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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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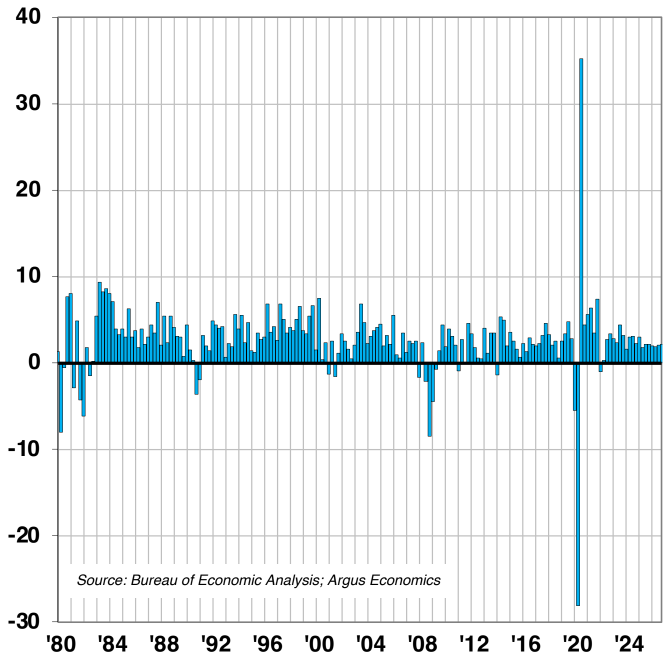
FORECASTING 2% GDP GROWTH IN 2026

With unemployment of just 4% and 4Q24 Personal Consumption posting its strongest gain of the year (up 4.2%), the U.S. economy is on a better trajectory than we expected. We are boosting our 2025 GDP forecast to 2.3% growth from 2.1% and are initiating a 2026 forecast of 2.0%. We are raising our 1Q25 growth forecast to 3.0% from 1.7%. Yes, there are things to worry about, including nettlesome inflation, mortgage rates near 7%, and persistent economic pressure on lower-income households. But spending on durable goods jumped 12% in the fourth quarter on top of 7.6% growth in 3Q. Another sign of consumer strength is that holiday sales rose a strong 4%. For 2025, we expect consumer spending to moderate. We expect State and Local government spending to slow slightly and Federal spending to slow notably. With consumers still strong, we still expect imports to exceed exports, creating a drag on GDP. We expect Private Domestic Investment will improve to 2.4% growth in 4Q25 from a 5.6% decline in 4Q24. We expect investment in Intellectual Property will remain strong and hope that the prospect for a friendly tax environment and easier regulations will spur investment. In 2026, we expect consumers will pull their weight. We expect the trade balance and government spending to be a drag on growth. We are looking for housing to grow faster than GDP and are hoping that investments in Nonresidential Structures and Equipment will also drive growth.

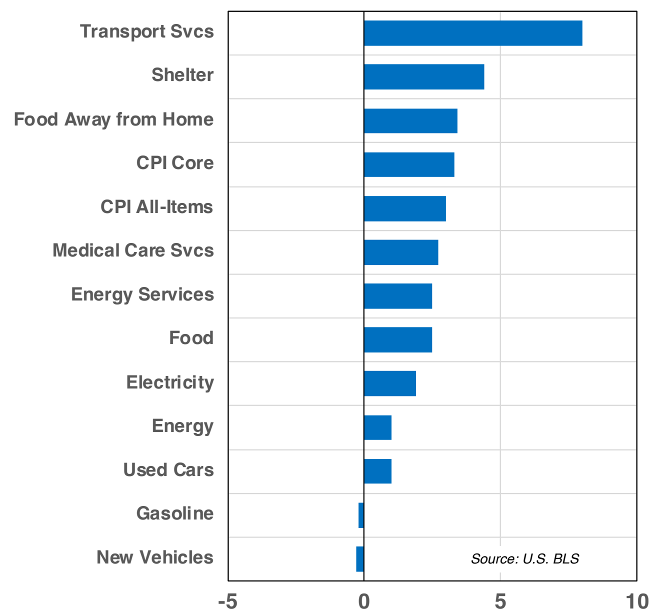
GDP TRENDS & OUTLOOK (% CHANGE)



CHANGES TO FED FUNDS OUTLOOK

Based on persistent pricing pressures at both the consumer and producer levels, we are adjusting our outlook for Federal Reserve activity in 2025. We now look for two rate cuts in the second half of the year, versus our prior forecast for three. Two recent inflation reports both indicated that overall pricing pressures remain well below the peak rates in summer 2022, but also confirmed that inflation remains above the Fed's target of 2.0%. Let's first look at the Consumer Price Index. The news here generally was not good, as the annualized number ticked higher from last month (3.0% versus 2.9% and 2.7% two months ago). According to the latest CPI report, the core inflation rate (ex-food and energy) also ticked higher, to 3.3% from 3.2% the prior month. 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 was also generally negative. The PPI final demand annual rate through January was 3.5%, compared 2.1% in September and 1.0% in January 2024. PPI Intermediate demand rates were substantially higher, in the 6%-9% range. We expect pricing pressures to again 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.

