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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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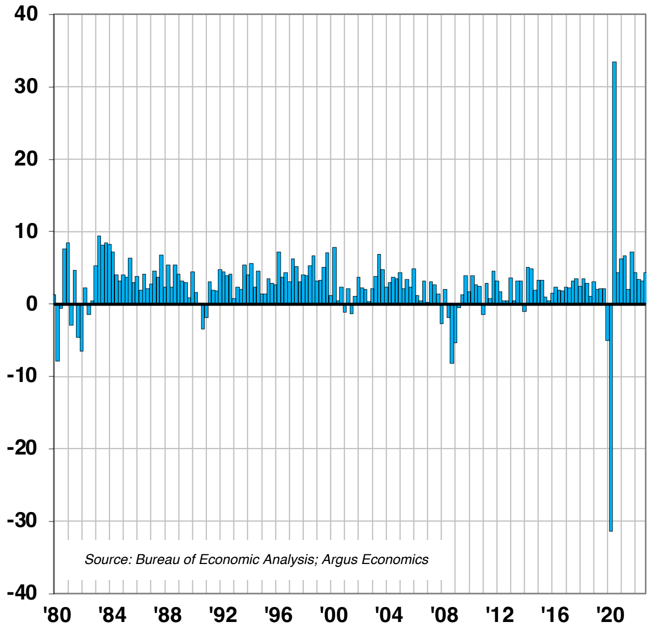
ARGUS FORECAST: 7.2% GROWTH IN 4Q GDP

We anticipate a rebound in economic growth in 4Q21 and into 2022. Recent data indicates that the economy is still expanding, though white-hot growth rates in certain sectors are starting to cool. The primary driver of GDP over the next few quarters is likely to be public health, as the nation recovers from the pandemic. Trends here have been positive in recent weeks, as the fourth wave of the pandemic, driven mainly by the Delta variant, appears to have passed its peak. U.S. employment is stronger than it was a year ago, and consumer confidence is starting to stabilize. Auto sales have recovered from pandemic lows, but growth has slowed due to supply-chain issues. Businesses are again expanding. But the housing market has started to cool. Overall, our model now calls for a 7.2% increase in GDP in 4Q21. On an annual basis, we look for GDP growth of 5.5% in 2021 and 3.8% in 2022. Our estimates are consistent with consensus forecasts and the outlook from the Federal Reserve, which call for growth of 4%-6% in 2021. The GDPNow Forecast from the Federal Reserve Bank of Atlanta is 6.6% for 4Q21.

GDP TRENDS & OUTLOOK (% CHANGE)



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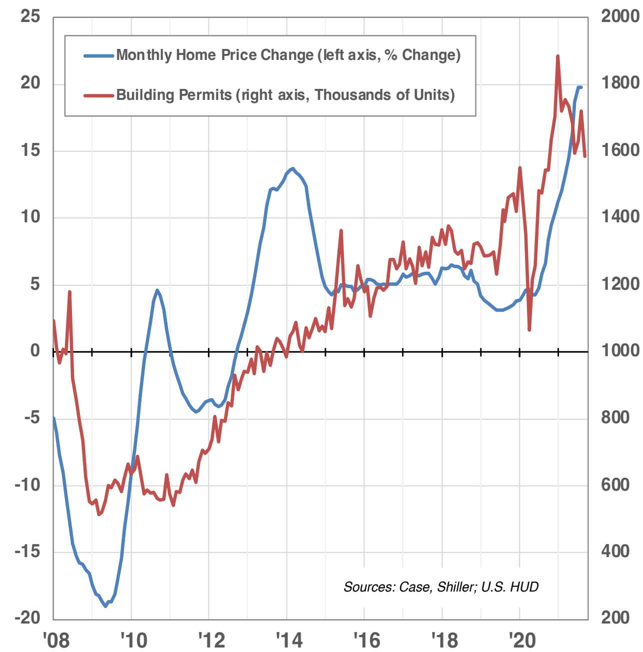
HOUSING PRICES SOARING

