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OLD NORTH STATE TRUST

THE ECONOMY AT A GLANCE

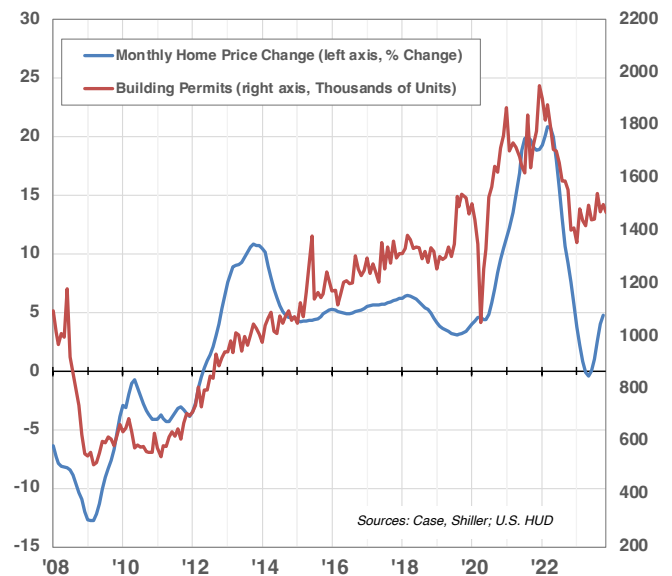
ECONOMIC HIGHLIGHTS

January 29, 2024
Vol. 91, No. 16

HOUSING MAY START TO THAW

The housing market was “frozen” in 2023, as sellers didn’t list homes because they had very low mortgage rates, this according to Zillow’s co-founder Spencer Rascoff. But in a Wall Street Journal interview, he added that the market is “starting to thaw.” One reason is that life, work, and family situations have changed for many homeowners and their residence no longer meets their needs. Prospective sellers also are adjusting to the “sticker shock” of higher mortgage rates, Rascoff added. Last month Chief Economist Laurence Yun of the National Association of Realtors’ said: “A marked turn can be expected as mortgage rates have plunged in recent weeks.” On January 8, Fannie Mae reported an improvement in their Home Purchase Sentiment Index due primarily to a “significant jump” in the share of consumers expecting mortgage rates to decline in the next year. Still, improvement in home sales may be tempered by affordability issues from high home prices, according to Fannie Mae economist Mark Palim. Housing is not expected to be a significant contributor to GDP growth based on the January 10 GDPNow estimate from the Atlanta Fed. In this evolving housing market, Argus recommends companies with solid financial strength and that are adapting to market conditions.

HOUSING MARKET TRENDS



WE FORECAST A LOWER DOLLAR IN 2024

Generally, the dollar was stable in 2023, as we expected, with the Real Trade-Weighted U.S. Dollar Index finishing the year about where it started. But it wasn't exactly a quiet year for the greenback, which declined about 5% in the first half as investors anticipated the Fed would move to the sideline by mid-year. When it became evident that the U.S. central bank was still in rate-hike mode in the second half, the dollar reclaimed lost ground and established highs for the year. Then, at year-end (and once the Fed signaled it is likely to cut rates in 2024), the greenback eased back toward current levels. We note that those levels are still 16% higher than the historical average since 2000. Looking ahead, we anticipate a modest downward trend for the greenback in 2024. Indeed, the dollar typically tracks GDP growth trends and we think U.S. economic expansion is poised to slow in coming quarters due to the Fed's rate hikes. In addition, we expect higher rates to increase the interest payments as a percent of GDP from recent lows of 1.5%, putting a modest strain on the U.S. balance sheet; the current rate is 1.8%. Lastly, the still-elevated valuation of the greenback implies that other currencies are possibly undervalued, and we would expect investors to bid up those values at a measured pace over time. For investors, a lower dollar is a positive factor for export companies.

