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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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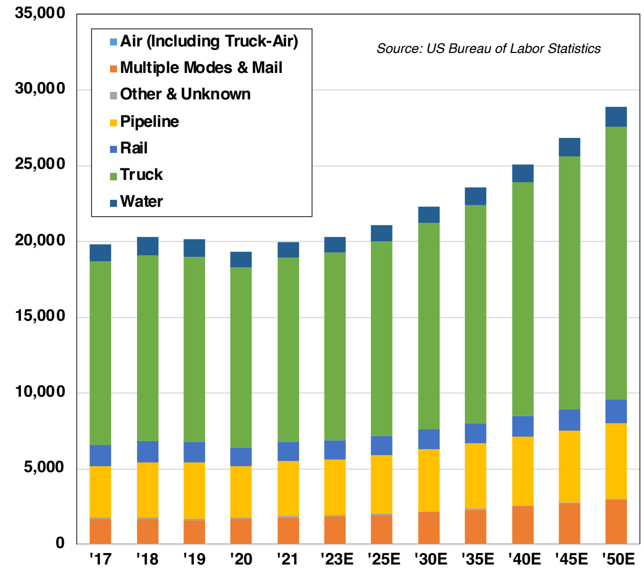
SUPPLY CHAIN GETTING BACK ON TRACK

The transportation and supply-chain industry moves goods from producers to consumers. In the early days of COVID-19, consumer demand plummeted. But as the world shifted to remote working, freight demand surged. Consumers bought office and exercise equipment, making many purchases online and driving freight levels. After the pandemic began to recede, many workers stayed home, but shifted spending patterns towards experiences, leading to a downturn in shipping. While the supply chain has started to normalize, it remains out of balance, with periods of rising shipping demand likely to make the timely sourcing goods and inventories challenging. The transportation and supply-chain industry accounts for almost 2% of the S&P 1500 market capitalization and just over 2% of the revenue generated by companies in the index. The largest 20 companies by market cap collectively generated revenues of almost $400 billion in 2022. These companies employ over 8 million workers, with over 26% of them working in truck transportation. According to the U.S. Department of Transportation's Bureau of Transportation Statistics, the U.S. transportation system moved an average daily 55.2 million tons of freight valued at more than $54 billion. Excluding materials moved by pipeline, estimated annual freight moved will be approximately 16.4 billion tons. The majority is moved by truck, which handles about 75% of the total fright load. Water and rail freight each move about 6%, air freight less than 1%, and the remaining is moved by multiple modes.

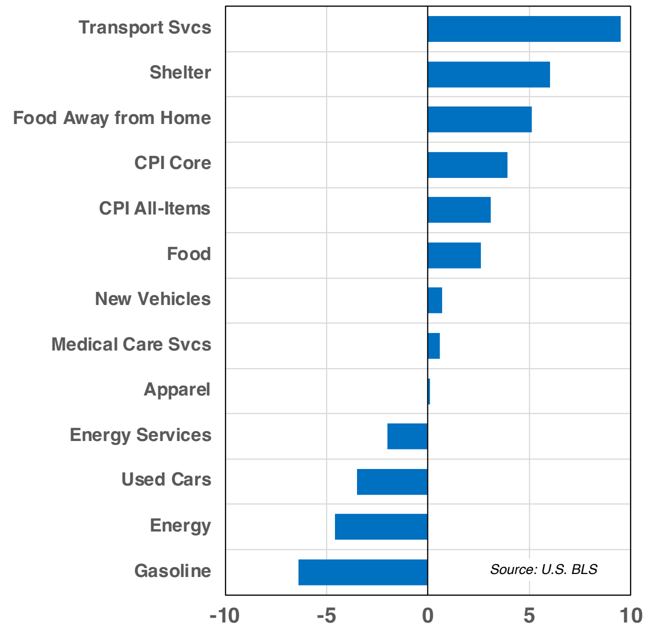
FREIGHT BY TYPE (MILLIONS OF TONS)



INFLATION PROGRESS SLOWS

According to the latest Consumer Price Index (CPI) report, the overall inflation rate in January of 3.1% was lower than the prior month's 3.4%. The core CPI rate, excluding food and energy, didn't move at all and remains at 3.4%. What's propping up core CPI? Transportation Services and Shelter. These categories have prices that don't typically fall sharply. Elsewhere, the Producer Price Index (PPI) measures pricing trends farther up the supply chain, at the manufacturing level. Here, we also saw a slowdown in the rate of decline. The core final demand PPI rate for January was 2.6%, steady month-to-month after having fallen from 4.4% a year ago. Nothing was terribly alarming in either report. Energy prices remain under control, and prices at the PPI Intermediate demand level continue to decline. We think the June 2022 CPI rate was the peak for the index this cycle, as the housing market cools, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The Fed lifted the feds fund rate from 0.0% to above 5.25% over the past 18 months, and the hikes are reducing inflation. We look for the U.S. central bank to be lowering rates in 2H24 as their concern shifts more toward economic growth.

