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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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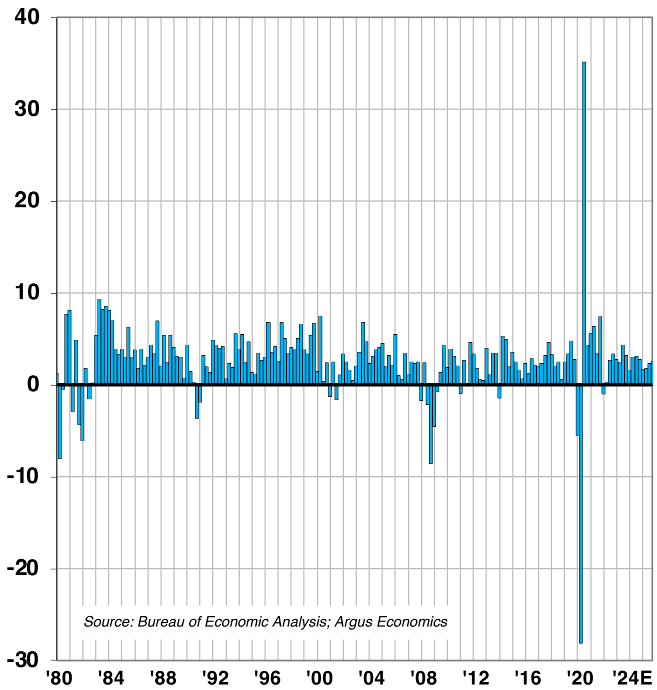
THE ECONOMY IS HEALTHY AND GROWING

The U.S. economy is strong as we start 2025. We expect to see that 4Q GDP rose 2.8% and 2024 GDP grew approximately 2.6%. At the beginning of 2024, we expected 1.7% growth for the year. We expected Personal Consumption Expenditures to average about 1.2%. The final tally could be 3%. The job market cooled but didn't freeze, and the Fed's well-telegraphed plans to cut short-term rates lead to a beneficial decline in long-term rates through the summer. While many consumers are still struggling with inflation, the wealthiest households are spending, bolstered by 2.4% unemployment for college graduates, a low, locked-in mortgage rate, and gains in their stock portfolio. Our optimism is tempered by the jump in the 10-year Treasury rate to 4.8% from 3.65% in September. Our 2025 forecast for U.S. GDP growth is 2.1%. The median estimate of Fed officials also is 2.1%. Our quarterly GDP estimates for 2025 are 1.7%, 1.8%, 2.3%, and 2.6%. Four indicators driven by a broad array of timely data support our assessment that the economy is healthy and growing. On January 9, the Federal Reserve Bank of Atlanta's GDP Nowcast was estimating 4Q growth of 2.7%. On January 10, the Federal Reserve Bank of New York's Staff Nowcast for 4Q called for 2.36% growth. The Weekly Economic Index tracked by the Federal Reserve Bank of Dallas has a 13-week moving average of 2.18%. And the Chicago Fed National Activity Index (CFNAI) improved to -0.12 in November from -0.50 in September. That all suggest the economy is growing slightly below average, but not contracting.

GDP TRENDS & OUTLOOK (% CHANGE)



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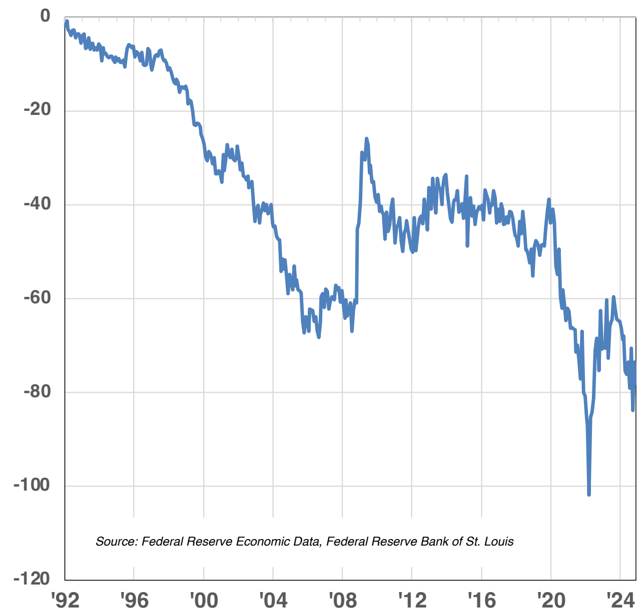
TOOLS OF TRADE

