THE ECONOMY AT A GLANCE

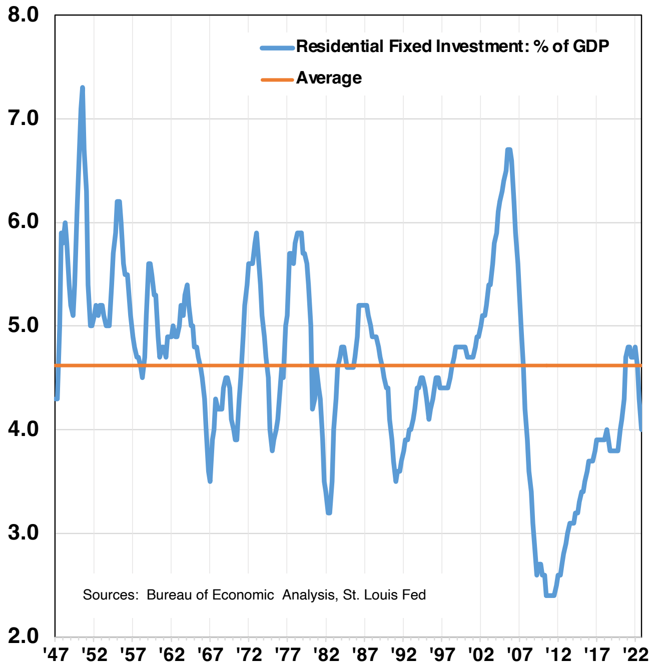
ECONOMIC HIGHLIGHTS

April 10, 2023
Vol. 90, No. 52

HOME IMPROVEMENT SPENDING POISED TO SLOW

The pace of home improvement activity is poised to slow in 2023, according to the Leading Indicator of Remodeling Activity (LIRA) from Harvard University's Joint Center for Housing Studies. The LIRA helps forecast activity and turning points in the $475 billion national repair and remodeling market. It projects 14.1% year-over-year growth in remodeling activity in 1Q23 and 9.9% in 2Q, followed by deceleration to 5.8% in 3Q23, and 2.6% in 4Q23. The National Association of Home Builders' NAHB/Westlake Royal Remodeling Market Index (RMI) tells a similar story. In the fourth quarter of 2022, the RMI declined by 17 points year-over-year to 66, but continued to signal positive sentiment. The index scale is 0-100, and values over 50 indicate that a higher percentage of remodelers view conditions as good. The Current Conditions component of the RMI slipped to 75 in 4Q22 from 89 a year earlier. The Future Indicators component dropped to 58 from 77, as backlogs declined and the pace of new inquiries slowed. Home improvement activity may be slowing, but we don't expect a significant drop. Residential fixed investment currently sits at 4% of GDP, below the post-World War II average of 4.6% and well below the peak of 6.7% before the Great Recession. In addition, more than half of U.S. homes are over 40 years old and in need of repairs. Some 90% of homeowners also have locked-in mortgage rates, many near pandemic lows around 3%. They may make improvements rather than moving.

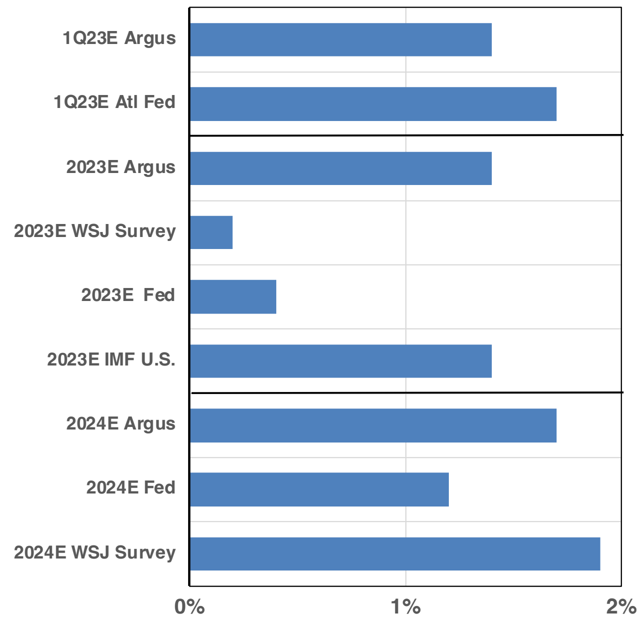
RESIDENTIAL FIXED INVESTMENT: % OF GDP



RAISING GDP FORECAST FOR 1Q23

After reviewing the latest economic fundamentals, we have raised our 1Q23 GDP growth estimate to 1.4% from 1.3%. We look for uneven growth in 2023, with the high possibility of a negative quarter or two because of higher interest rates, followed by improvement later in the year. Our full-year GDP growth forecast is 1.4%. Our preliminary GDP growth forecast for 2024 is 1.7%, as the Federal Reserve, with its tool chest once again full after hiking rates in 1H23, can contemplate rate cuts that will help to recharge economic growth. Generally, our estimates are in the range of other forecasters, though perhaps a bit higher than the consensus.