Certain housing market metrics have fallen from recent highs, and we no longer expect the sector to be a strong driver of above-trend GDP growth in the coming quarters. The National Association of Realtors reported existing home sales of 6.29 million in September on a seasonally adjusted annual basis, down from 6.44 million a year earlier though still up strongly from 3.9 million in May 2020. The Commerce Department reported that new single-family homes were selling at an annualized rate of 800,000 in September -- again, up from the pandemic depths, but down from September 2020. A similar story exists in a leading indicator for the industry, housing permits. While most indicators have cooled, prices have not. The S&P/Case-Shiller National Home Price Index for August showed that prices rose 19.8% year-over-year (the strongest gain in 15 years). High prices have loosened housing inventories: there is currently a 5.7-month supply of existing homes for sale, while the average range is 4.5-7.5 months. On the other side of the pandemic, demand for homes -- with yards between neighbors and plenty of space -- should be solid, but the strong growth of the past few quarters likely will cool.

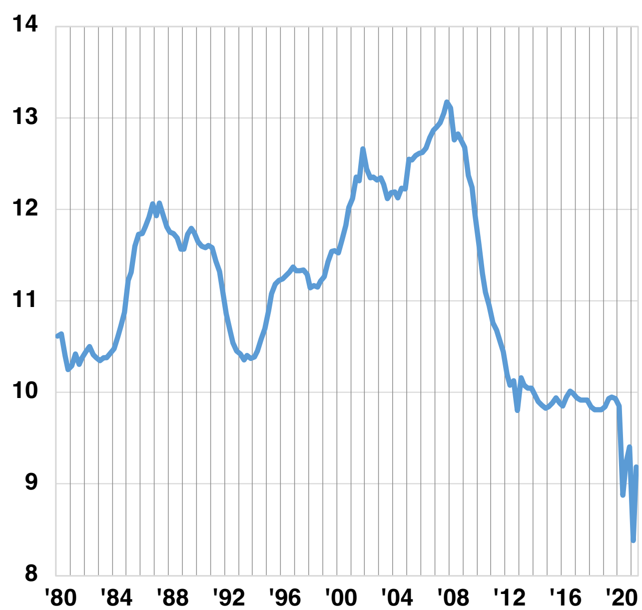
HOUSING MARKET TRENDS



HOUSEHOLD FINANCES IN GOOD SHAPE

Pandemic lockdowns and other restrictions last year, along with aggressive government stimulus spending, have resulted in a sharp improvement in household finances. The Federal Reserve keeps track of household debt service payments as a percentage of disposable personal income. This metric (the lower the better) has fallen from 9.9% prior to the pandemic to a current 9.2%. During the depths of the pandemic, when households were receiving stimulus checks while sheltering in place, the ratio dropped to 8.4%. The average debt level since 1980 has been 11%. The high-water mark came during the Great Recession (4Q07 to be exact) at 13.2%. We would not be surprised to see households take on a bit more debt in the coming quarters, as pent-up demand subsides, consumer confidence improves, and unemployment declines. We think the sound condition of household finances is an important indicator for continued GDP growth in 2022.

HOUSEHOLD DEBT LEVELS
(SERVICE PAYMENTS AS % OF
DISPOSABLE PERSONAL INCOME)

