THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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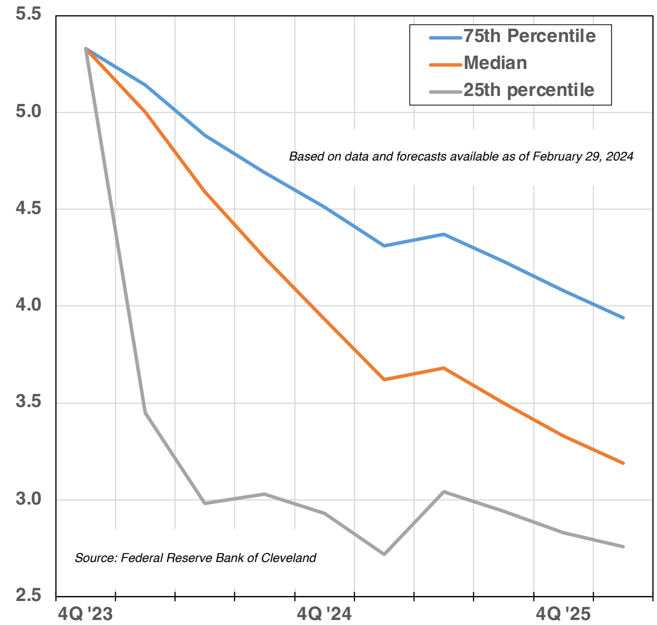
SIMPLE RULES OFFER INSIGHTS ON FED POLICY

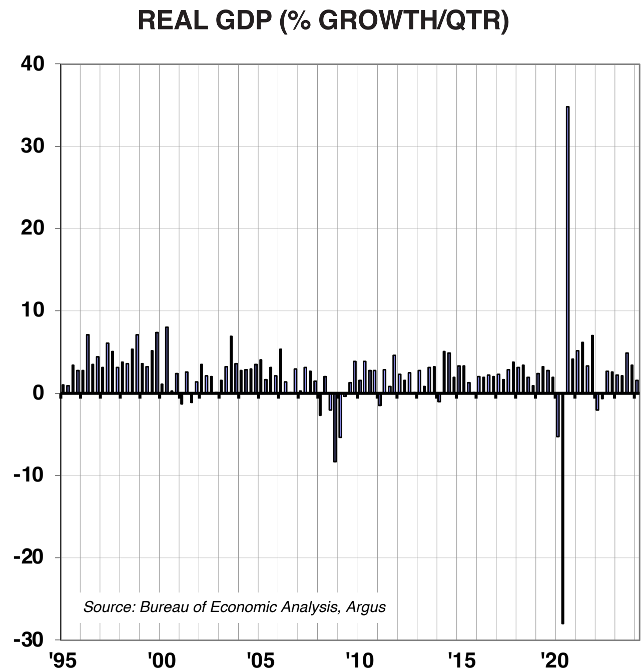
A systematic approach to understanding potential actions is more important than ever. The Fed's Monetary Policy Report contains a section on "Monetary Policy Rules." The March 2024 section says, "Policymakers regularly consult the prescriptions of a variety of simple interest rate rules without mechanically following the prescriptions of any particular rule." The report also says, "The policy rates prescribed by these rules have now declined to values that are close to the federal funds rate." In a 2016 speech, Loretta Mester, the president of the Cleveland Fed (and a current FOMC voting member) said "I believe in a systematic approach to monetary policy, but I don't believe we are at the state of knowledge where we can choose a single policy rule to set policy..." The Cleveland Fed's website provides seven "Simple Monetary Policy Rules" and three sets of forecasts for economic conditions. Our chart provides the median funds rate from these scenarios along with the seventy-fifth and twenty-fifth percentiles of estimates from the array. The current target range is 5.25%-5.5%. The best-known monetary policy rule is a formula developed by Stanford economist John Taylor. In a 2015 commentary for the Brookings Institution, former Fed Chair Bernanke offered the following. "The Taylor rule predicts that the FOMC will raise the federal funds rate by one half point: for each percentage point that inflation rises relative to the Fed's target, assumed to be 2 percent; or for each percentage that output rises relative to its potential." The Atlanta Fed's website has a Taylor Rule utility that can be customized. We expect the Fed to start reducing rates in the second half of this year.