Investors are focused on President Trump's new, activist trade policies and looking to determine how these initiatives will impact U.S. companies, the U.S. economy, inflation, the dollar, and companies and countries that trade with the U.S. During his Senate confirmation hearings to become Secretary of the Treasury, Scott Bessent offered a framework for how these programs are likely to be implemented. "As we rebuild our economy and lay the foundation for the next generation of American competitiveness, we must use all the tools available to realign the international economic system to better serve the interests of working Americans." What are the "tools" he referenced? Mr. Bessent explained that the administration will use tariffs to remedy unfair trade practices either by industry or by country; to raise revenue for the federal budget; and as a negotiating tool. The ultimate impact of the tariffs on U.S. GDP is difficult to estimate, but net-net, tariffs fit into our baseline forecast that U.S. GDP growth may slow in 2025 compared to our 2.6% forecast in 2024.

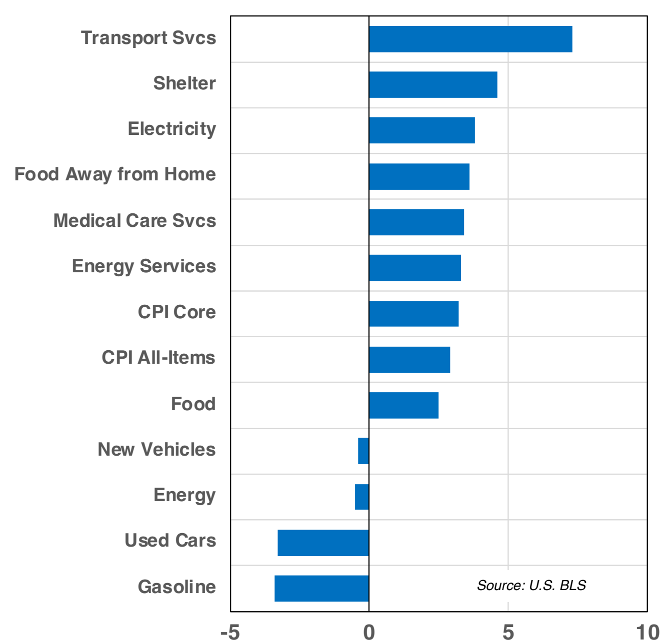
TRADE BALANCE: GOODS & SERVICES ($ BIL)



INFLATION EDGES DOWNWARD

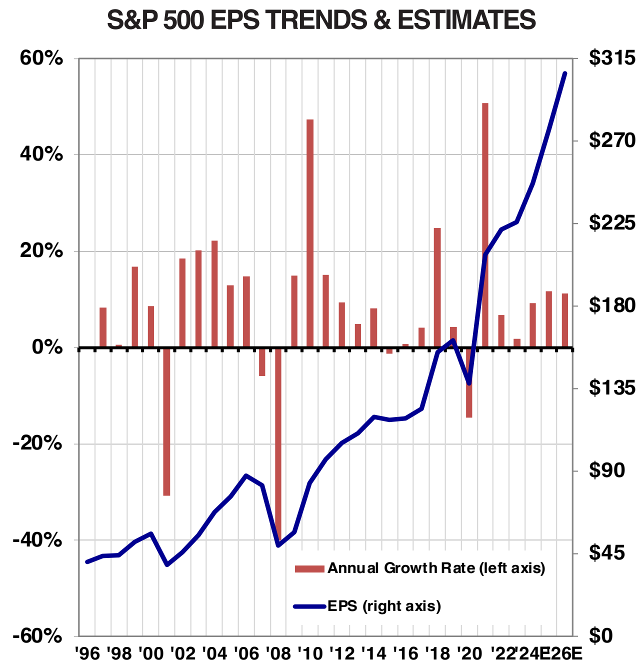
Two important inflation reports were released recently. Both indicated that pricing pressures remain well below the peak rates from summer 2022. But both also confirmed that inflation remains above the Fed's 2.0% target. For the Consumer Price Index (CPI), there were positive results. The annualized headline number ticked higher from the previous month (2.9% versus 2.7%), but the core inflation rate (ex-food and energy) ticked lower to 3.2% from 3.3%. That good news was accompanied by steady-to-lower readings in important categories such as Transportation Services and Shelter. The other inflation report was the Producer Price Index. PPI measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news also was generally positive. The PPI final demand annual rate through December was 3.3%, compared to 3.5% in November and October. And the PPI intermediate demand rates for processed goods has risen less than 1% over the past year. We expect pricing pressures to continue to ease as the housing market cools due to high mortgage rates, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The U.S. central bank shifted its policy toward lower rates in September 2024, and we expect the Fed to continue to reduce the cost of money in 2025 as its concern shifts toward economic growth.