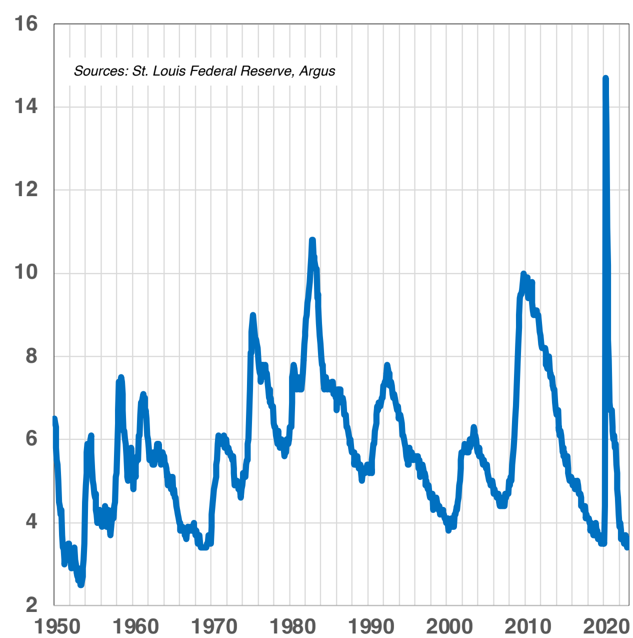
GDP ESTIMATES



UNEMPLOYMENT RATE DROPS TO 3.5%

The U.S. economy generated 236,000 new jobs in March, largely in line with consensus expectations and above our forecast of 195,000. The unemployment rate dropped to 3.5% from 3.6% in February, remaining near January's 54-year low of 3.4%. The report suggests that the economy is still too strong for the Fed to pause its rate hike campaign. Average hourly earnings increased nine cents from the prior month and are now 4.4% higher year-over-year -- but an increase in the labor participation rate may limit wage increases. In March, job gains occurred in leisure and hospitality, government, professional and business services, and healthcare. Industries absent from the outsized gains included mining, quarrying, oil and gas extraction, construction, manufacturing, wholesale trade, and financial activities. February's job gains were revised higher to 326,000 from 311,000, suggesting that the consumer segment of the economy may grow for a few more months, despite the impact of interest rate hikes and the failure of Silicon Valley Bank. The number of job openings in February decreased by 632,000 according a separate report, but it is hard to imagine the Fed easing with 9.9 million openings for 5.8 million unemployed.

U.S. UNEMPLOYMENT RATE (%)

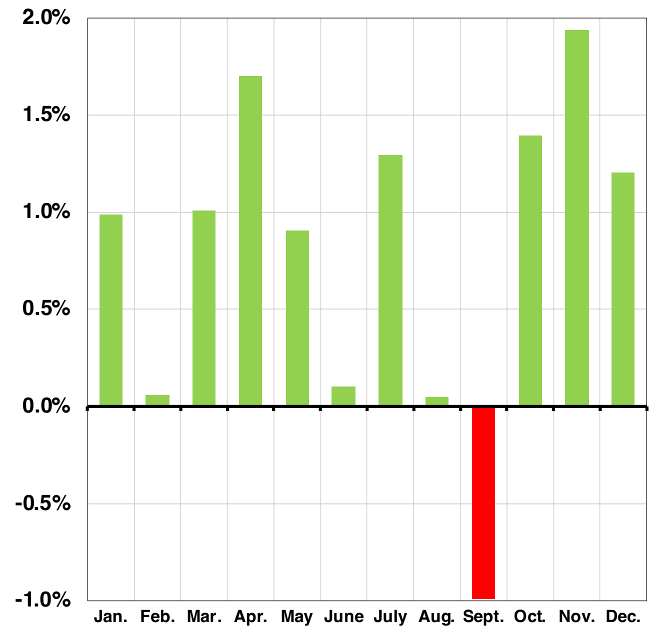


FINANCIAL MARKET HIGHLIGHTS

APRIL OFTEN GOOD FOR STOCKS

Historically, April is the second-best month of the year for stocks. The average gain for the S&P 500 in April since 1980 is 1.70%. We note that market returns in April have exceeded 5% on eight occasions since 1980, but there have been some clunkers as well. Last year, stock prices in April plummeted 8.8% as the Federal Reserve shifted into high gear in its battle against inflation. April is a busy month on Wall Street, as companies report their first-quarter results. This year, earnings are expected to start under pressure, with the early forecasts calling for a second consecutive quarter of lower earnings. Investors will focus very closely on the income statements and balance sheets of the banks. Interest rates will be an important topic as well, as the markets process the latest inflation data and prepare for the Federal Reserve's next meeting in May. As long as interest rates remain under control, stock investors may be able to build on their first-quarter gains.