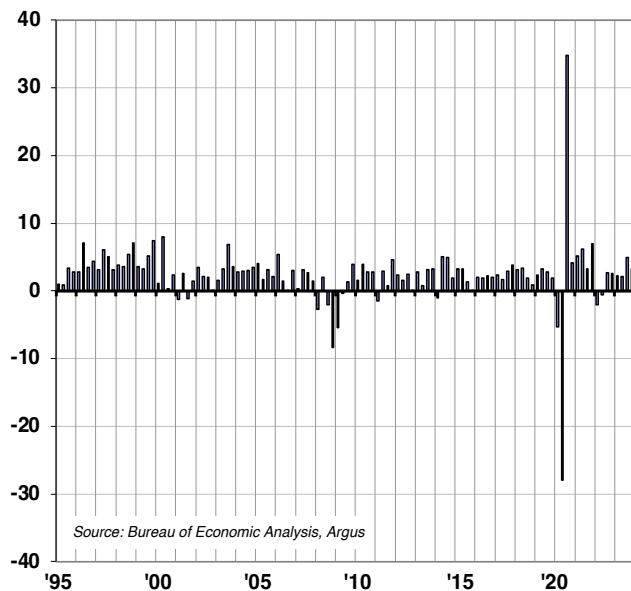
U.S. DOLLAR TREND: REAL TRADE-WEIGHTED U.S. DOLLAR INDEX



GDP STRONGER THAN EXPECTED AT 3.3%

According to the advance estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product expanded in the fourth quarter at an annualized rate of 3.3%. That's well above the 1.7% consensus, but below 4.9% growth in the third quarter. Areas of strength in 4Q included Exports of Services, which rose at a 9.5% rate; Personal Consumption Expenditures on Durable Goods, which rose at a 4.6% rate; Investment in Structures, which advanced at a rate of 3.2%; Exports of Goods, which climbed at a 4.7% rate; and Government Spending, which rose 3.3%. Segments of the economy that struggled or worked against GDP growth included Imports (which were up 1.9%). The GDP report also contains data on inflation, which was encouragingly mild amid the economy's strong growth. In our view, the report indicates that the consumer sector remains a resilient driver of overall GDP, even in the wake of the Fed's 11 rate hikes.

REAL GDP (% GROWTH/QTR)

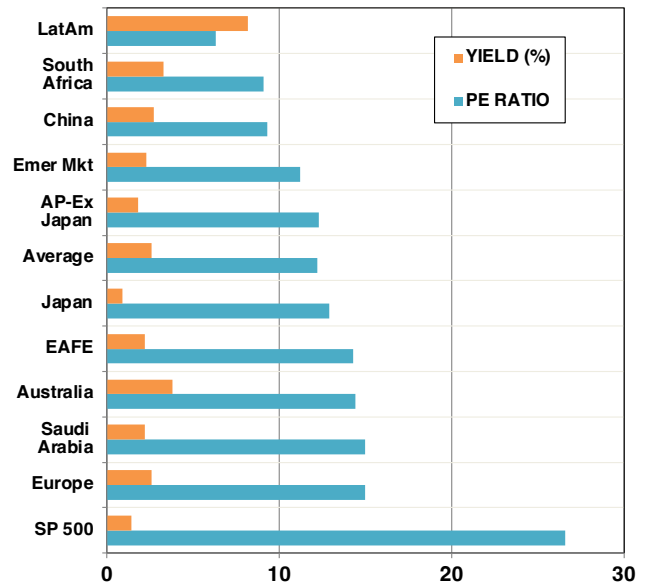


FINANCIAL MARKET HIGHLIGHTS

GLOBAL STOCKS AT DISCOUNT TO U.S. STOCKS

U.S. stocks remain more expensive than global stocks. The trailing P/E ratio on the S&P 500 is 26, above the global average of 12 and well above the 6-11 average P/Es for emerging markets stocks. The current dividend yield for the S&P 500 is 1.4%, versus the global average of 2.6% and Asian, Australian, and Latin American yields of 4%-8%. The foreign region that does not completely fit the pattern is the Middle East. The average P/E on a Saudi Arabian stock is a high 15.0 and the yield is a low 2.2%. This can be blamed on oil prices. One reason investors generally are willing to pay a higher price for North American securities is the transparency of the U.S. financial system and the liquidity of U.S. markets. What's more, global returns can be volatile across individual countries, given currency, security, political, and geopolitical risks. U.S. stocks (ETF SPY) have outperformed EAFE (ETF EFA) over the past year as well as over the past five years. Still, we recommend growth investors have approximately 5%-10% of their equity allocations in international stocks to take advantage of the value.