FED FUNDS RATES BASED ON SIMPLE MONETARY POLICY RULES



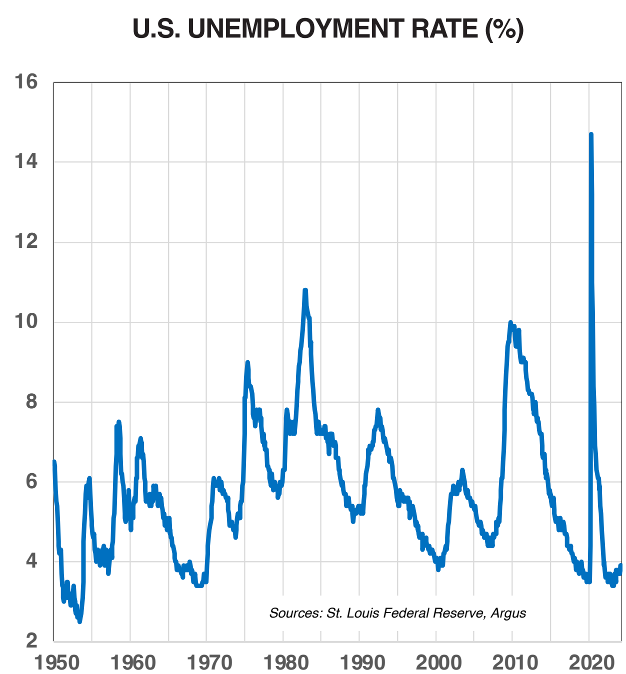
GDP GROWTH SLOWS TO 1.6%

According to the advance estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product expanded in the first quarter at an annualized rate of 1.6%, well below the 3.4% growth in the fourth quarter. Personal consumption expenditures were up 2.5%, but was carried by the huge services category, which was up 4.0%. Consumer spending on goods declined 0.4%. Within goods, nondurable goods were flat but durables were down 1.2%. We believe weakness in big-ticket categories is a sign that many consumers are feeling the weight of still-high food prices and record credit-card rates. Within this context, it may seem surprising that residential fixed investment (housing) was up 13.9%. We believe the answer is that the Millennial generation is coming of age and forming households. The GDP report also contains data on inflation, which, consistent with recent reports, came in hotter than we hoped. The PCE Price Index increased 3.4% in the first quarter, compared with an increase of 1.8% in the fourth quarter. Excluding food and energy, the index increased 3.7%, compared with an increase of 2.0% in the previous quarter. In our view, the report indicates that many consumers are feeling the weight of inflation that is lingering the after Fed's 11 rate hikes.



COOLER JOBS SUGGEST SEPTEMBER RATE CUT

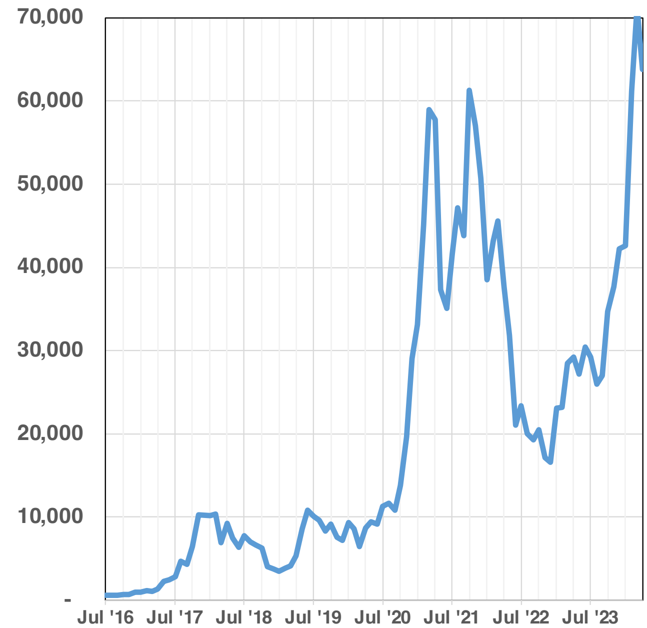
The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 175,000 new jobs in April, below the consensus of 243,000. April's increase in payrolls and revisions to the March and February results took the three-month average to 242,000, which is in line with the 12-month average of 242,000 and signals a healthy-but-cooling job market. The unemployment rate rose to 3.9% from 3.8%, which remains below the threshold for triggering the widely followed Sahm Rule recession indicator. The four-week average of initial jobless claims is 210,000, well below the 300,000 that would trigger our concerns about a potential recession. Average hourly earnings increased seven cents month-to-month and are now 3.9% higher year-over-year (compared to 4.1% in March). The average workweek dipped to 34.3 hours in April from 34.4 hours in March. Job gains occurred in healthcare, social assistance, and transportation and warehousing. Employment showed little change over the month in construction; government; mining; quarrying, oil and gas extraction; manufacturing; wholesale trade; information; financial activities; professional and business services; leisure and hospitality; and other services.



