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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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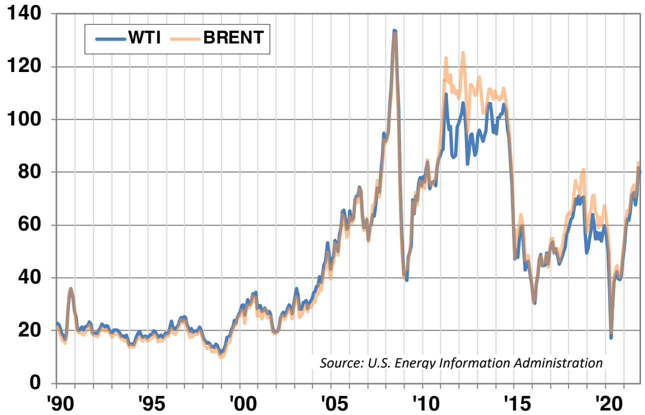
ARGUS ADJUSTS 2021 OIL FORECAST

Our forecast for the average price of a barrel of West Texas Intermediate crude oil in 2021 is now $70, up from $65. We project a trading range of $50-$85 for the year. Our estimates assume that OPEC and OPEC+ members continue to coordinate on production, and that global economic activity gradually improves. At the same time, our target takes into account the long-term downward pressure on crude prices as "peak oil" approaches. Our investment rating on the Energy sector is Market-Weight. The U.S. rig-count trend remains supportive but energy companies may be forced to cut production due to the increased use of electric vehicles.

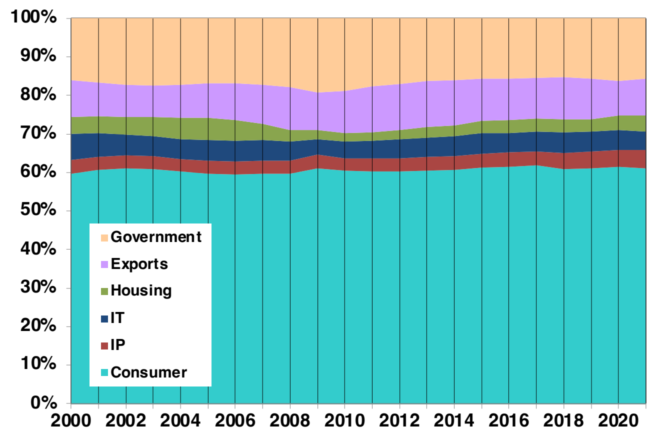
OIL PRICE TRENDS ($/BBL)



GDP SEGMENTS RECOVER AT DIFFERENT RATES

The Commerce Department announced that 3Q21 GDP rose at a 2.1% rate, up one-tenth of a percent from the advance estimate. Personal consumption expenditures grew at a 1.7% pace and represented 61% of core demand. Capital spending on equipment declined 2% and accounted for 5% of total GDP, while capital spending on intellectual property (IP) rose 9% and accounted for a high 5% of total GDP. Exports remained under pressure and accounted for 10% of total demand, as did government spending, which accounted for 15.6%. As U.S. GDP recovers from the impact of the pandemic, we expect that the pace of recovery will vary by sector. We look for consumer spending and capital spending on IP to be among the leading contributors.

GDP CONTRIBUTORS



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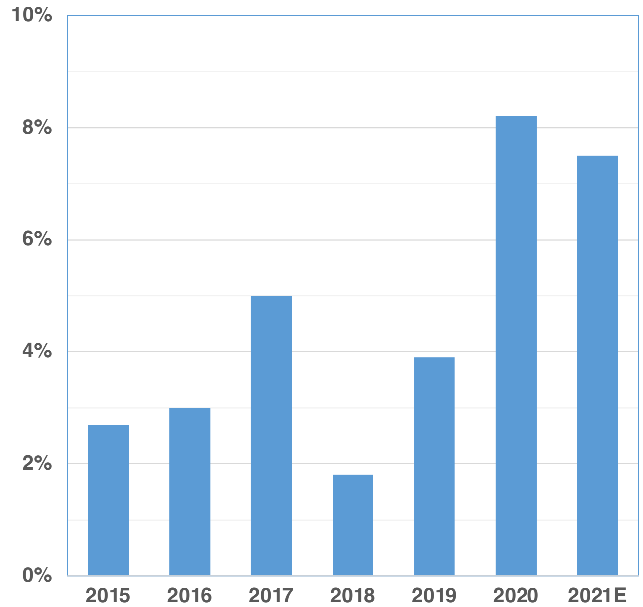
ARGUS RESEARCH HOLIDAY SALES FORECAST: 7.5%

