of monthly returns going back to 1980 indicates that September is now the only month with an average loss. August used to be in that category, but is now positive after a 7% return this year. Now not every September is negative. The month has a "win percentage" of 50%. But there have been some major bombs. September is a transition month: the August doldrums are over and corporations get back into gear post Labor Day; the IPO market typically picks up; the Federal Reserve usually meets, which can add to volatility; and, sometimes ominously, the 3Q earnings season approaches. By the end of 3Q, companies generally know if they are on track to meet their financial targets. If they are not, and they pre-warn, investors can be quick to sell not just a company but an entire sector. This September, market fundamentals appear a bit shaky: the economy is in recession, corporate profits are declining year-over-year and stock valuations are a bit lofty. Our advice? Focus on quality; and it might not be a bad idea to take some profits.

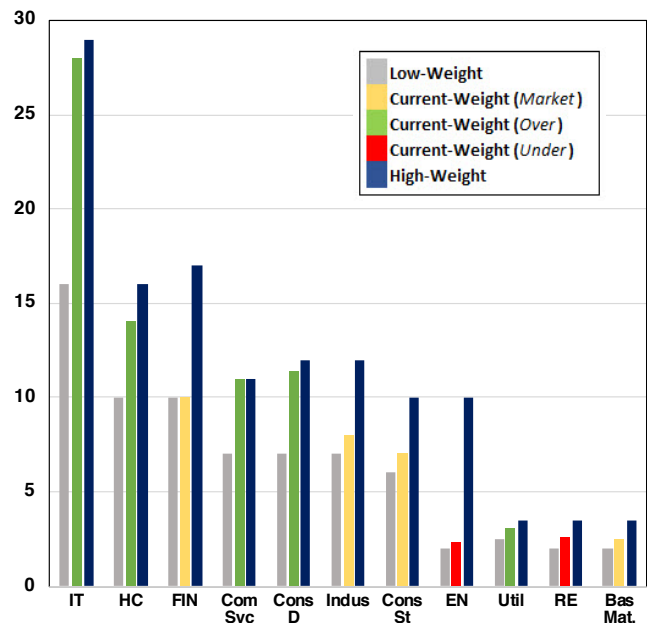
AVERAGE MONTHLY STOCK MARKET APPRECIATION



WE HAVE ADJUSTED OUR SECTOR RATINGS

We have adjusted our recommended sector allocations this month. The following reflects our guidance for the calendar fourth quarter of 2020. We have raised Consumer Discretionary to Over-Weight from Market-Weight. We have lowered Real Estate to Under-Weight from Market-Weight, and have raised Basic Materials 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, Consumer Discretionary and Utilities. Our current Market-Weight sectors are Consumer Staples, Industrial, Financial Services and Basic Materials. Our Under-Weight sectors are Energy and Real Estate. 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)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
15-Sep	Import Price Index	August	0.7%	0.6%	0.5%	NA
	Empire Manufacturing	September	3.7	9.0	9.0	NA
	Industrial Production	August	3.0%	1.5%	0.9%	NA
	Capacity Utilization	August	70.6%	71.0%	71.5%	NA
16-Sep	Retail Sales	August	1.2%	1.3%	1.3%	NA
	Retail Sales Ex Autos	August	1.9%	1.5%	1.1%	NA
	Business Inventories	July	-1.1%	0.0%	0.2%	NA
17-Sep	Housing Starts	August	1496k	1495k	1463k	NA
	Philadelphia Fed BOS	September	17.2	17.0	17.0	NA
18-Sep	Leading Economic Indicators	August	1.4%	1.4%	1.3%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
29-Sep	Wholesale Inventories	August	0.3%	NA	NA	NA
	Consumer Confidence	September	84.8	NA	NA	NA
30-Sep	Real GDP	2Q	-31.7%	NA	NA	NA
	GDP Price Index	2Q	-2.0%	NA	NA	NA
	Chicago PMI	September	51.2	NA	NA	NA
1-Oct	Personal Income	August	0.4%	NA	NA	NA
	Personal Spending	August	1.9%	NA	NA	NA
	ISM Manufacturing	September	56.0%	NA	NA	NA
	Construction Spending	August	0.1%	NA	NA	NA
2-Oct	Factory Orders	August	6.4%	NA	NA	NA
	Non-farm Payrolls	September	1371000	NA	NA	NA
	Manufacturing Payrolls	September	29000	NA	NA	NA
	Average Weekly Hours	September	34.6	NA	NA	NA
	Average Hourly Earnings	September	0.4%	NA	NA	NA
	Unemployment Rate	September	8.4%	NA	NA	NA

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