THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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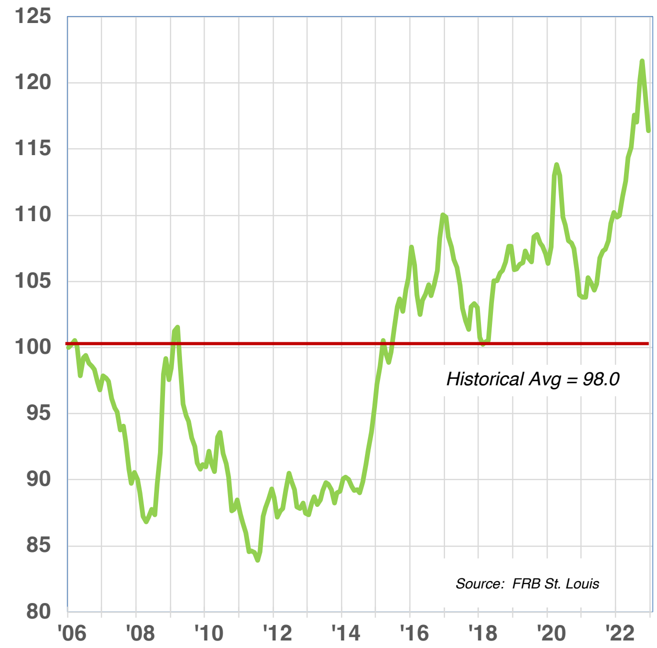
DOLLAR DROPS FROM HIGHS

The dollar has dropped 5% from its cycle highs over the past two months, falling as the outlook for further aggressive rate hikes has cooled. The greenback spiked early in the pandemic, when global investors flocked to the security of assets denominated in U.S. currency. After peaking in April 2020, the greenback declined in 2021 but then rose again for much of 2022, driven by uncertainty surrounding the Russian invasion of Ukraine, soaring inflation, and higher global interest rates. By October, on a real trade-weighted basis, the dollar was 23% above its average valuation over the past 20 years. But inflation in the U.S. has trended lower since the summer, and the Federal Reserve has started to back away from its ultra-aggressive rate hike campaign. Looking ahead, we anticipate a trading range near current levels for the greenback for the balance of the year. That's because we think U.S. GDP growth may be uneven due to the Fed's rate hikes. In addition, we expect higher rates to increase interest payments as a percentage of GDP from recent lows of 1.5%. Lastly, the still-high valuation of the greenback implies that other currencies -- and even gold or other commodities -- are possibly undervalued, and we would expect traders to bid up those values over time.

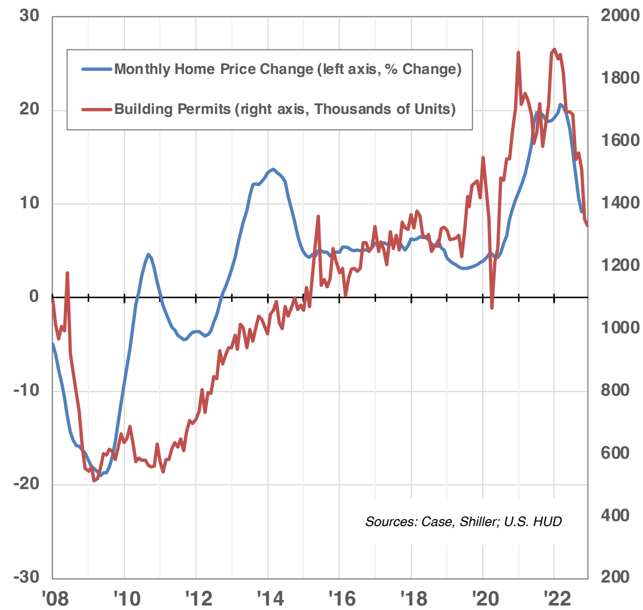
U.S. DOLLAR TREND
REAL TRADE-WEIGHTED U.S. DOLLAR INDEX



HIGHER RATES SPELL END TO HOUSING SECTOR GROWTH

Housing prices are finally starting to cool. The S&P/Case-Shiller National Home Price Index for October 2022 showed that the average price was up "only" 9.2% year-over-year -- down from a peak year-over-year increase of 12% in June. High home prices and high mortgage rates (the average rate on a 30-year fixed-rate mortgage was recently 6.15%) have made the market unaffordable for buyers, including the millions of Millennials who are starting families. KB Home recently reported that fourth-quarter home orders were down 80% from the prior year and that the cancellation rate had jumped to 68% of gross orders from 13% a year earlier. On the positive side, the National Association of Home Builders reported that builder sentiment rose by four points, to 35, in January after a string of 12 consecutive monthly declines. While it is too early to tell if this is a turning point, it does seem clear that the housing sector will not boost U.S. economic growth until pricing pressures and mortgage rates ease further.