BITCOIN HALVING, NO LONGER A SURE THING

The fourth Bitcoin halving was in mid-April amid expectations of a rally for the cryptocurrency. Halving is a scheduled reduction in the amount of new coins entering the market and is intended to protect the cryptocurrency's value by ensuring its circulation is capped at 21 million. Halving occurs every four years for Bitcoin, and this time it reduced the supply of new coins awarded to miners to 3.125 tokens. Some reasoned the lower supply would lead to a run up in Bitcoin's price (as that was the case after each of the previous halvings). But since the April 19 halving date, the price of Bitcoin has fallen. The unexpected results remind us that investing in crypto comes with risk and the underlying market doesn't always react as planned. We expect volatility in cryptocurrencies to continue in the near-term as evolving regulations meant to stabilize the market could undermine the benefits of decentralization.

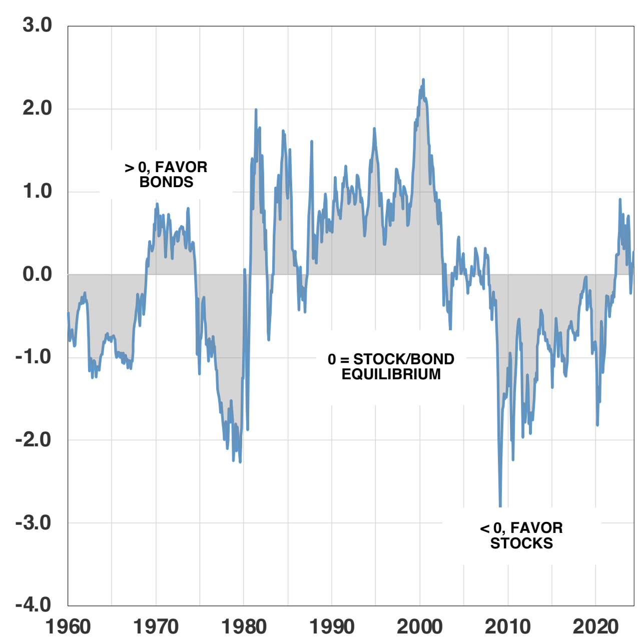
BITCOIN PRICE TRENDS (USD)



ASSET CLASSES STILL NEAR EQUILIBRIUM

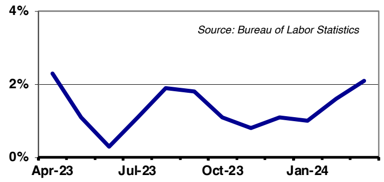
Our stock/bond asset-allocation model, which we call the Stock Bond Barometer, is indicating that bonds are the asset class offering the most value at the current market juncture. But not by much. Our model takes into account current levels and forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The 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 0.97. In other words, stocks normally sell at a premium valuation. The current valuation level is a 0.28 sigma premium for stocks, just above the historical average but down sharply from 0.85 at the end of 3Q23. Other valuation measures also show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is approximately 19, within the normal range of 13-24. The S&P 500 dividend yield of 1.4% is below the historical average of 2.9%, but up from an ultralow 1.2% in 2021. That current dividend yield is 28% of the 10-year Treasury bond yield, compared to the long-run average of 39% and the all-time low of 18% during 1999. Further, the gap between the S&P 500 earnings yield and the benchmark 10-year government bond yield is about 315 basis points, compared to the historical average of 400. Looking ahead, we expect the results from our valuation model to favor stocks, as interest rates head lower in 2024 and EPS growth picks up.

STOCK BOND BAROMETER
(STANDARD DEVIATIONS)

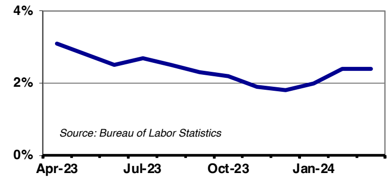


ECONOMIC TRADING CHARTS & CALENDAR

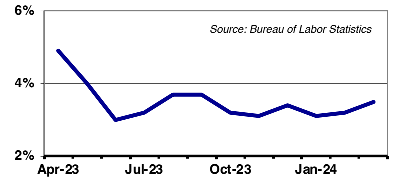
Release:	**PPI Final Demand**
Date:	5/14/2024
Month:	April
Previous Report:	2.1%
Argus Estimate:	2.2%
Street Estimate:	NA



