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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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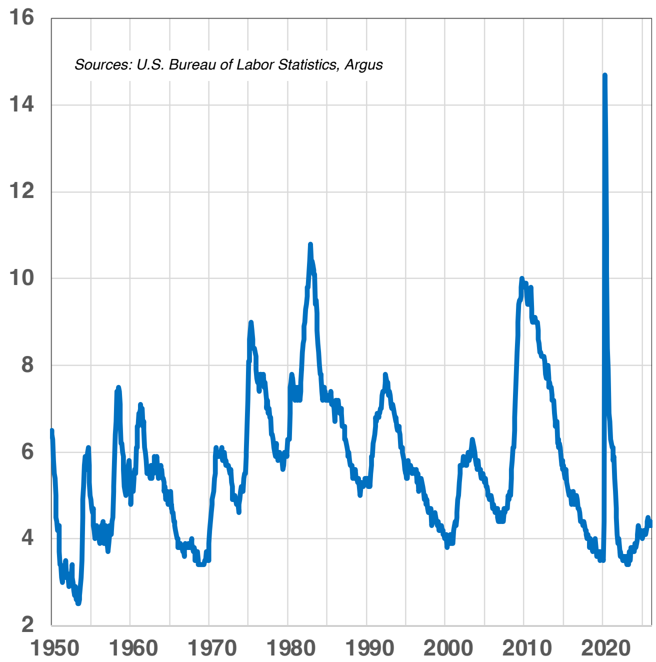
PAYROLLS TOP CONSENSUS

The Bureau of Labor Statistics (BLS) released the Employment Situation for April. The U.S. added 115,000 non-farm jobs, helped by strength in the stalwart Healthcare sector. There were also notable increases in retail trade and in transportation and warehousing. Our forecast was for an increase of 125,000 new jobs in April, while the consensus was 62,000. The results reduced the three-month average to 48,000 from 68,000 before the report, as strong payrolls in January rolled out of the calculation. March's payrolls were revised higher by 7,000 to 185,000 and February was reduced by 23,000 to a loss of 156,000. The unemployment rate was unchanged at 4.3%, which matched our estimate and consensus. Average hourly earnings increased $0.06 month to month and are 3.6% higher year over year. The average workweek rose by 0.1 hour to 34.3 hours. Employment showed little change in mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; financial activities; professional and business services; leisure and hospitality; and other services. Employment declined in information; telecommunications; motion picture and sound recording; and in computing infrastructure providers, data processing, web hosting, and related services. Specifically, information employment is down by 11.0% since its peak in November 2022. The manufacturing sector lost 2,000 jobs. Federal government employment fell by 9,000 in April and has declined by 348,000, or 11.8%, since its peak in October 2024.

U.S. UNEMPLOYMENT RATE (%)



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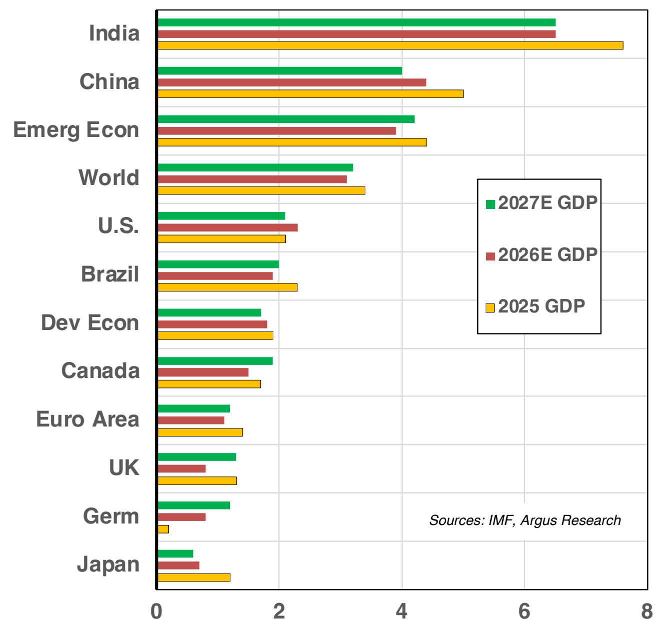
GLOBAL ECONOMIC OUTLOOK

