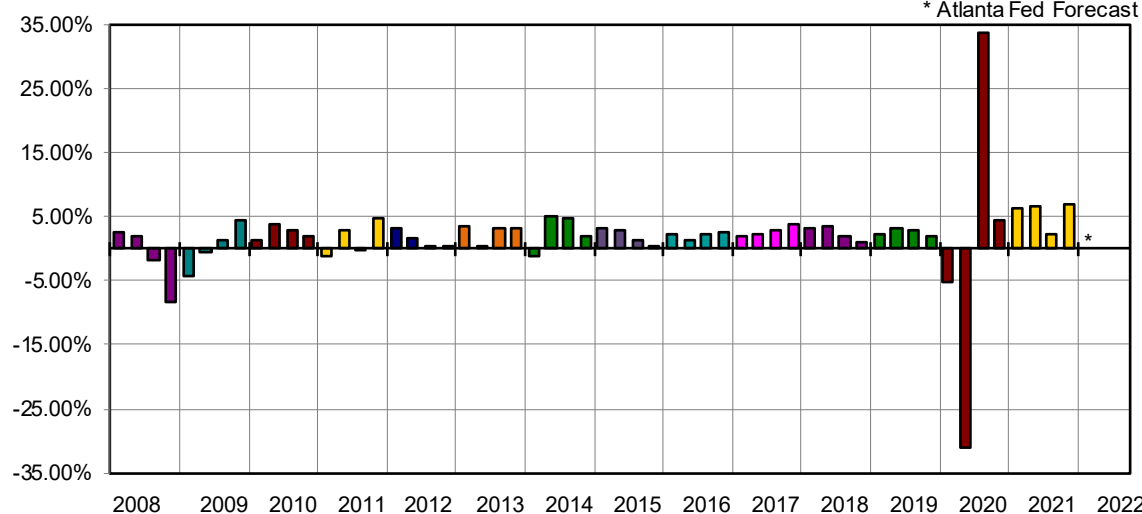


Economic Growth

In March 2020, one of the longest, but slowest expansions came to an abrupt end with the onset of the Covid pandemic. A deep global recession followed with the U.S. economy suffering substantial job losses and the 2Q 2020 GDP** dropping an astounding 31.2% on an annualized basis before rebounding 33.8% in 3Q. The U.S. economy continues to rebound, with 4Q 2021 GDP up a sizzling 7.0%. Despite supply chain & labor shortages holding 3Q growth to just 2.3%, GDP for all of 2021 grew by 5.65%, the best annual growth since 1984.

**GDP = Gross Domestic Product (the dollar value of all goods and services produced)

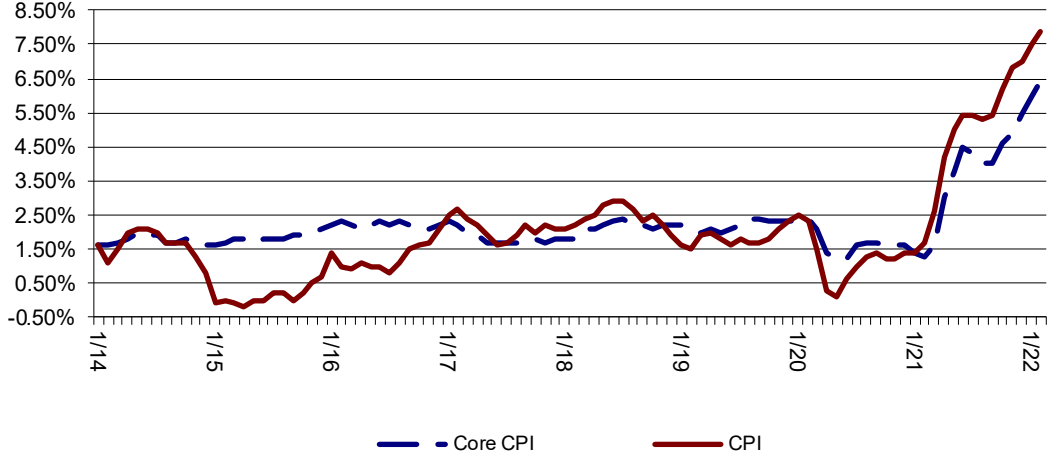
GDP Quarterly % Change



Inflation

Restarting global supply chains during an unrelenting Covid pandemic and labor shortages has proven very difficult. Widespread shortages of goods ranging from computer chips to food basics have lasted longer than expected. Inflation has spiked up to the highest levels in over thirty years, with February annual consumer inflation (CPI) hitting 7.9% and even core CPI jumping to 6.4%. Producer price inflation (PPI) for February is estimated at 8.7% as employers struggle with continuing shortages of goods and labor.