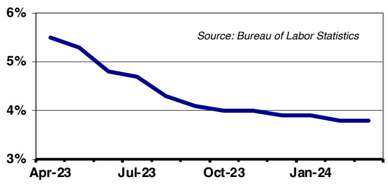
Release:	**PPI ex-Food & Energy**
Date:	5/14/2024
Month:	April
Previous Report:	2.4%
Argus Estimate:	2.4%
Street Estimate:	NA



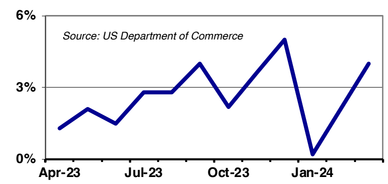
Release:	**Consumer Price Index**
Date:	5/15/2024
Month:	April
Previous Report:	3.5%
Argus Estimate:	3.5%
Street Estimate:	NA



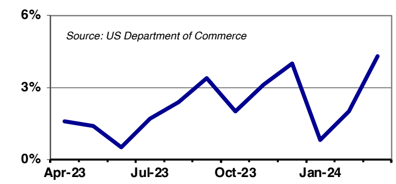
Release:	**CPI ex-Food & Energy**
Date:	5/15/2024
Month:	April
Previous Report:	3.8%
Argus Estimate:	3.7%
Street Estimate:	NA



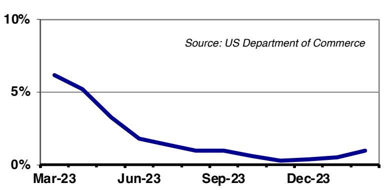
Release:	**Retail Sales**
Date:	5/15/2024
Month:	April
Previous Report:	4.0%
Argus Estimate:	1.9%
Street Estimate:	NA



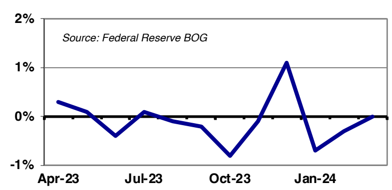
Release:	**Retail Sales ex-autos**
Date:	5/15/2024
Month:	April
Previous Report:	4.3%
Argus Estimate:	1.7%
Street Estimate:	NA



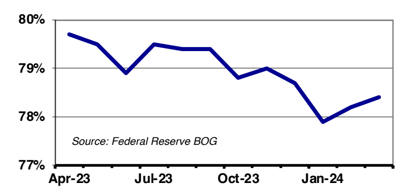
Release:	**Business Inventories**
Date:	5/15/2024
Month:	March
Previous Report:	1.0%
Argus Estimate:	1.1%
Street Estimate:	NA



Release:	**Industrial Production**
Date:	5/16/2024
Month:	April
Previous Report:	0.0%
Argus Estimate:	-0.1%
Street Estimate:	NA

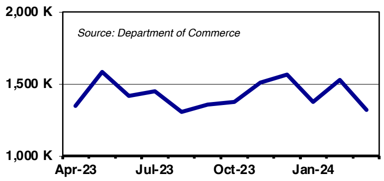


Release:	**Capacity Utilization**
Date:	5/16/2024
Month:	April
Previous Report:	78.4%
Argus Estimate:	78.2%
Street Estimate:	NA

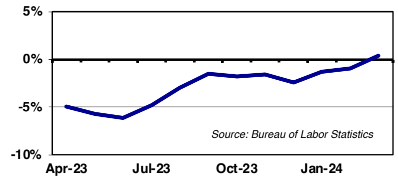


Previous Week's Releases and Next Week's Releases on next page.

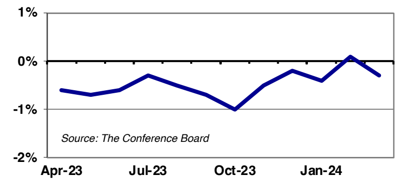
Release: **Housing Starts**
Date: 5/16/2024
Month: April
Previous Report: 1,321 K
Argus Estimate: 1,400 K
Street Estimate: NA



Release: **Import Price Index**
Date: 5/16/2024
Month: April
Previous Report: 0.4%
Argus Estimate: 0.0%
Street Estimate: NA



Release: **Leading Index**
Date: 5/17/2024
Month: April
Previous Report: -0.3%
Argus Estimate: -0.3%
Street Estimate: NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
6-May	Total Vehicle Sales	April	15.56 mln.	15.70 mln.	NA	15.74 mln.
8-May	Wholesale Inventories	March	-1.5%	-2.1%	NA	NA
10-May	U. of Michigan Sentiment	May	77.2	76.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
22-May	Existing Home Sales	April	4.19 Mln.	NA	NA	NA
23-May	New Home Sales	April	693 K	NA	NA	NA
24-May	Durable Goods Orders	April	-2.3%	NA	NA	NA

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