INVEST
FINANCIAL CORPORATION

THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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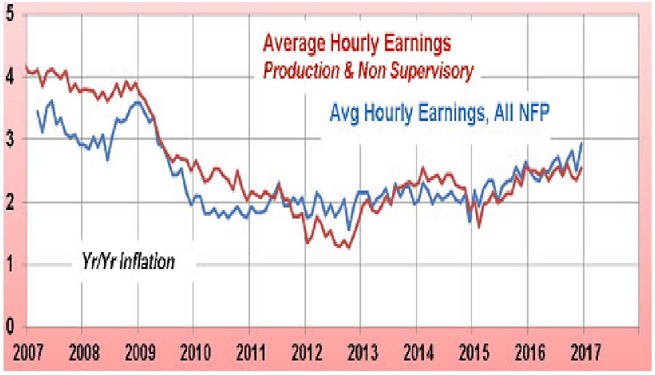
INFLATION ON THE RISE

The consumer keeps spending. Indeed, consumers bought a lot of cars and spent a lot on gasoline in December. Meantime, we see business spending picking up. Our forecasts call for real GDP growth trending towards 3% through mid-2017. Beyond that, growth will depend on the passage and timing of President Trump's pro-growth policies. Given the expectations for solid growth, there can be little surprise that inflation is on the rise. Key measures of underlying inflation and wages of all employees have been running well above the Fed's 2% inflation target. Market-based inflation indicators have surged higher since the Brexit vote. Higher inflation alone will likely justify multiple Fed hikes this year.

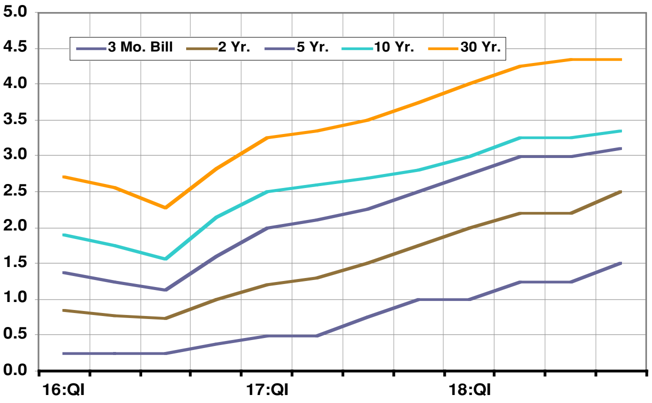
AVERAGE HOURLY EARNINGS



RATE NORMALIZATION UNDER WAY

We expect yields to continue toward "normalization" in 2017, drifting higher. We look for the central bank to raise rates 2-3 times, as real interest rates remain historically low. At the long end, we see competing forces — potentially stimulative spending programs in the U.S. versus political problems in Europe — generally resulting in higher yields. Still, we note the Trump administration likely will be focused on keeping rates low to allow the economy to percolate. Thus, our interest-rate forecasts call for higher yields in the quarters ahead, but for a modestly flattened yield curve 12 months out — suggesting economic growth could be challenging in 2018. From an asset-allocation standpoint, we think bonds remain overvalued.

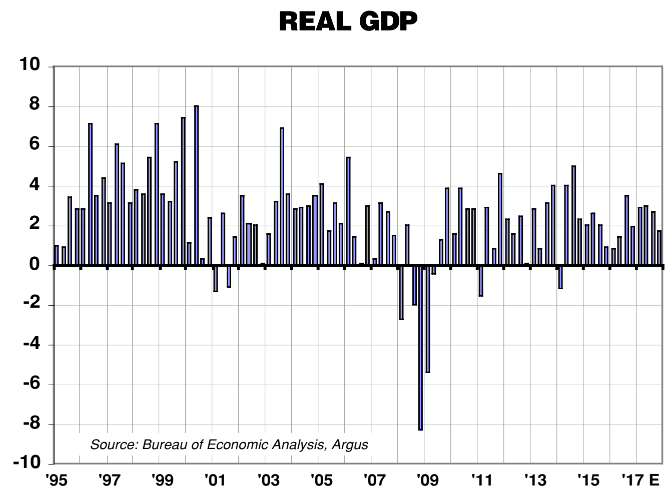
ARGUS INTEREST RATE OUTLOOK (%)



INVESTMENT PRODUCTS ARE NOT FDIC INSURED; NOT GUARANTEED; MAY LOSE VALUE.