Consumer Price Inflation (YOY % Change)



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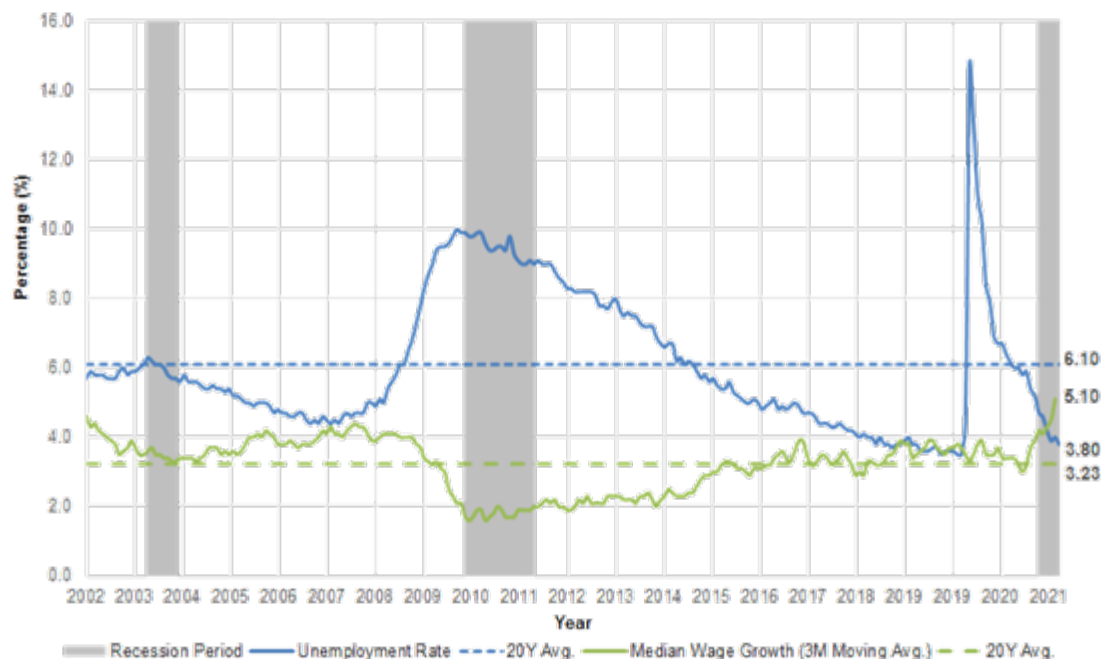


U.S. Unemployment & Wage Growth

Source: FactSet

Labor Market

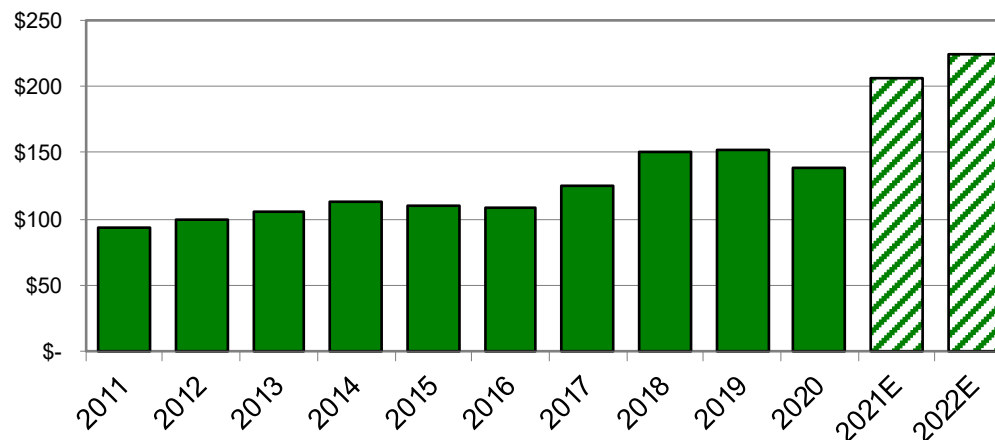
National employment remains about 4 million short of pre-pandemic levels. About half are early retirees who may not return to the work force. Others are on the sidelines for various reasons. The unemployment rate has progressed lower from a pandemic high of nearly 15% to just 3.8% in February. Job openings remain at all-time highs (11.3 million) and February showed payroll growth of just 678,000 despite the tight labor market and continuing covid issues.



Corporate Profits

Tax changes and a strong economy allowed the S&P 500 to post healthy profit growth in 2018. Profit growth in 2019 slowed dramatically as tax benefits faded and global growth waned. The pandemic hit corporate earnings hard in 2020, with earnings declining around 13%. However, S&P 500 operating earnings growth is expected to be up over 30% in 2021. 2022 earnings growth estimates are 7-8%, but remain dependent on the pandemic, supply chain problems, labor shortages, government stimulus and any tax changes.

