



1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

OLD NORTH STATE TRUST

THE ECONOMY AT A GLANCE

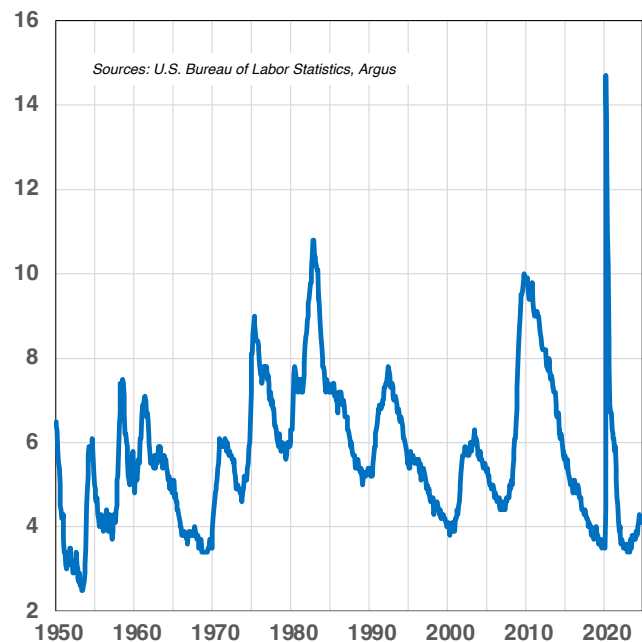
ECONOMIC HIGHLIGHTS

December 16, 2024
Vol. 91, No. 178

JOBS REPORT KEEPS RATE CUT IN PLAY

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 227,000 new jobs in November, slightly above the consensus of 200,000. The report confirmed our expectation for a rebound from October's damaging hurricanes and strike developments. With the print relatively close to consensus, expectations rose for a rate cut this month. October's payrolls were revised higher by 24,000 to 36,000. September was revised up by 32,000 to 255,000. Overall revisions to past results took the three-month average up to 173,000 from 123,000 a month earlier. The November unemployment rate ticked up to 4.2%, in line with consensus. Average hourly earnings increased 13 cents month to month and are 4.0% higher year over year (compared to 4.0% in October). This is good news for consumers, but it may be a little higher than the Fed wants. The average workweek edged up by 0.1 hours to 34.4 hours, which matched our estimate. Employment increased in transportation equipment manufacturing, reflecting the return of workers who were on strike. Employment also increased in healthcare, leisure and hospitality, government, and social assistance. Employment showed little or no change in mining, quarrying, and oil and gas extraction; construction; wholesale trade; transportation and warehousing; information; financial activities; professional and business services; and other services. Retail trade lost jobs. After the report, futures contracts suggested an 89% probability that the Fed will reduce the funds target by 25 basis points on December 18, compared with a 72% probability before the report.

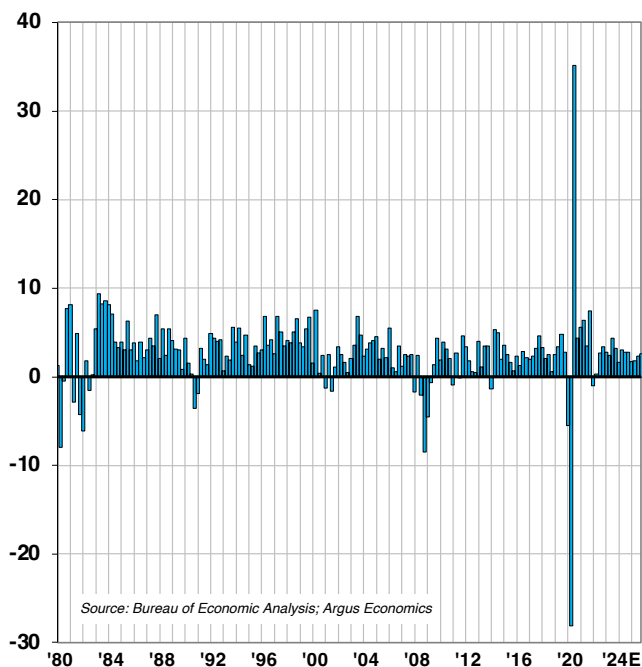
U.S. UNEMPLOYMENT RATE (%)