Global economic growth is expected to dip in 2026 due to the Middle East conflict, but then pick up slightly in 2027, according to the latest World Economic Outlook from the International Monetary Fund. The world economy is expected to expand at a 3.1% rate in 2026, down from the 3.4% rate in 2025 and from the prior, pre-war forecast of 3.3%. For 2027, global growth is forecast at 3.2%. Current rates are lower than the long-term historical global growth rate of 3.8%, due to the impact in recent years of tariffs and trade wars, onshoring, inflation, and higher interest rates. But that's not to say that there aren't growth opportunities for investors around the world. For advanced economies, growth is forecast at 1.8% in 2026. This forecast has been steady in recent months, as tariffs have not had the expected bite. Among the advanced regions, the U.S. economy is expected to grow the fastest this year, at a 2.3% rate, while Europe's forecast is for 1.1% growth and Japan is estimated at 0.7%. For emerging economies, forecasts call for 3.9% growth in 2026. The clear leaders are expected to be India and China, with average growth for the next two years of 6.5% and 4.2%, respectively. These nations have different drivers: population growth in India, which points toward commodity and industrial-based infrastructure-related products; and productivity growth in China, which suggests spending on healthcare, technology, and financial services as GDP/capita grows.

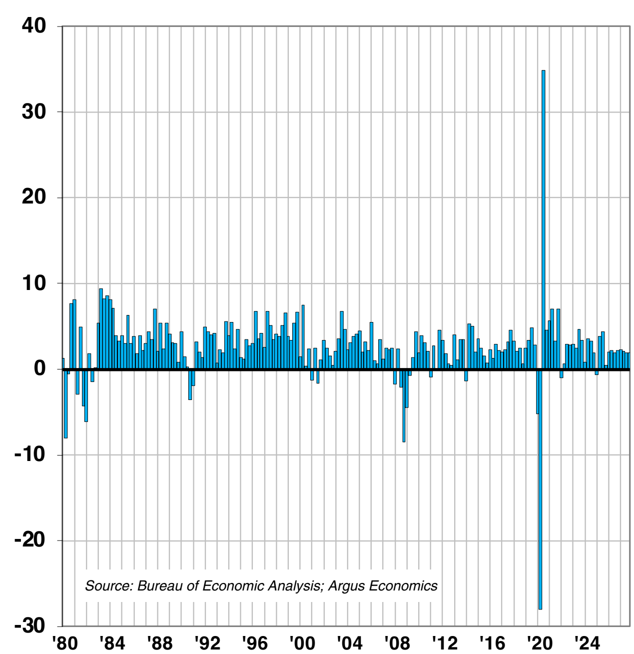
GLOBAL GDP GROWTH RATES & FORECASTS (%)



GDP GROWING WITH $4.50 GAS

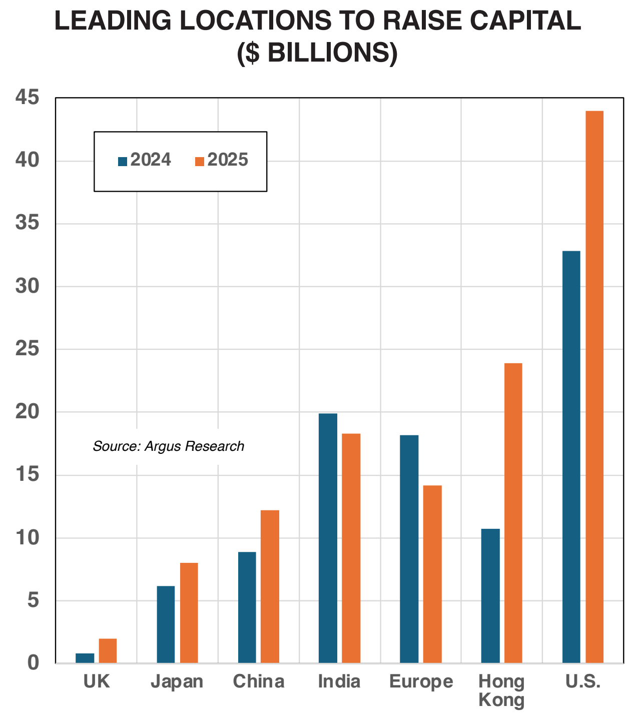
We are keeping our 2026 gross domestic product (GDP) growth forecast at 2.1%, even with gasoline at $4.50 a gallon and uncertainty around every corner. Much of the credit goes to the low unemployment rate, which we think provides the simplest and strongest explanation of the resilience of U.S. consumers. Only 4.3% of the labor force is unemployed, leaving 95.7% employed. And it is easier to fill a gas tank and pay bills when you have a paycheck. That does not mean things are easy. Many families have been coping with high prices for food, housing, transportation, healthcare, childcare, and insurance for about five years. So bigger tax returns, record stock prices, a pick-up in spring hiring, and strong investment in artificial intelligence may not be helping every family, but are supporting the overall economy. We are maintaining our 2027 estimate at 2.0%. We would become increasingly concerned about consumer spending if gas prices are above $4.00 when the back-to-school shopping season starts in July.