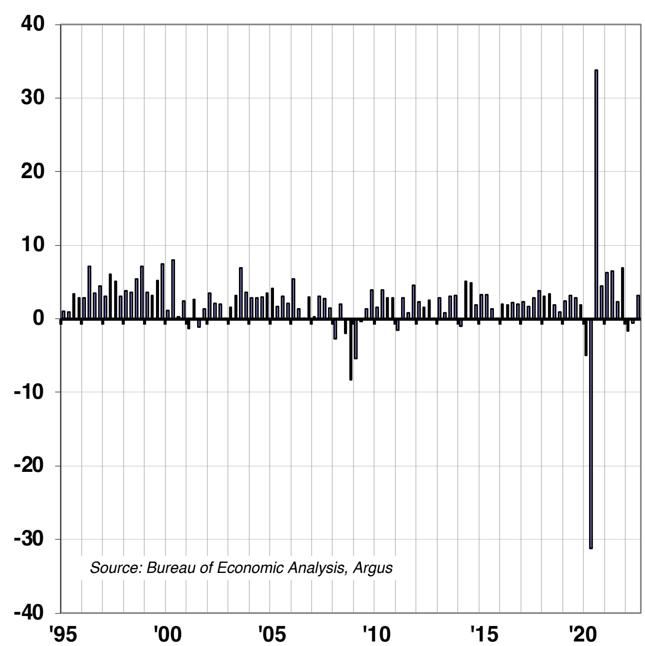
HOUSING MARKET TRENDS



GDP GREW 2.9% IN 4Q22

According to the "advance" estimate released by the Bureau of Economic Analysis, U.S. GDP expanded in 4Q22 at an annualized rate of 2.9%. Areas of strength included personal consumption expenditures on services, which rose at a 2.6% rate; personal consumption expenditures on durable goods, which rose at a 1.1% rate after falling over the previous three quarters; investment into intellectual property products, which advanced at a 5.3% rate; net exports, as exports grew 14.4% and imports declined 6.9%; government spending, which was up at a 3.7% pace; and inventories. Segments of the economy that struggled included investment in equipment (down 3.7%); exports of goods (down 7.0%); and residential investment (down 26.7%). The GDP report also contains data on inflation. The PCE price index rose 3.2% in 4Q, compared to a 4.8% increase in 3Q. Excluding food and energy prices, the PCE price index increased 3.9%, compared to an increase of 4.7% in 3Q. In our view, the report indicates that the Fed's rate hikes are already having an impact on economic conditions, as inflation has moderated and the housing sector is slumping. But the consumer remains resilient, with the pick-up in spending on durable goods a clear bright spot. Our forecasts for 2023 call for a slowdown in GDP as the Fed continues to hike rates.

REAL GDP (% GROWTH/QTR)

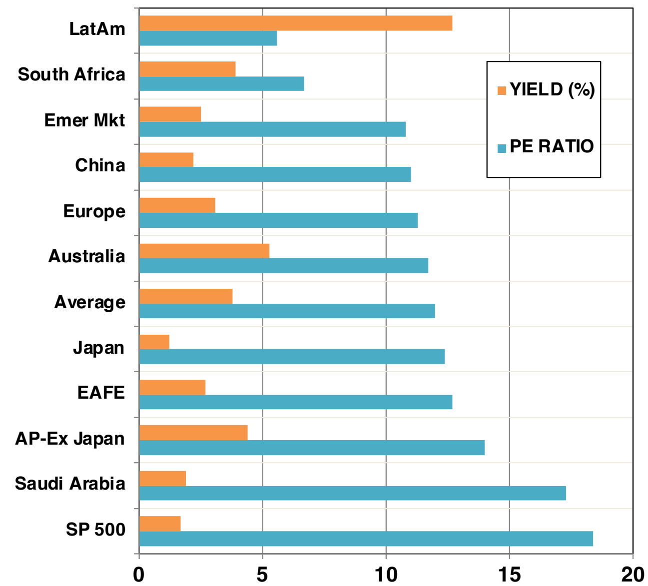


FINANCIAL MARKET HIGHLIGHTS

GLOBAL STOCKS PRICED AT DISCOUNT TO U.S. STOCKS

As global markets struggle to recover from the impact of rising inflation and the Russian invasion of Ukraine, one thing has not changed: U.S. stocks are more expensive than global stocks on numerous valuation metrics. The P/E ratio on the S&P 500 is 18, above the global average of 12 and well above the average multiples of 6-11 for emerging markets. A review of yields tells a similar story. The current dividend yield for the S&P 500 is 1.7%, versus the global average of 3.8% and Asian, Australian, and Latin American yields of 5%-12%. The region that does not completely fit the pattern is the Middle East: the average P/E on a Saudi Arabian stock is a high 17.3 and the yield is a low 1.9%. This can be blamed on high oil prices. One reason investors are generally willing to pay a higher price for North American securities is the transparency of the U.S. financial system. What is more, global returns can be volatile across individual countries given currency, security, and geopolitical risks; indeed, U.S. stocks outperformed the EAFE in 2022, and have also outperformed over the past five years.