RAISING 2025 GDP GROWTH FORECAST

We are raising our 2025 forecast for U.S. GDP growth to 2.1% from 2.0% on slightly stronger consumer spending. We raised our estimates for Personal Consumption Expenditures (PCE) in 2Q and 4Q. In both cases, we raised our forecast for spending on goods to 1.6% from 1.2%, with increases to both durables and nondurables. We believe consumers are on a stronger path than our previous 1.2% estimates suggested. A recent big jump in the NFIB Small Business Optimism Index is significant because “small” businesses account for about half of U.S. private-sector employment. Our quarterly GDP estimates for 2025 are now 1.7%, 1.8 (up from 1.7%), 2.3%, and 2.6% (up from 2.5%). Four indicators driven by a broad array of timely data support our assessment that the economy is healthy and growing. On balance, the indicators may be pointing to slightly softer 4Q growth than our 2.8% estimate, but we remain optimistic about our forecast for a 3% increase in holiday spending based on reports of solid after-Thanksgiving shopping. The rebound in November employment is also a good sign. We are keeping our full-year 2024 GDP estimate at 2.6%. On December 9, the Federal Reserve Bank of Atlanta’s GDP Nowcast was estimating 4Q growth of 3.3%. On December 6, the Federal Reserve Bank of New York’s Staff Nowcast for 4Q called for 1.9% growth. The Weekly Economic Index tracked by the Federal Reserve Bank of Dallas is based on 10 daily and weekly indicators of consumer behavior, the labor market, and production. If, for example, an index value of 2% persisted for an entire quarter, the index would suggest that quarter’s GDP would be 2% higher than a year ago. For the week ended November 30, the index was 1.79%, with a 13-week moving average of 2.08%. The Chicago Fed National Activity Index (CFNAI) looks at 85 indicators. It slipped to -0.40 in October from -0.27 in September. The CFNAI Diffusion Index slipped to -0.26 in October from -0.22 in September. These readings suggest the economy is growing slightly below average -- but not contracting.

GDP TRENDS & OUTLOOK (% CHANGE)

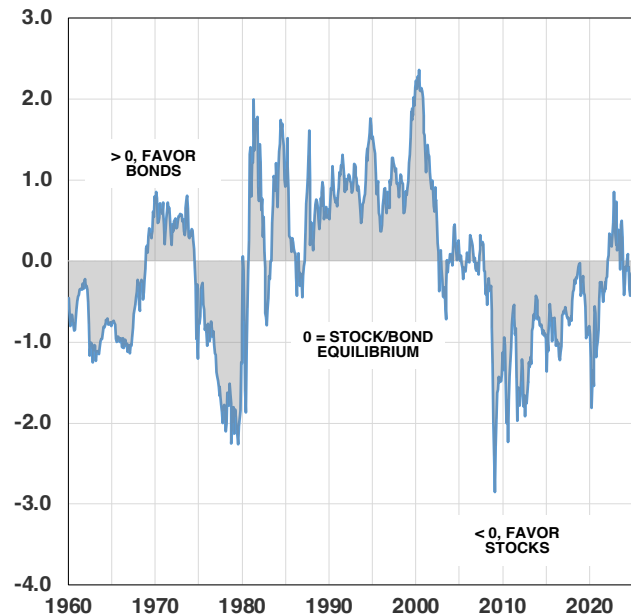


FINANCIAL MARKET HIGHLIGHTS

STOCK VALUATIONS REASONABLE

Our stock/bond asset-allocation model, which we call the Stock Bond Barometer, is indicating that stocks are the asset class offering the most value at this market juncture. Our model takes into account real-time levels and forecasts of short-term and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model, going back to 1960, is a modest premium for stocks, of 0.14 sigma, with a standard deviation of 0.97. In other words, stocks normally sell for a slight premium valuation, which they did for most of the 2022 and 2023. But the current valuation level now is a 0.14 sigma discount for stocks, reflecting in large part the move lower in long-term interest rates. Other valuation measures also show reasonable multiples for stocks. We expect the results from our stock-bond valuation model to tilt even more toward stocks as interest rates head lower into 2025 and EPS growth picks up. Based in part on the output from our model, our current recommended asset-allocation model for growth accounts is 70% growth assets and 30% fixed income.

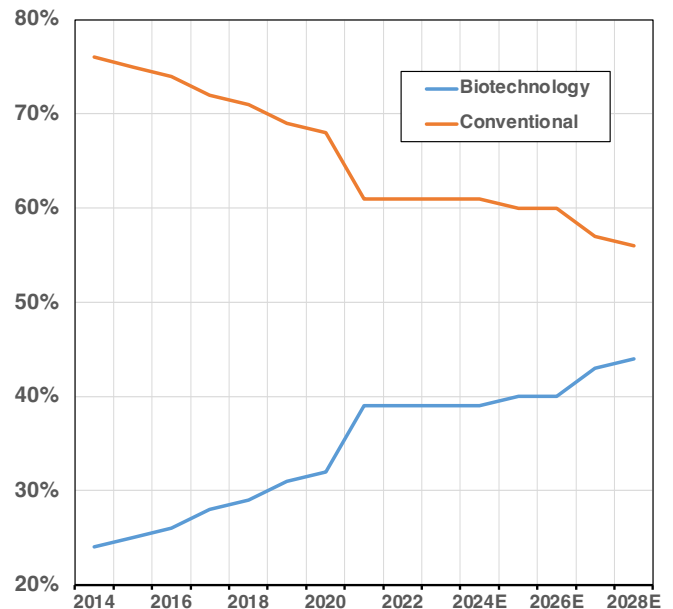
STOCK BOND BAROMETER
(STANDARD DEVIATIONS)