GDP TRENDS & OUTLOOK (% CHANGE)



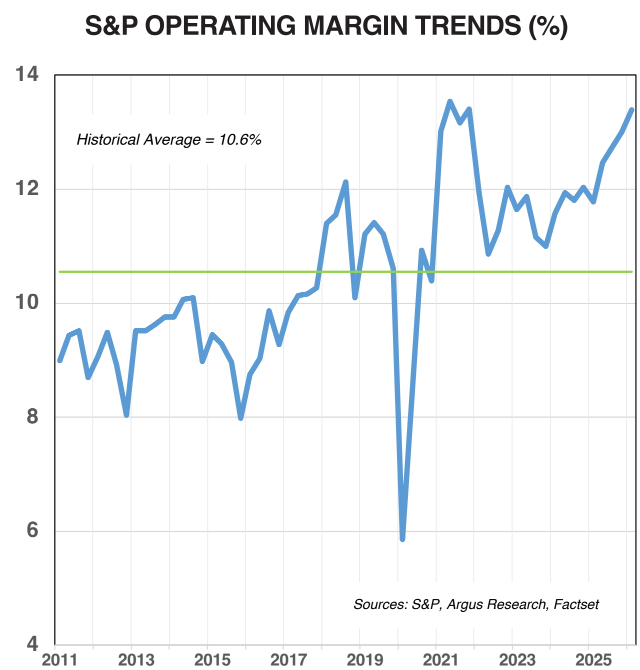
U.S. A LEADER IN CAPITAL RAISING

During 2025, global investors raised approximately $44 billion via initial public offerings on U.S. exchanges, well ahead of other global exchanges. Why is the U.S. a consistent leader in raising and allocating funds? We think key factors include the historical democratic-capitalist political/economic framework that the country has adopted over the decades. Further, the strength of the U.S. financial and banking systems is unmatched, as the U.S. dollar remains the world's leading currency. In addition, U.S. regulators demand a high degree of transparency from companies seeking to raise funds in the U.S., down to the details of publishing quarterly financial reports. While some may argue that quarterly reporting detracts managers from long-term planning, there is little denying that the fundamental structure of the U.S. markets has resulted in a large, robust, and healthy banking and economic system. In our view, the capital raising and allocating sectors are positioned for solid growth over the next few years.



PROFIT MARGINS WIDENING

Earnings season is winding down and an impressive 84% of companies beat the EPS consensus, ahead of the average 67%. There are three drivers to EPS growth: higher sales, a wider operating margin, and a lower share count. A decline in shares, the result of share buybacks, is the lowest-quality driver of growth. Higher sales, as customers demand and pay for more products and services, is the highest quality, especially when sales are driven by an increase in volume. (First-quarter revenue growth has been about 11%, or approximately 900 basis points above long-term U.S. GDP growth, which is extraordinarily healthy.) Margin management is in the middle. Consistently wider margins, quarter after quarter, are often a sign of a good management team that should be able to grow revenues faster than costs. That's a bit of a tall order in periods of rising inflation, which raises the prices of Cost of Goods Sold, and of high interest rates, which result in higher financing costs. In 1Q, the S&P 500 operating margin widened by approximately 160 basis points year over year to 13.4%, which means there's still room for margin expansion to all-time highs of 14%. This trend fits into our outlook calling for a modest widening for the S&P 500 operating margin in 2026, and for EPS growth in the mid-teens range for the year.