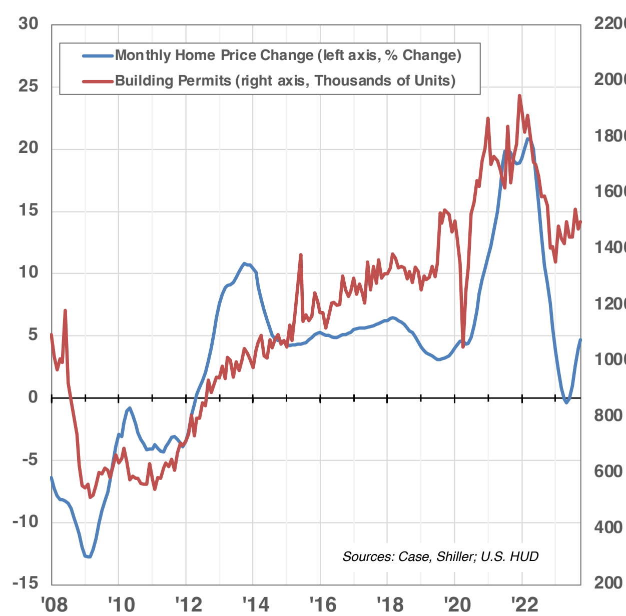
INFLATION FACTORS (% CHANGE Y/Y)



POSITIVE SIGNS FOR SPRING HOME SALES

Homebuilder confidence rose for a third month in February, according to the National Association of Home Builders (NAHB). The NAHB expects single-family starts to rise about 5% in 2024, but notes the recovery may be "bumpy." Luxury builder Toll Brothers recently provided an upbeat outlook along with better-than-consensus earnings. Recently, the Commerce Department reported January Housing Starts of 1.33 million at a seasonally adjusted annual rate, down 0.7% from a year earlier. Based on the February 16 GDPNow estimate from the Atlanta Fed, first-quarter GDP is expected to rise 2.9%, with a small, but positive, contribution from residential fixed investment. The S&P/Case-Shiller National Home Price Index jumped 5.2% in November. We expect it to rise about 3% for December. The Zillow Home Value Index was up 2.6% in December and 3.1% in January. In this evolving housing market, Argus recommends companies with solid financial strength and that are adapting to market conditions.

HOUSING-MARKET TRENDS

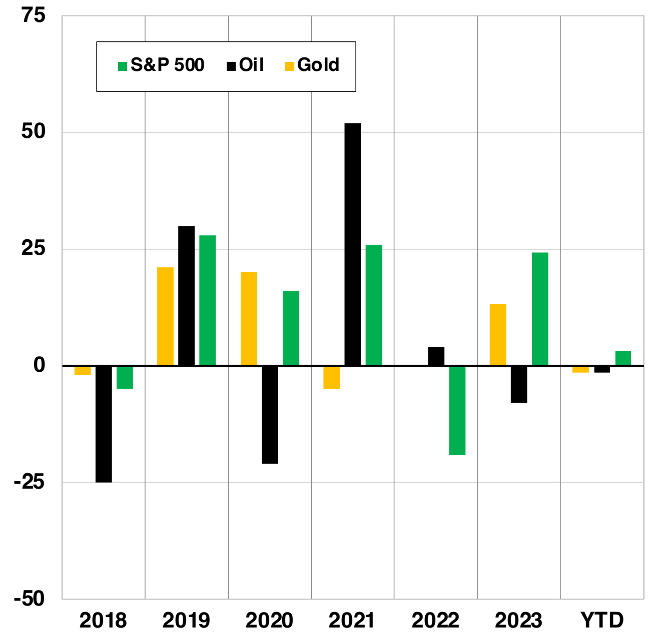


FINANCIAL MARKET HIGHLIGHTS

WHICH IS THE BEST ALTERNATIVE?