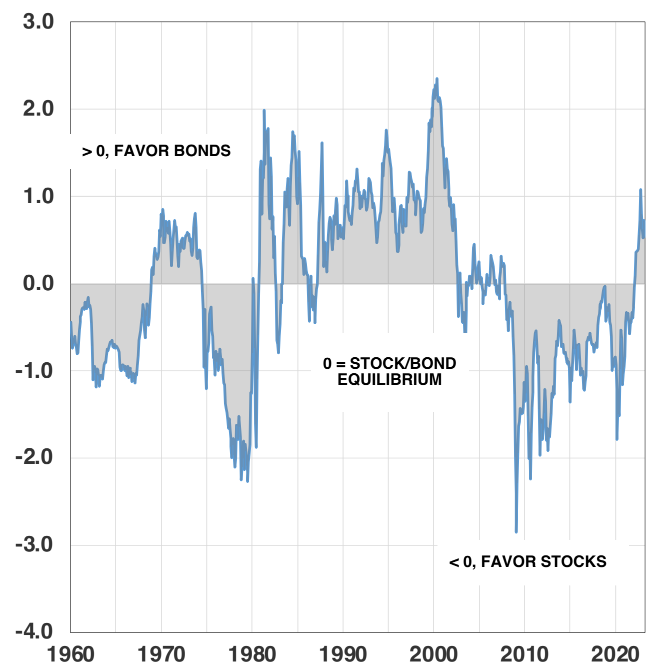
AVERAGE MONTHLY STOCK-MARKET APPRECIATION



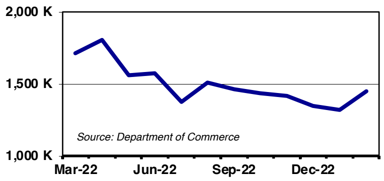
STOCK VALUATIONS IMPROVING

Our bond/stock asset-allocation model indicates that bonds are close to fair value, as rising yields have made fixed-income investments relatively more attractive over the past year. Stocks remain overvalued, though valuations have improved in recent months. Our model takes into account current levels and forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The model 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 0.54 sigma premium for stocks, which is inside the normal range and down from a premium of 0.86 a month ago. By comparison, T-bond yields are around 3.9%, coming closer to our fair value target yield of 4.8%. Generally, the model has done a good job of highlighting asset-class value, such as stocks in the late 1970s, bonds prior to the "dot-com" crash of 2001, and stocks once again at the depths of the financial crisis in 2009. Markets can manage with premiums and discounts for extended periods of time, as interest rates and stock prices fluctuate daily. Based on the current model input levels, we continue to expect a recovery in stock prices from bear-market lows in 2023 -- and are maintaining our year-end S&P 500 target of 4,300.

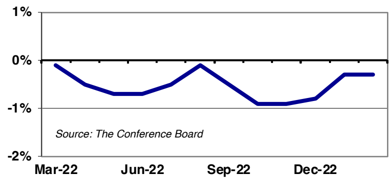
BOND V STOCK BAROMETER
(STANDARD DEVIATIONS)



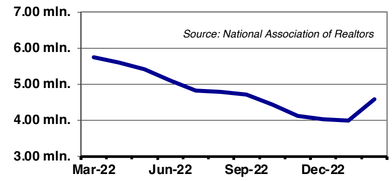
Release:	**Housing Starts**
Date:	4/18/2023
Month:	March
Previous Report:	1,450 K
Argus Estimate:	1,450 K
Street Estimate:	1,400 K



Release:	**Leading Index**
Date:	4/20/2023
Month:	March
Previous Report:	-0.3%
Argus Estimate:	-0.3%
Street Estimate:	-0.3%



Release:	**Existing Home Sales**
Date:	4/20/2023
Month:	March
Previous Report:	4.58 mln.
Argus Estimate:	4.60 mln.
Street Estimate:	4.50 mln.



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
12-Apr	Consumer Price Index	March	6.0%	5.6%	5.2%	NA
	CPI ex-Food & Energy	March	5.5%	5.3%	5.6%	NA
13-Apr	PPI Final Demand	March	4.6%	4.2%	NA	NA
	PPI ex-Food & Energy	March	4.4%	3.8%	NA	NA
14-Apr	Retail Sales	March	5.4%	4.6%	NA	NA
	Retail Sales ex-autos	March	6.8%	5.8%	NA	NA
	Business Inventories	February	11.1%	10.0%	NA	NA
	Import Price Index	March	-1.1%	-1.0%	NA	NA
	Industrial Production	March	-0.3%	-0.5%	NA	NA
	Capacity Utilization	March	78.0%	78.6%	78.7%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Apr	New Home Sales	March	640 K	NA	NA	NA
	Consumer Confidence	April	104.2	NA	NA	NA
27-Apr	GDP Annualized QoQ	1Q	2.6%	NA	NA	NA
	GDP Price Index	1Q	3.9%	NA	NA	NA
28-Apr	Personal Income	March	6.2%	NA	NA	NA
	Personal Spending	March	7.6%	NA	NA	NA
	PCE Deflator	March	5.0%	NA	NA	NA
	PCE Core Deflator	March	4.6%	NA	NA	NA

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