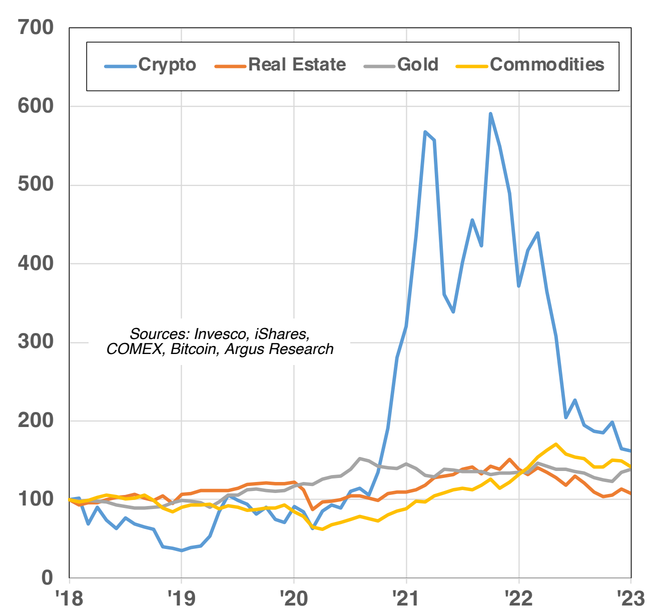
GLOBAL EQUITY VALUATION METRICS



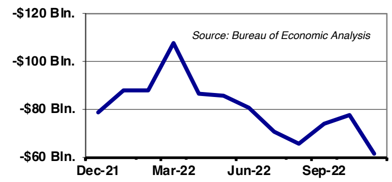
WHICH IS THE BEST ALTERNATIVE?

Alternative investments are expected to hedge against stock and bond market weakness, and reduce the riskiness of returns. At least that's what the textbooks say. The most popular alternatives include gold, real estate, commodities and, recently, Bitcoin. Only two of the alternatives -- commodities and gold -- provided respite for investors in 2022, with returns of 7% on the commodity benchmark ETF DBC and 2% for gold (according to prices from COMEX). Real estate held up early in the year, but as interest rates rose, the benchmark ETF fell sharply and finished the year down more than 20%. Each of these is better than crypto, of course. The approximately $1.0 trillion cryptocurrency market (Bitcoin, Dogecoin, Ethereum, Stablecoins, etc.) has tumbled from $3.7 trillion in recent months amid high volatility and a risk-off move in the markets. In 2022, Bitcoin was down about 55%. Given high inflation, we think that commodities will remain in demand and are the best positioned of the alternative investment options. In our view, commodities should account for 3%-5% of portfolios, with the greatest exposure in copper and paper/corrugated packaging due to positive long-term trends in electric vehicles and e-commerce. We think that it is still too early to add volatile Bitcoin-related securities to our model portfolios at this time.

ALTERNATIVE INVESTMENT PERFORMANCE (INDEX: 1/18 = 100)



Release:	**Trade Balance**
Date:	2/7/2023
Month:	December
Previous Report:	-$61.5 Bln.
Argus Estimate:	-$65.0 Bln.
Street Estimate:	-$68.9 Bln.



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
31-Jan	Consumer Confidence	January	108.3	109.0	109.4	NA
1-Feb	ISM Manufacturing	January	48.4	48.5	48.1	NA
	Construction Spending	December	8.5%	8.0%	NA	NA
	Total Vehicle Sales	January	13.31 Mil.	14.20 Mil.	14.10 Mil.	NA
	ISM New Orders	January	45.2	46.0	NA	NA
2-Feb	Factory Orders	December	7.3%	7.0%	NA	NA
	Nonfarm Productivity	4Q	0.8%	2.2%	2.6%	NA
	Unit Labor Costs	4Q	2.4%	2.0%	1.6%	NA
3-Feb	ISM Services Index	January	49.6	50.0	50.3	NA
	Nonfarm Payrolls	January	223 K	185 K	175 K	NA
	Average Weekly Hours	January	34.3	34.4	34.4	NA
	Average Hourly Earnings	January	4.6%	4.8%	NA	NA
	Unemployment Rate	January	3.5%	3.6%	3.6%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
14-Feb	Consumer Price Index	January	6.5%	NA	NA	NA
	CPI ex-Food & Energy	January	5.7%	NA	NA	NA
15-Feb	Retail Sales	January	6.0%	NA	NA	NA
	Retail Sales ex-autos	January	7.0%	NA	NA	NA
	Business Inventories	December	15.1%	NA	NA	NA
	Industrial Production	January	1.7%	NA	NA	NA
	Capacity Utilization	January	78.8%	NA	NA	NA
16-Feb	PPI Final Demand	January	6.2%	NA	NA	NA
	PPI ex-Food & Energy	January	5.5%	NA	NA	NA
	Housing Starts	January	1382 K	NA	NA	NA
17-Feb	Import Price Index	January	3.5%	NA	NA	NA
	Leading Index	January	-1.0%	NA	NA	NA