Alternative investments often are added to diversified portfolios in order to hedge against stock- and bond-market weakness, and reduce the riskiness of overall portfolio returns. At least that's what the textbooks say. Real-time market performance can often be another matter. Of all the alternatives in the marketplace, oil and gold often zig when the broad U.S. equity market zags, and can serve as dependable alternative options. For example, in 2022, the S&P 500 plunged 19% while oil prices rose 4% and gold was steady. Last year was a strong year for stocks, and oil tumbled. Of course, there are years when all move in lockstep, such as 2019. For our asset-allocation models, we typically have alternatives constitute up to 2%-4% of the portfolios. And, given the early stage of the current equity bull market, we recommend an under-weighting in alternatives. While we still think it is early to be adding volatile Bitcoin-related securities to our models, we are encouraged about the long-term opportunities for blockchain technology. Though performing well this year, Bitcoin lost 65% in 2022. We will re-consider an exposure to cryptocurrencies once the sector approaches total market capitalization of $5 trillion, or when the regulatory outlook becomes clearer.

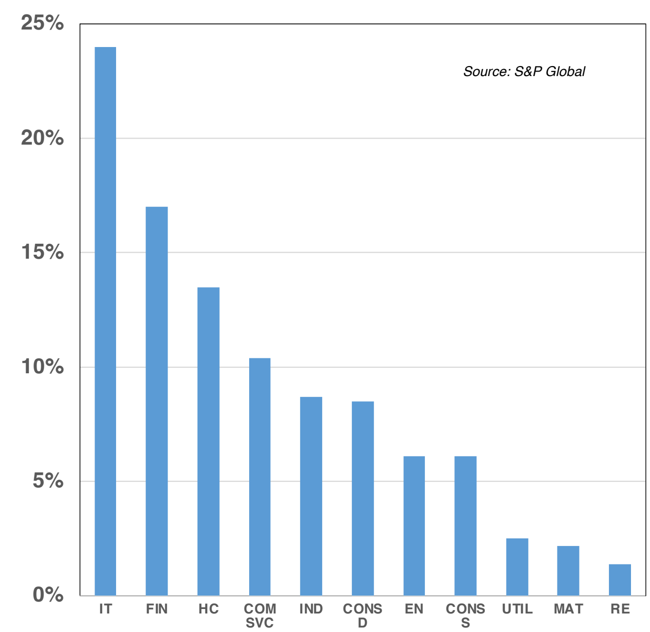
ALTERNATIVES PERFORMANCE (%)



NOT ALL SECTORS ARE EQUAL

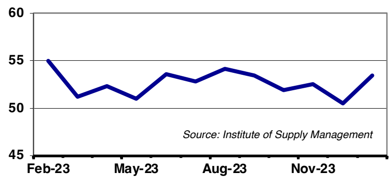
When considering earnings for the S&P 500, we think it makes sense to focus on a few key sectors that can actually make a difference. The Real Estate sector, which accounts for about 2% of S&P 500 capitalization, contributed only 1% of S&P 500 EPS during the recent 4Q EPS period, which is starting to draw to a close. Basic Materials is another 2% market weight that generates a thin 2% of total earnings. We don't think investors should be spending a lot of time on these sectors. The groups that make a difference are going to be Technology, which has accounted for 24% of the earnings, the largest contribution in a year; and Financial Services and Healthcare, which are expected to account for 17% and 14%, respectively. Not surprisingly, these are three economic sectors in which the U.S. enjoys competitive advantages versus other nations. At the next tier, the Industrial, Consumer Discretionary, and Communication Services all appear in line, with market-cap weights and earnings contributions in the 9%-10% range. We note that Energy punches above its weight, accounting for less than 4% of total market capitalization but generating 6% of S&P 500 profits.

OPERATING EARNINGS CONTRIBUTION

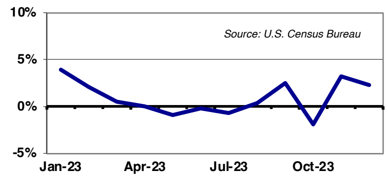


ECONOMIC TRADING CHARTS & CALENDAR

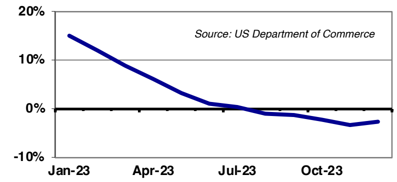
Release: **ISM Services Index**
Date: 3/5/2024
Month: February
Previous Report: 53.4
Argus Estimate: 53.0
Street Estimate: 53.0