INFLATION FACTORS (% CHANGE Y/Y)



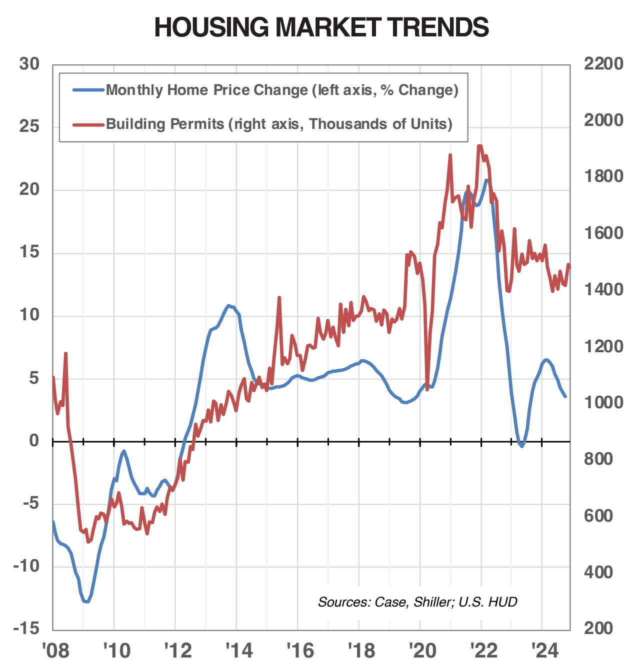
DOUBLE-DIGIT GROWTH EXPECTED

Consensus EPS estimates for 4Q24 growth range from high-single-digits to low-double-digits. This follows 9% growth in 3Q EPS and 12% growth in 2Q, according to LSEG I/B/E/S. Leading sectors for 4Q24 are expected to be Communication Services (+23% EPS growth year over year), Financial (+18%), Information Technology (+15%), and Consumer Discretionary and Healthcare (both +13%). On the downside, earnings from the Energy sector are expected to decline 27% and Industrials 4%. Revenue is expected to increase 4%, led by Information Technology (+11%) and Utilities (+8%). For 2024, our full-year earnings estimate is $247, implying high-single-digit growth from 2023 levels. Our preliminary 2025 estimate is $276, as we anticipate EPS growth will ramp up to a low-double-digit pace. Remember, companies generally exceed earnings expectations. Last quarter, three quarters of companies exceeded consensus expectations and the average beat against expectations was 7.5%.



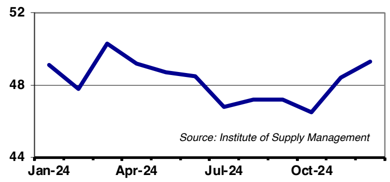
HOUSING FEELING WEIGHT OF RATES

According to the National Association of Homebuilders (NAHB), the expectations of homebuilders for future sales declined in January after six consecutive increases. The overall NAHB/Wells Fargo Housing Market Index still managed a one-point increase to 47, as current sales conditions rose by three points to 51 and traffic from prospective buyers rose by two points to 33. Expectations for the next six months slipped to 60 in January from 66 in December. Builders are hopeful about improving economic growth and more favorable regulatory conditions, but concerned that tariffs on building materials and a larger U.S. budget deficit will raise inflation and mortgage rates. An index reading below 50 indicates that more builders see conditions as poor than good. Building permits in 2024 rose 6.6% in 2024, which is a positive sign for 2025, the NAHB said. We remain upbeat on homebuilders because demographics point to strong demand amid a decades-long shortage of affordable homes.