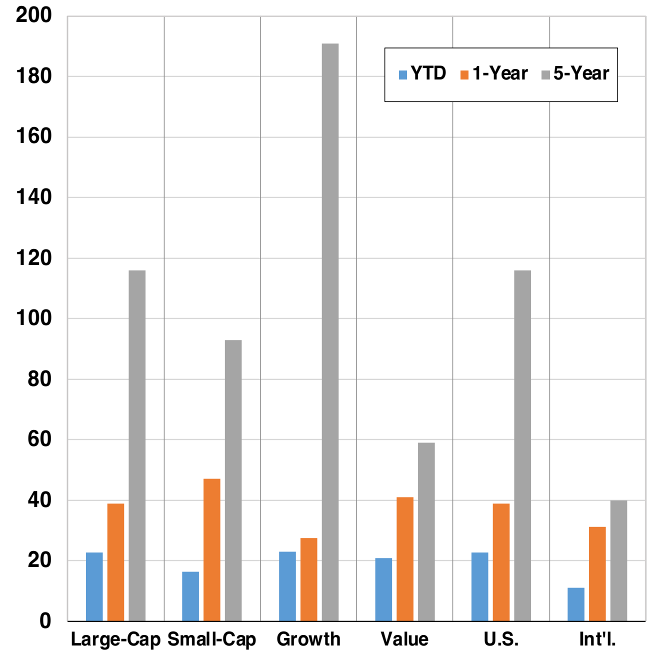


FINANCIAL MARKET HIGHLIGHTS

ARGUS'S FAVORED CLASSES, SEGMENTS

Stocks rallied in October, and maintain a sizable lead over bonds heading into the homestretch of 2021. 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 expected large-cap companies with strong balance sheets and experienced management teams to be the leaders during the initial recovery from COVID-19. This played well, and now, amid the continued rollout of vaccines, we believe that the risks for small-cap stocks have been reduced. Our recommended exposure to small- and mid-caps is now 15% 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 to continue over the long term given volatile global economic conditions and exchange rates. That said, international stocks offer favorable near-term valuations, and we recommend 15%-18% of equity exposure to the group. Value has been a surprise leader over the past 12 months, but Growth has recently outperformed. We anticipate that Growth, led by Tech and Healthcare, will again outperform Value, led by Energy and Materials, as long as interest rates remain low.

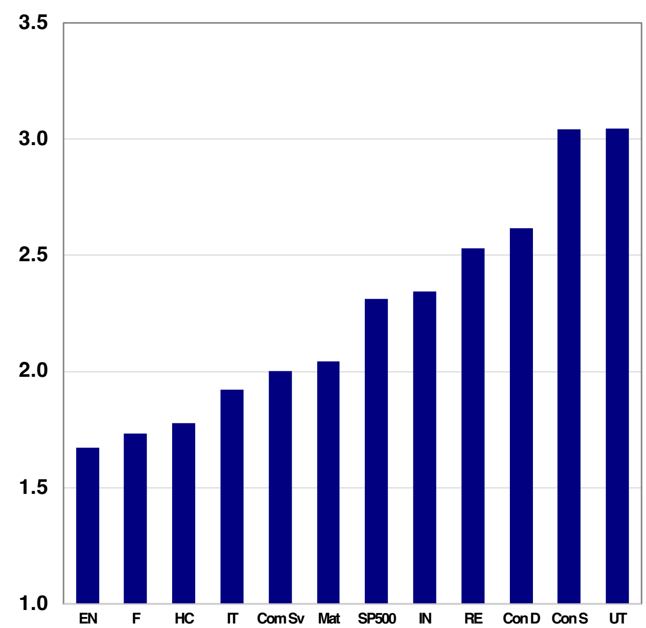
MARKET SEGMENT RETURNS 2021
(% THROUGH 10/29/21)



VALUES IN HEALTHCARE, FINANCIAL, TECH

Investors hunting for stocks that reasonably balance long-term growth and current value characteristics might want to look at companies in the Financial Services, Technology and Healthcare sectors. These are among the industry groups that are currently selling for (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 2.3. To generate PEGY ratios, we use the P/E ratio for each sector based on forward earnings for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates, in order to achieve a smoother, less volatile earnings trend. Then we add the current yield to approximate the total return. Premium-valued sectors with low growth rates include Consumer Staples and Utilities. Our Over-Weight sectors include Healthcare, Financial Services, Industrials, Materials, and Technology. Our Under-Weight sectors include Consumer Staples and Consumer Discretionary.

SECTOR PEGY RATIOS



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
22-Nov	Existing Home Sales	October	6.29 M	6.19 M	6.19 M	NA
24-Nov	Real GDP	3Q	2.0%	2.2%	2.2%	NA
	Durable Goods Orders	October	-0.4%	0.4%	0.3%	NA
	Personal Income	October	-1.0%	0.2%	0.2%	NA
	Personal Spending	October	0.6%	0.9%	0.8%	NA
	New Home Sales	October	800000	790000	810000	NA
	GDP Price Index	3Q	5.7%	5.5%	5.7%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
7-Dec	Trade Balance	September	-$73.3 Bln.	NA	NA	NA
	Non-farm Productivity	3Q	2.1%	NA	NA	NA
	Unit Labor Costs	3Q	1.3%	NA	NA	NA
10-Dec	Consumer Price Index	November	0.9%	NA	NA	NA
	CPI ex-Food & Energy	November	0.6%	NA	NA	NA