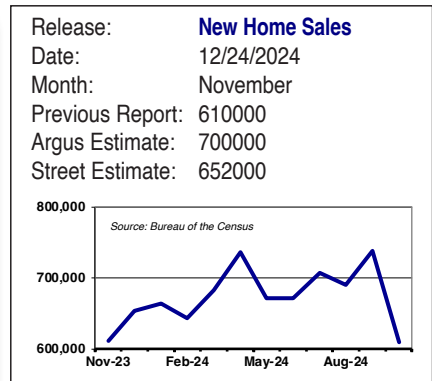
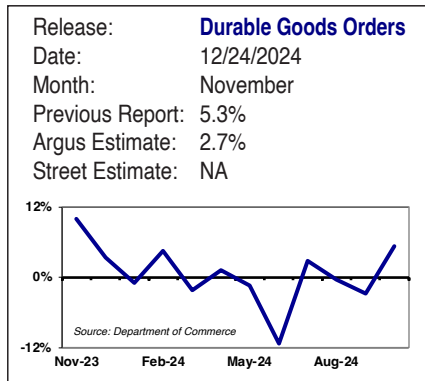
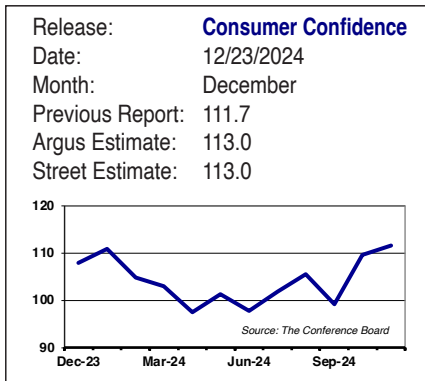
BIOTECH APPROVALS PICK UP

Concerns over changes in leadership in Washington DC have sent the biotech sector stumbling (down 11%) in the past three months. Indeed, biotech has been under pressure since 2021, reversing a multi-year trend that had seen superior returns since the Great Recession. We attribute the underperformance, particularly for development-stage companies, to factors including a “risk-off” environment among healthcare investors amid elevated inflation and increasing interest rates -- which contributed to challenging financing markets and a near closing of the IPO window. In addition, an elevated number of biotech companies traded below their cash reserves and explored strategic alternatives or bankruptcy. We also note that increased scrutiny over runaway drug pricing is weighing on the industry. But there may be light at the end of the tunnel, as promising new drugs are coming to market. While the sales outlook for many approved medicines over the past decade suggests only modest improvement over previous standards of care, we see recent approvals that include a higher proportion of biologic drugs, including curative gene therapies. We expect increased utilization of genomic technologies to promote greater innovation and R&D productivity in the coming years.

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
17-Dec	Industrial Production	November	-0.3%	-0.1%	NA	NA
	Capacity Utilization	November	77.1%	77.2%	77.2%	NA
	Retail Sales	November	2.8%	3.4%	NA	NA
	Retail Sales ex-autos	November	2.7%	3.2%	NA	NA
	Business Inventories	October	2.2%	2.7%	NA	NA
18-Dec	Housing Starts	November	1,311K	1,330K	1,338K	NA
19-Dec	GDP Annualized QoQ	3Q "3rd est."	2.8%	2.8%	2.9%	NA
	GDP Price Index	3Q "3rd est."	1.9%	1.9%	NA	NA
	Existing Home Sales	November	3.96 Mln.	3.90 Mln.	4.01 Mln.	NA
	Leading Index	November	-0.4%	-0.1%	-0.2%	NA
20-Dec	PCE Deflator	November	2.3%	2.5%	NA	NA
	PCE Core Deflator	November	2.8%	2.9%	2.9%	NA
	Personal Income	November	5.3%	5.4%	NA	NA
	Personal Spending	November	5.4%	5.4%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
2-Jan	Construction Spending	November	5.0%	NA	NA	NA
3-Jan	ISM Manufacturing	December	48.4	NA	NA	NA
	ISM New Orders	December	50.4	NA	NA	NA

Old North State Trust, LLC (ONST) periodically produces publications as a service to clients and friends. The information contained in these publications is intended to provide general information about issues related to trust, investment and estate related topics. Readers should be aware that the facts may vary depending upon individual circumstances. The information contained in these publications is intended solely for informational purposes and is not guaranteed to be accurate, complete or timely. This report was prepared by Argus Research Co. (ARC), an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance.