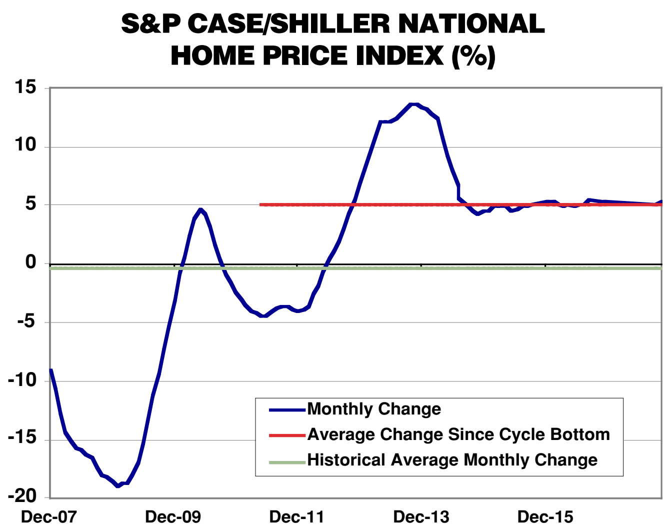
4Q GDP GROWTH SLOWS

The U.S. economy advanced at a 1.9% rate in 4Q. On the positive side, the consumer sector remained solid and cap-ex picked up. Personal Consumption Expenditures, which account for approximately two-thirds of the U.S. economy, advanced at a 2.5% rate, driven by a 10.9% surge in spending on durable goods. Gross Private Domestic Investment, or Capex, extended a rebound from three negative quarters and advanced 10.7%, including a 10.2% surge in residential investment. Exports reversed course and declined. Inventories grew. Federal government spending declined, while state & local government spending rose. Pricing pressures remain muted. For the year, GDP advanced 1.6%, down from 2.6% in 2015. The economy continues to expand, but is failing to hit on all cylinders.



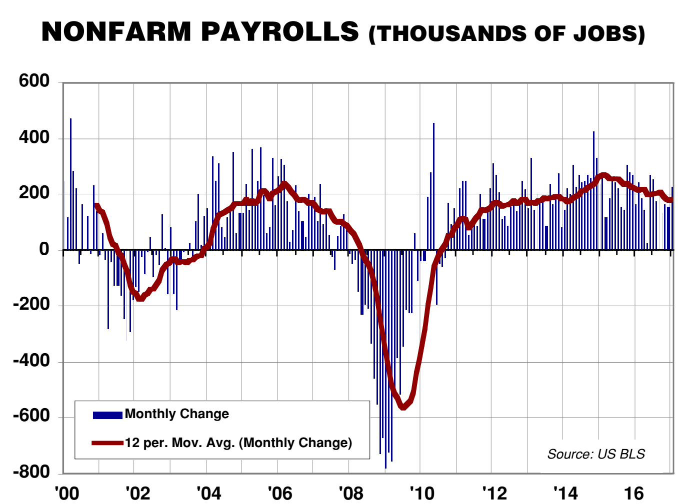
HOME PRICE TRENDS POSITIVE

The S&P/Case-Shiller National Home Price Index for November 2016 showed that prices gained 5.3% year-over-year. Looking ahead, we expect price hikes in the 4.5%-5.5% range. To make this forecast, we monitor leading indicators including inventory levels, which are relatively low. We also track new home sales, which are running at a 536,000 per year rate, below our threshold of 700,000 (at which point the industry runs the risk of a bubble). But affordability could be a problem if employment trends stall, and borrowing costs may rise due to the Fed's rate-hike campaign and possible aggressive fiscal stimulus from President Trump. These factors will likely prevent house prices from soaring. That said, white-hot conditions aren't always conducive to sustainable long-term growth in the industry.



PAYROLLS SURPRISE TO THE UPSIDE

Non-farm payrolls grew by a strong 227,000 in January, and the unemployment rate edged up to 4.8%, from 4.7%, as consumer confidence increased and people are seeking jobs. Industries that gained employees in January included retail, construction, financial, professional, healthcare and food service. The labor force participation rate, at 62.9%, rose 20 basis points. The average workweek was unchanged, but hourly earnings increased. This was the final payrolls report under President Obama. President Trump takes over an economy that is near full employment on some measures, but still contains slack. His challenge will be to lower the U6 unemployment rate. Meanwhile, wage inflation pressure is likely to trigger several interest-rate increases in 2017.

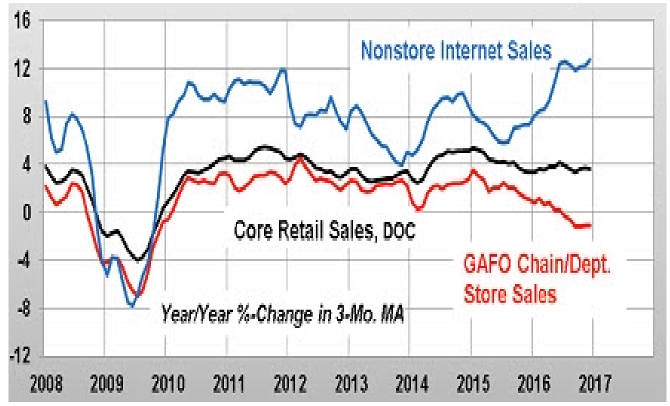


FINANCIAL MARKET HIGHLIGHTS

VERY STRONG HOLIDAY SEASON

The broadest retail sales compilation from the Census Bureau posted a 4.1% rise in December, after a revised gain of 3.9% in November. Spending on autos and parts surged 2.4% last month, reaching all-time highs as the auto sales SAAR rose over 18 million. Gas sales rose 3.3% last year after falling from mid-2014 through last October. Despite the dismal performance of GAFO chain store sales, a cyclical high rise in web sales kept core retail sales steady. GAFO sales fell more than 1% in the 4Q16 on falling general-merchandise sales. Non-store internet sales surged 12.8% in Q4, the biggest gain in over 10 years. Core sales rose 3.6% from 4Q15 thru 4Q16.