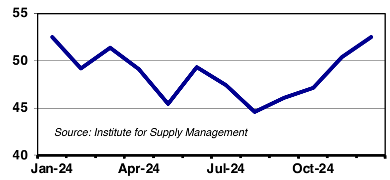


ECONOMIC TRADING CHARTS & CALENDAR

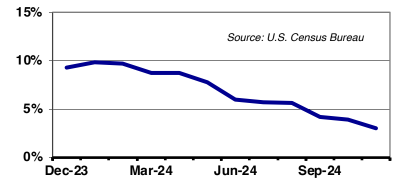
Release: **ISM Manufacturing**
Date: 2/3/2025
Month: January
Previous Report: 49.3
Argus Estimate: 49.5
Street Estimate: NA



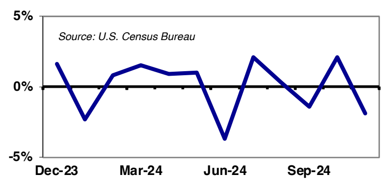
Release: **ISM New Orders**
Date: 2/3/2025
Month: January
Previous Report: 52.5
Argus Estimate: 52.0
Street Estimate: NA



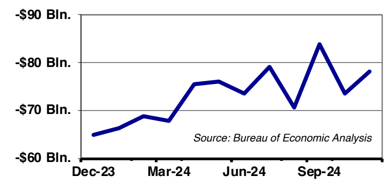
Release: **Construction Spending**
Date: 2/3/2025
Month: December
Previous Report: 3.0%
Argus Estimate: 2.5%
Street Estimate: NA



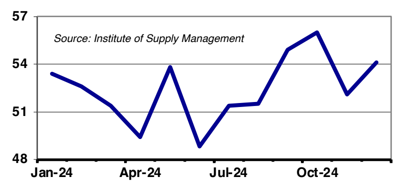
Release: **Factory Orders**
Date: 2/4/2025
Month: December
Previous Report: -1.9%
Argus Estimate: 0.2%
Street Estimate: NA



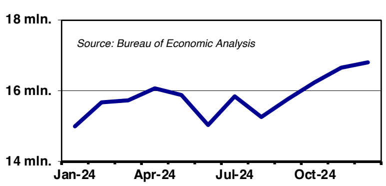
Release: **Trade Balance**
Date: 2/5/2025
Month: December
Previous Report: -$78.2 Bln.
Argus Estimate: -$78.0 Bln.
Street Estimate: NA



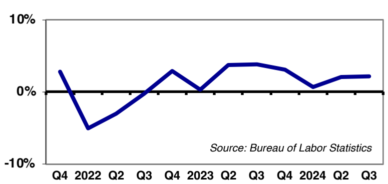
Release: **ISM Services Index**
Date: 2/5/2025
Month: January
Previous Report: 54.1
Argus Estimate: 54.5
Street Estimate: NA



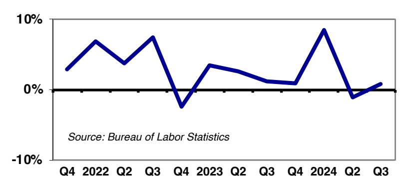
Release: **Total Vehicle Sales**
Date: 2/5/2025
Month: January
Previous Report: 16.80 mln.
Argus Estimate: 15.50 mln.
Street Estimate: NA



Release: **Nonfarm Productivity**
Date: 2/6/2025
Month: 4Q
Previous Report: 2.2%
Argus Estimate: 2.1%
Street Estimate: NA

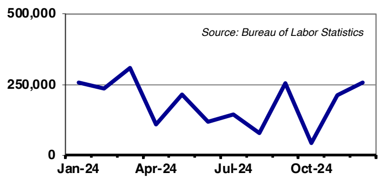


Release: **Unit Labor Costs**
Date: 2/6/2025
Month: 4Q
Previous Report: 0.8%
Argus Estimate: 0.9%
Street Estimate: NA

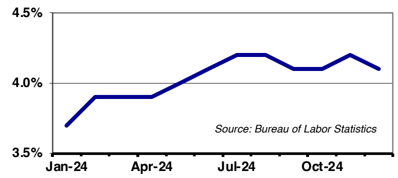


Previous Week's Releases and Next Week's Releases on next page.