Argus Senior Retail Analyst Christopher Graja, CFA, is forecasting robust retail sales for the current holiday season. His forecast calls for 7.5% year-over-year growth, which would be the second-highest growth rate in the past 20 years. This forecast is on the same basis as that of the National Retail Federation (for November and December, and excluding auto dealers, gas stations, and restaurants). Our subcomponent forecasts are General Merchandise, +7%; Nonstore, +8.5%; and Food & Beverage (mostly grocery stores), +4%. We think that some sales were pulled forward to October, as consumers began shopping early due to supply-chain concerns. In the current holiday season, we expect to see consumers shopping at fewer retailers. That should help Amazon, Walmart, Home Depot, Lowe's, Costco, and Target. These companies did well during the worst phase of the pandemic and are reinvesting profits to improve efficiency and gain market share. In addition, their clout with suppliers and shipping partners helps them to navigate supply-chain problems.

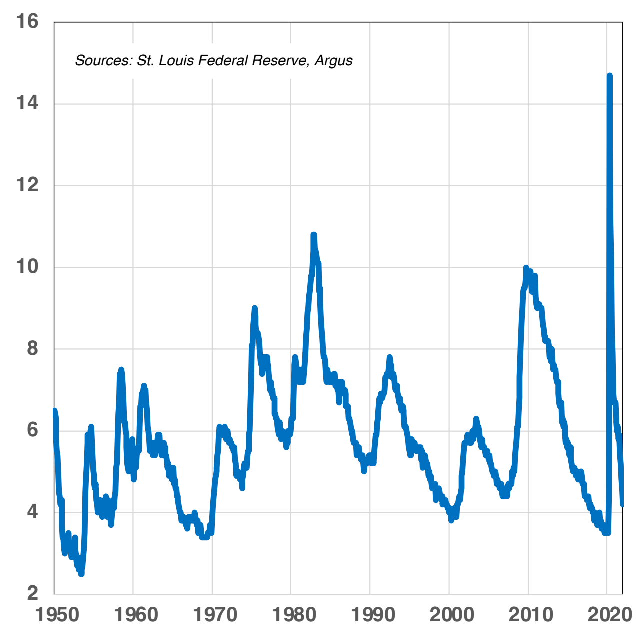
HOLIDAY RETAIL SALES FORECAST (GROWTH Y/Y)



JOBS GROWTH STALLS IN NOVEMBER

The U.S. economy added 210,000 jobs in November, well below the 546,000 jobs created in October and the consensus forecast of 550,000 jobs. The unemployment rate dropped four-tenths of a percent to 4.2%. The number of unemployed persons fell to 6.9 million in October — still about 20% above pre-pandemic levels. Average hourly earnings rose $0.08 month-to-month and 4.8% from the prior year. Revisions for September and October added another 82,000 jobs. In November, job gains occurred in professional and business services, transportation and warehousing, construction, and manufacturing. Retail was lower. The report surprised Wall Street, which had expected continued growth as the impact of the Delta variant faded. In the coming months, employment growth may also be suppressed by the new Omicron variant.

U.S. UNEMPLOYMENT RATE (%)