KEY ECONOMIC FORECASTS

- The $32 trillion U.S. economy remains on course for productive long term growth, powered by corporate investments in AI and outsized spending by wealthy households. Nvidia CEO Jensen Huang estimated, in November, that $3 - $4 trillion will be spent on AI infrastructure in the next 5 years.
- Real Potential GDP – the sustainable speed limit of the US economy is poised to increase to 2.1%, on average, through 2030 according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the labor force from an aging population and reduced immigration.
- The war in Iran is affecting millions of lives. Oil supply disruptions are a risk to affordability. We recently raised our 2026 oil price forecast to $83 per barrel from $75.
- The U.S. economy has become more resilient, more diversified and less oil dependent, but it is managing additional supply headwinds from tariffs and reduced immigration. This triumvirate could raise inflation, slow growth, and complicate Fed policy. Tax benefits and AI have helped the economy.
- A simple rule of thumb: National gasoline prices above $4.00 begin to hurt consumer spending. The current price of $4.50 would be a concern if it persists into the back-to-school shopping season.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate is below the average of 9.2% since 1949 but it has risen to 8.1% from 6.9% in January. Unemployment is low at 4.3% but the CPI rose to 3.8% in April from 2.4% in January.
- We are monitoring financial conditions and high-frequency indicators including Nowcasts and weekly jobless claims. We recently affirmed our 2026 forecast for GDP growth of 2.1%.
- Argus expects S&P 500 EPS to rise almost 16% to $315 in 2026 and increase about 15% to $363 in 2027. EPS is helped by an increase in operating margins to about 18.7% this year, well above 13.9% in pre-pandemic 2019. Growing tech giants such as MSFT and NVDA have operating margins of 47% and 60% respectively while Dow stalwarts Walmart and Caterpillar earn 4% and 17%, respectively.
- Argus Fixed Income Strategist Kevin Heal expects the Fed to reduce the funds rate by 25 basis points in 2026 and by another 25 basis points in 2027 taking the target range to 3%-3.25%. We expect the dollar to be slightly stronger in 2026 driven by foreign demand for shares of innovative U.S. companies and economic resilience.
- Gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached a record above $5,000 an ounce. We expect gold to trade in a range of $4,000 - $6,000 in 2026.
- What could go right? Low unemployment, big tax refunds, spending by wealthy consumers, strong S&P earnings, capital investment, productivity gains, inflation expectations remaining anchored, and ongoing innovation.
- Risks: Elevated Inflation, high fuel prices, a rising 10-year Treasury yield, a weak housing market, low income consumers are struggling, spending by affluent may depend on stock market gains.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
14-May	Retail Sales	April	**4.2%**	4.2%	NA	**4.9%**
	Retail Sales ex-autos	April	**5.6%**	5.6%	NA	**6.3%**
	Import Price Index	April	**2.3%**	2.4%	NA	**4.2%**
	Business Inventories	March	**1.20%**	1.2%	NA	**2.0%**
15-May	Industrial Production	April	**0.8%**	0.9%	NA	**1.4%**
	Capacity Utilization	April	75.7%	75.8%	NA	**76.1%**
21-May	Housing Starts	April	1,502K	1,350K	1,409K	NA
22-May	Leading Index	April	-0.6	-0.4	-0.30	NA
26-May	Consumer Confidence	May	92.8	92.0	92.5	NA
28-May	GDP Annualized QoQ	1Q "Second"	2.0%	2.0%	NA	NA
	GDP Price Index	1Q "Second"	3.6%	3.6%	NA	NA
	PCE Deflator	April	3.5%	3.8%	3.9%	NA
	PCE Core Deflator	April	3.2%	3.3%	3.3%	NA
	Personal Income	April	3.7%	3.5%	NA	NA
	Personal Spending	April	5.7%	5.8%	NA	NA
	Durable Goods Orders	April	2.8%	10.0%	NA	NA
	New Home Sales	April	682K	665K	655K	NA