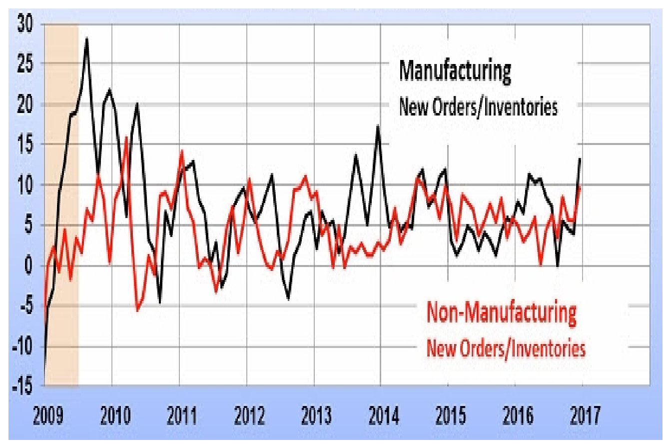
CORE RETAIL SALES



BUSINESS SPENDING HEADING HIGHER

After faltering since late 2014, orders for durable and capital goods posted their best gains in over two years in the quarter ending in November. Durable Goods orders grew at a 14.4% rate in the November quarter, vs. a 10.8% drop in August — in part on strength in Transportation orders. Capital Goods Ex Aircraft grew 15.9% in the November quarter, vs. a drop of 8.6% in the quarter before. Total capital goods were even stronger, growing 40%. We also note that ISM Orders are rising faster than inventories in both manufacturing and services. Manufacturing orders were 13% stronger than inventories in December, the highest since 2013. Services orders were 10% stronger than stockpiles. These trends point toward the need to raise production and employment.

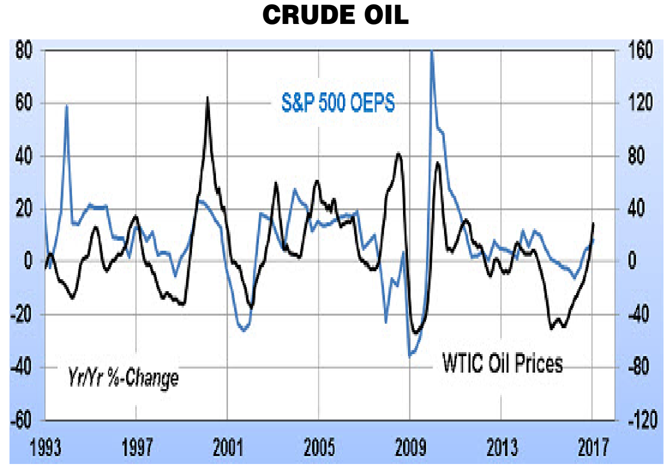
ORDER / INVENTORY SPREADS



ENERGY HEADWINDS ABATING

The swings in crude oil prices have had a huge impact on Energy sector profits during the last two recessions, as well as the 2014-15 manufacturing slump. Exploration and production trends were exaggerated by the economic outlook among the major oil consuming nations. Not surprisingly, energy prices correlate with S&P profits. Thus, easy crude oil comparisons lie ahead. Crude prices fell well below $45/bbl. in the first half of 2016, so if oil trades anywhere near the current $53/bbl., the year/ year comparisons will be 40%, 20% and 10% or better. After eight loss-making quarters, the Energy sector begins to contribute to S&P 500 profits this year in a meaningful way, beginning in the first quarter.

CRUDE OIL



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
7-Feb	Consumer Credit	December	$24.53B	$23B	$20B	NA
	U.S. Trade Balance	December	-$45.2B	-$45B	-$45B	NA
9-Feb	Wholesale Inventories	December	0.4%	0.5%	1.0%	NA
10-Feb	Import Price Index	January	0.4%	0.3%	0.3%	NA
	U. of Michigan Sentiment*	January	98.5	98.0	97.6	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
22-Feb	Existing Home Sales	January	5.49mm	5.55mm	NA	NA
24-Feb	New Home Sales	January	536k	545k	NA	NA
	U. of Michigan Sentiment^	February	NA	NA	NA	NA

** Preliminary*
*** Advance*
^Final