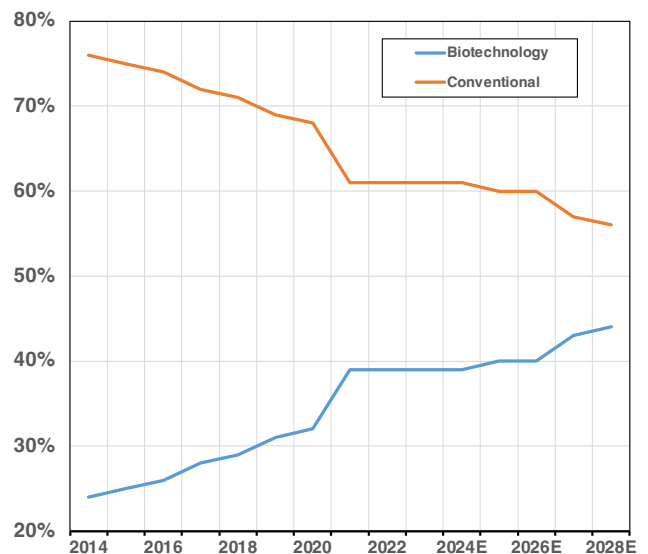
GLOBAL EQUITY VALUATION METRICS



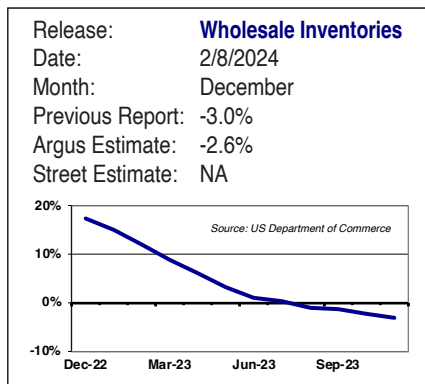
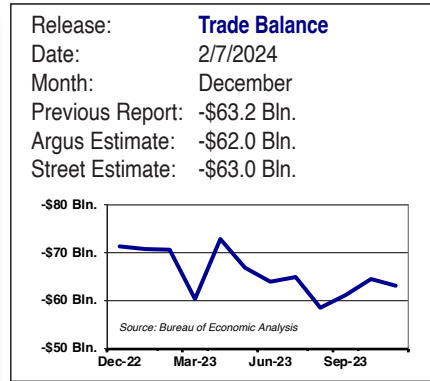
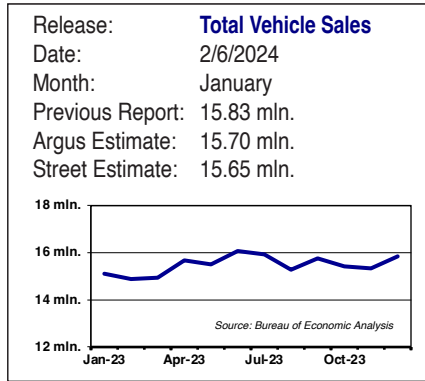
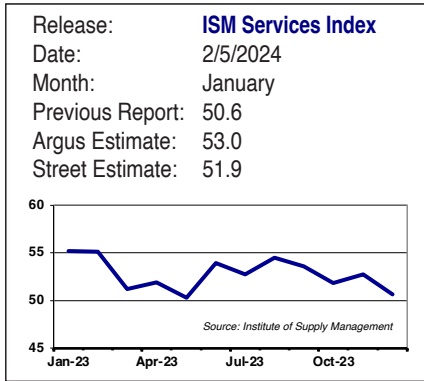
BIOTECH SECTOR CATCHES FIRE

Since 2021, the biotechnology industry has underperformed the broader market, reversing a multi-year trend that had seen superior returns since coming out of the Great Recession. We attribute the underperformance, particularly for development-stage companies, to factors including a "risk-off" environment amid elevated inflation and increasing interest rates, which contributed to challenging financing markets and a near closing of the IPO window. As well, an elevated number of biotech companies traded below their cash reserves and explored strategic alternatives or bankruptcy. We also note increased scrutiny over runaway drug pricing weighing on the industry. But the tide may be turning. Biotech has been on fire since bottoming a few months ago, with the iShares Nasdaq Biotech (IBB) surging 20%-plus and printing a minor breakout of its range back to January 2022. Looking ahead, mergers and acquisitions (M&A) and the ability to raise capital are major keys to growth in the industry. We are encouraged by the return of some larger scale M&A deals and a seemingly healthy appetite for deals from larger biotech and big pharma players, as a new wave of patent expirations for many high-revenue-generating medicines is expected in the second half of the decade.

WORLDWIDE PRESCRIPTION DRUG & OTC SALES BY TECHNOLOGY



ECONOMIC TRADING CHARTS & CALENDAR



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

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
30-Jan	Consumer Confidence	January	110.70	113.00	111.00	NA
1-Feb	ISM Manufacturing	January	47.40	48.50	NA	NA
	ISM New Orders	January	47.10	48.00	NA	NA
	Construction Spending	December	11.3%	11.7%	NA	NA
	Nonfarm Productivity	4Q	5.2%	1.0%	NA	NA
	Unit Labor Costs	4Q	-1.2%	2.0%	NA	NA
2-Feb	Nonfarm Payrolls	January	216 K	155 K	159 K	NA
	Unemployment Rate	January	3.7%	3.7%	3.7%	NA
	Average Weekly Hours	January	34.30	34.30	34.40	NA
	Average Hourly Earnings	January	4.1%	4.0%	NA	NA
	Factory Orders	January	3.1%	2.0%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
13-Feb	Consumer Price Index	January	3.40%	NA	NA	NA
	CPI ex-Food & Energy	January	3.90%	NA	NA	NA
15-Feb	Retail Sales	January	5.6%	NA	NA	NA
	Retail Sales ex-autos	January	4.5%	NA	NA	NA
	Business Inventories	December	0.4%	NA	NA	NA
	Import Price Index	January	-1.6%	NA	NA	NA
	Industrial Production	January	1.0%	NA	NA	NA
	Capacity Utilization	January	78.6%	NA	NA	NA
16-Feb	PPI Final Demand	January	1.00%	0.80%	NA	1.00%
	PPI ex-Food & Energy	January	1.80%	1.80%	NA	1.80%
	Housing Starts	January	1460.00	NA	NA	NA
	U. of Michigan Sentiment	February	78.80	NA	NA	NA

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