S & P Operating Earnings



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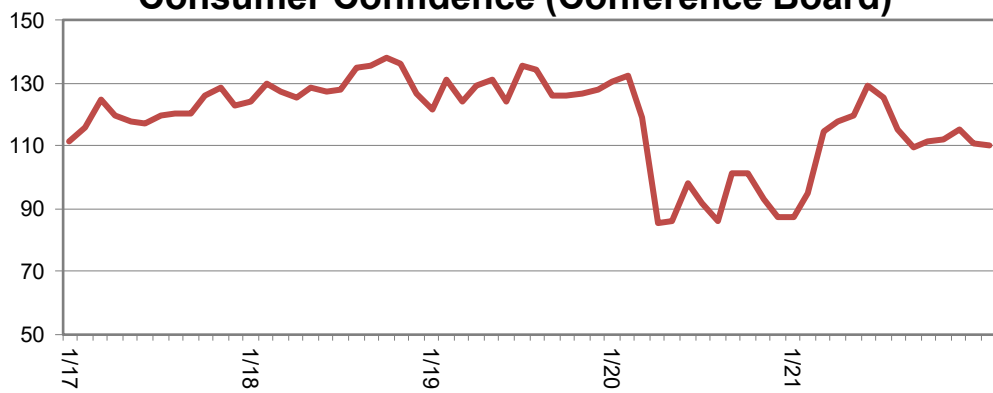
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Consumer Confidence & Spending

The Conference Board's Consumer Confidence Index topped out at 132.8 in February 2020, but by August 2020 dropped to a pandemic low of 84.8. The February 2022 reading of 110.5 shows confidence remains healthy, but has been recently hurt by COVID variants and higher inflation. U.S. consumer confidence and spending should continue to be supported by good household income and low unemployment. This should enable the U.S. to rebound faster than other global regions.

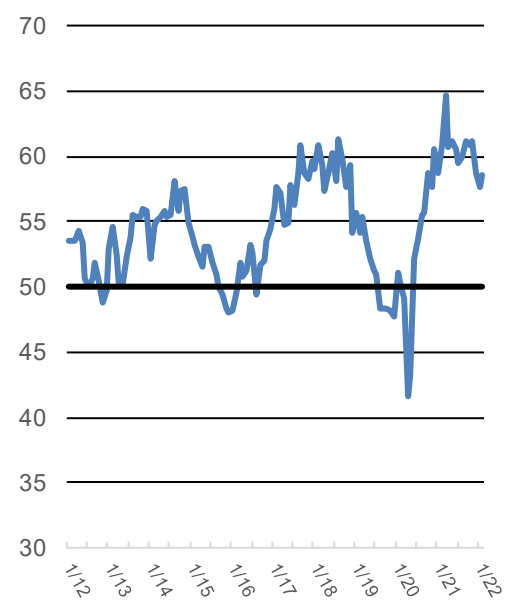
Consumer Confidence (Conference Board)



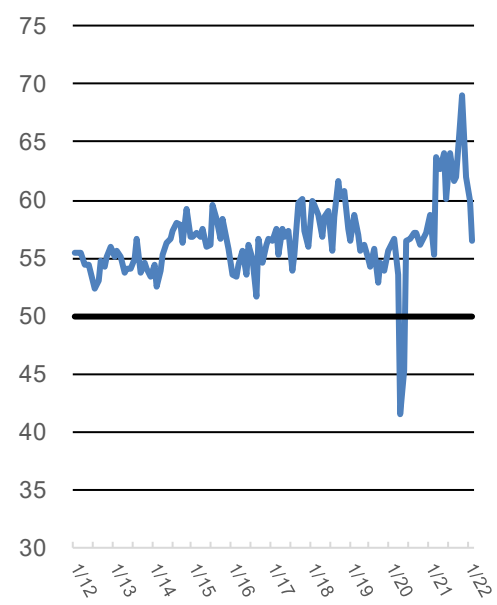
U.S. Business Environment

The U.S. ISM manufacturing index sank to an 11-year low of 41.5 at the onset of the coronavirus outbreak in April 2020, before climbing back to a 38-year high of 63.7 in March 2021. The February reading of 58.6 still shows significant growth. The ISM service index rose to an all-time high of 68.4. in November 2021 but slipped to 56.5 in February. ISM surveys indicate changes in growth from the prior month, not absolute levels of activity. Any number above 50 implies sector expansion and readings above 60 are rare.

ISM Manufacturing Index



ISM Services Index



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