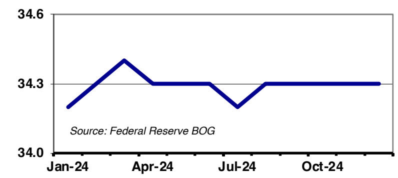
Release:	**Nonfarm Payrolls**
Date:	2/7/2025
Month:	January
Previous Report:	256000
Argus Estimate:	160000
Street Estimate:	150000



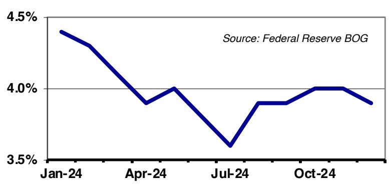
Release:	**Unemployment Rate**
Date:	2/7/2025
Month:	January
Previous Report:	4.1%
Argus Estimate:	4.1%
Street Estimate:	NA



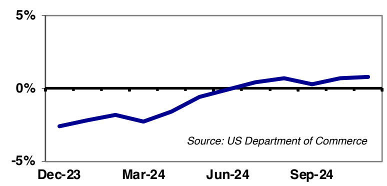
Release:	**Average Weekly Hours**
Date:	2/7/2025
Month:	January
Previous Report:	34.3
Argus Estimate:	34.2
Street Estimate:	NA



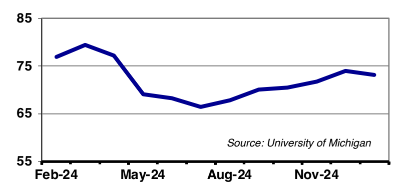
Release:	**Average Hourly Earnings**
Date:	2/7/2025
Month:	January
Previous Report:	3.9%
Argus Estimate:	3.8%
Street Estimate:	NA



Release:	**Wholesale Inventories**
Date:	2/7/2025
Month:	December
Previous Report:	0.8%
Argus Estimate:	0.3%
Street Estimate:	NA



Release:	**U. of Michigan Sentiment**
Date:	2/7/2025
Month:	February
Previous Report:	73.2
Argus Estimate:	73.0
Street Estimate:	NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
27-Jan	New Home Sales	December	**674K**	670K	670K	**698K**
28-Jan	Durable Goods Orders	December	**-6.5%**	-5.0%	NA	**-3.8%**
	Consumer Confidence	January	**109.5**	104.0	105.0	**104.1**
30-Jan	GDP Annualized QoQ	4Q "1st est."	3.1%	2.8%	2.8%	NA
	GDP Price Index	4Q "1st est."	1.9%	2.1%	2.5%	NA
31-Jan	PCE Deflator	December	2.4%	2.6%	2.6%	NA
	PCE Core Deflator	December	2.8%	2.8%	2.8%	NA
	Personal Income	December	5.3%	5.3%	NA	NA
	Personal Spending	December	5.5%	5.4%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Feb	Consumer Price Index	January	2.9%	NA	NA	NA
	CPI ex-Food & Energy	January	3.2%	NA	NA	NA
13-Feb	PPI Final Demand	January	3.3%	NA	NA	NA
	PPI ex-Food & Energy	January	3.5%	NA	NA	NA
14-Feb	Retail Sales	January	3.9%	NA	NA	NA
	Retail Sales ex-autos	January	2.9%	NA	NA	NA
	Industrial Production	January	0.5%	NA	NA	NA
	Capacity Utilization	January	77.6%	NA	NA	NA
	Import Price Index	December	2.2%	NA	NA	NA
	Business Inventories	December	2.6%	NA	NA	NA