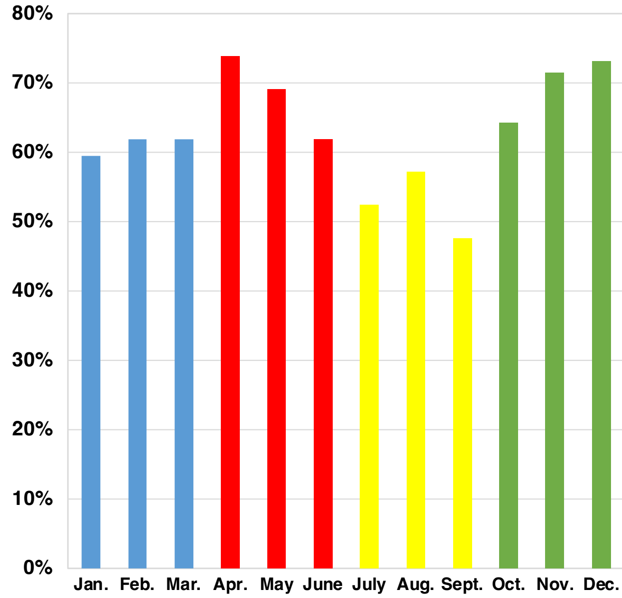


FINANCIAL MARKET HIGHLIGHTS

DECEMBER USUALLY A WINNER

Since 1980, December has one of the highest batting averages (or winning percentages for stock-market performance) of any month. Stocks rise in December 73% of the time, compared to an average of 63% for all other months. The other top months for stocks are April (74%) and November (71%, after factoring in a 0.8% decline in 2021). On average in December, stocks have risen 1.3%. The best Decembers have been 1991 (+11.2%), 1987 (+7.3%), 2010 (+6.5%), 1999 (+5.8%), and 1998 (+5.6%). There have been clunkers: 1980 (-3.4%), 1981 (-3.0%), 1986 (-2.8%), and 2018 (-9.2%). The month usually starts fast, as nonfarm payrolls are reported and IPOs are launched before the holidays. The Fed will be meeting in the month and is expected to keep rates steady. However, the Omicron variant has resulted in increased economic uncertainty. Selloffs may present opportunities for generating tax losses or for buying quality stocks on sale.

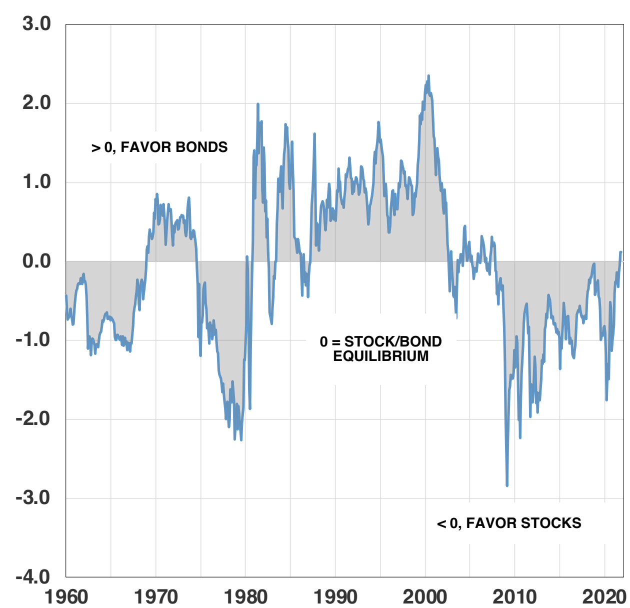
MONTHLY BATTING AVERAGES
% CHANGE IN S&P 500



STOCKS, BONDS REMAIN OVERVALUED

Our bond/stock asset-allocation model indicates that stocks and bonds – both of which are overvalued against their own metrics – are near fair value against each other. Our model takes into account current levels and forecasts of short-term and long-term fixed-income yields, inflation, stock prices, GDP, and corporate earnings. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model, going back to 1960, is a modest premium for stocks of 0.15 sigma, with a standard deviation of 1.0. The current valuation level is a 0.12 sigma premium for stocks. Generally, the model has done a good job of highlighting asset-class value. Stocks were very attractive compared to bonds in the late 1970s, when benchmark Treasury rates were in the high teens before heading consistently lower. The model indicated that stocks were at a sharp premium to fair value compared to bonds prior to the “dot-com” crash of 2001 and at a premium prior to the Great Recession. In 2009, the model favored stocks over bonds – another good call. Markets can manage with premiums and discounts for extended periods. But the high valuations on stocks (currently about 50% above fair value) leave little room for disappointment. Our current recommended asset allocation model for moderate accounts is 70% growth assets, including 65% equities and 5% alternatives; and 30% fixed income, with 200 basis points of the bond allocation in cash.

BOND V STOCK BAROMETER
(STANDARD DEVIATIONS)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
7-Dec	Trade Balance	September	-$80.9Bln.	-$75.0 Bln.	-$66.7 Bln.	NA
	Non-farm Productivity	3Q	-5.0%	-5.0%	-4.9%	NA
	Unit Labor Costs	3Q	8.3%	8.5%	9.2%	NA
10-Dec	Consumer Price Index	November	0.9%	0.5%	0.7%	NA
	CPI ex-Food & Energy	November	0.6%	0.4%	0.5%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
20-Dec	Leading Economic Indicators	November	0.9%	NA	NA	NA
22-Dec	Real GDP	3Q	2.1%	NA	NA	NA
	Consumer Confidence	December	109.5	NA	NA	NA
	Existing Home Sales	November	6.34 Mln.	NA	NA	NA
	GDP Price Index	3Q	5.9%	NA	NA	NA
23-Dec	Durable Goods Orders	November	-0.4%	NA	NA	NA
	Personal Income	November	0.5%	NA	NA	NA
	Personal Spending	November	1.3%	NA	NA	NA
	U. of Michigan Sentiment	November	66.8	NA	NA	NA
	New Home Sales	November	745000	NA	NA	NA