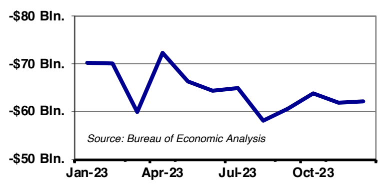
Release: **Factory Orders**
Date: 3/5/2024
Month: January
Previous Report: 2.3%
Argus Estimate: 0.7%
Street Estimate: NA



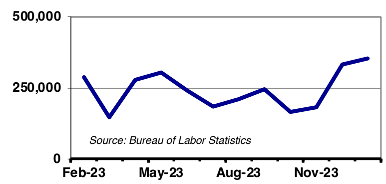
Release: **Wholesale Inventories**
Date: 3/6/2024
Month: January
Previous Report: -2.7%
Argus Estimate: -2.5%
Street Estimate: NA



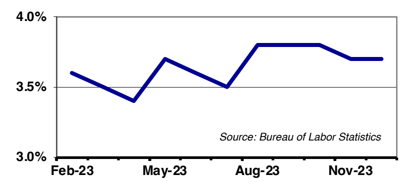
Release: **Trade Balance**
Date: 3/7/2024
Month: January
Previous Report: -$62.2 Bln.
Argus Estimate: -$62.0 Bln.
Street Estimate: -$61.5 Bln.



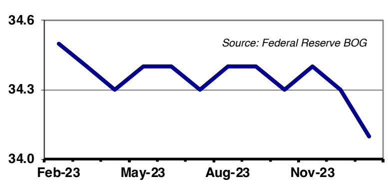
Release: **Nonfarm Payrolls**
Date: 3/8/2024
Month: February
Previous Report: 353000
Argus Estimate: 185000
Street Estimate: 190000



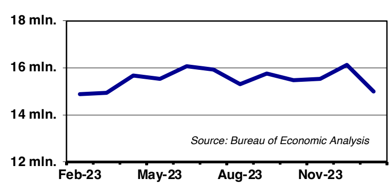
Release: **Unemployment Rate**
Date: 3/8/2024
Month: February
Previous Report: 3.7%
Argus Estimate: 3.7%
Street Estimate: 3.7%



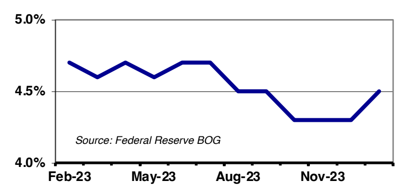
Release: **Average Weekly Hours**
Date: 3/8/2024
Month: February
Previous Report: 34.1
Argus Estimate: 34.3
Street Estimate: 34.3



Release: **Total Vehicle Sales**
Date: 3/8/2024
Month: February
Previous Report: 15.00 mln.
Argus Estimate: 15.10 mln.
Street Estimate: NA



Release: **Average Hourly Earnings**
Date: 3/8/2024
Month: February
Previous Report: 4.5%
Argus Estimate: 4.4%
Street Estimate: NA



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

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
26-Feb	New Home Sales	January	651 K	670 K	NA	661 K
27-Feb	Durable Goods Orders	January	3.5%	1.5%	NA	-0.8%
	Consumer Confidence	February	110.9	114.0	NA	106.7
28-Feb	GDP Annualized QoQ	1Q	3.3%	3.3%	NA	NA
	GDP Price Index	1Q	1.5%	1.5%	NA	NA
29-Feb	PCE Deflator	January	2.6%	2.3%	NA	NA
	PCE Core Deflator	January	2.9%	2.8%	NA	NA
	Personal Income	January	4.7%	4.8%	NA	NA
	Personal Spending	January	5.9%	2.7%	NA	NA
1-Mar	ISM Manufacturing	February	49.1	50.0	NA	NA
	ISM New Orders	February	52.5	51.0	NA	NA
	Construction Spending	January	13.9%	9.0%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Mar	Consumer Price Index	February	3.1%	NA	NA	NA
	CPI ex-Food & Energy	February	3.9%	NA	NA	NA
14-Mar	PPI Final Demand	February	0.9%	NA	NA	NA
	PPI ex-Food & Energy	February	2.0%	NA	NA	NA
	Retail Sales	February	0.6%	NA	NA	NA
	Retail Sales ex-autos	February	1.2%	NA	NA	NA
	Business Inventories	January	0.4%	NA	NA	NA
15-Mar	Industrial Production	February	0.0%	NA	NA	NA
	Capacity Utilization	February	78.5%	NA	NA	NA
	Import Price Index	February	-1.3%	NA	NA	NA
	U. of Michigan Sentiment	March	79.6	NA	NA	NA