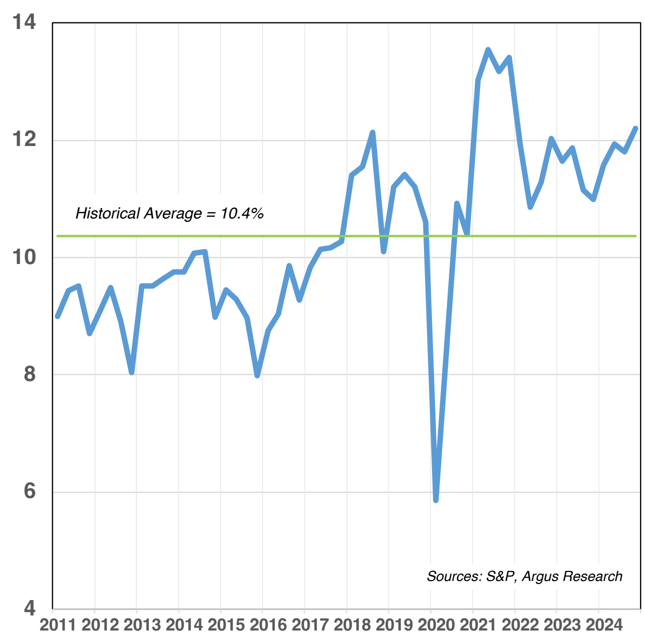
CONSUMER INFLATION FACTORS (% CHANGE Y/Y)



PROFIT MARGINS WIDENED IN 4Q

There are three drivers to EPS growth: higher sales, a wider operating margin, and a reduced share count. A decline in shares outstanding is the lowest-quality driver of EPS growth. Higher sales are the highest quality, especially when those sales are driven by an increase in volume. Margin management is in the middle. Consistently wider margins, quarter after quarter, are often a sign of a good management team, which should over time grow revenues faster than costs. That's a bit of a tall order in periods of high inflation, which raises the Cost of Goods Sold, and high interest rates, which result in higher financing costs. What's more, there's a cap to margins as they don't rise indefinitely. In 4Q, the S&P 500 operating margin is on target to widen by 40 basis points quarter over quarter to 12.2%, and there's still room before margins peak at around 13.5%-14.0%. This result fits into our outlook for a modest widening for the S&P 500 operating margin in 2025, taking into account an expected negative drag from tariffs, and for EPS growth in the 12% range for the year.

S&P OPERATING MARGIN TRENDS (%)

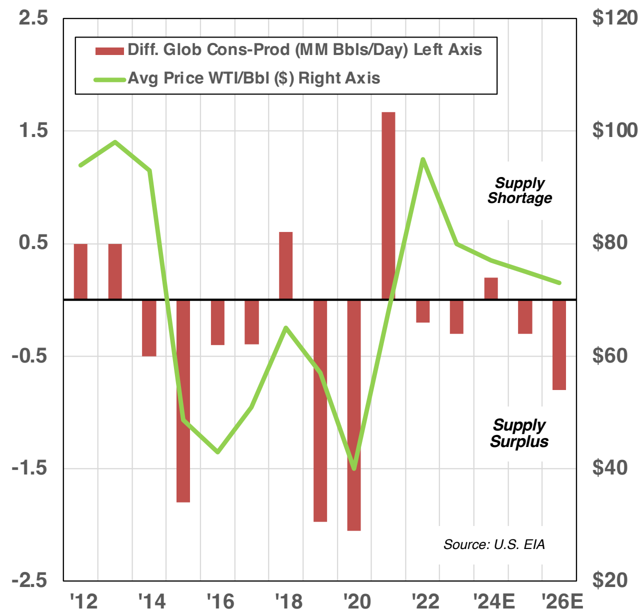


FINANCIAL MARKET HIGHLIGHTS

OIL PRICES LIKELY TO TREND LOWER

The price of a barrel of the crude oil benchmark grade West Texas Intermediate has fluctuated between $65 and $80 over the past year. Oil prices are down sharply from the $$115-120 level, touched back in 1H22 when Russia invaded Ukraine. For 2025, we are anticipating an average price of $75, up slightly from current levels but lower compared to $77 in 2024, $80 in 2023 and $95 in 2022. Our forecast trading range for the year is $65-$85. The core drivers behind oil prices over the long term come from Econ 101: supply and demand. According to the U.S. Energy Information Administration, there will be an excess supply of oil in 2025: global consumption is estimated at 104.1 million barrels per day, while global production is estimated at 104.4 million barrels. Early forecasts for 2026 also call for supply to exceed demand, which likely will provide a ceiling for oil prices. Of course, there are always wild cards from geopolitical developments. The growth path of the Chinese economy also plays an outsized role in the direction of oil prices, and growth in India eventually may have a greater impact than it does today. That said, absent wild cards, the global supply-demand outlook suggests that the days of triple-digit oil prices are in the rear-view mirror as the world economy pivots toward cleaner energy.

OIL PRICE OUTLOOK



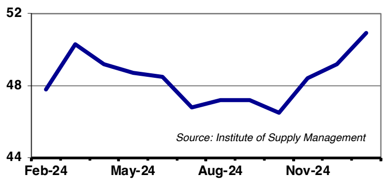
GOLD PRICES AT PEAK

When global economic conditions become unpredictable, investors often flock to gold. The yellow metal currently is trading above $2,900 per ounce, up 14% for the year and at the highest level in the past 25 years. Gold has been on an upward arc since the start of the pandemic, when the spot price for an ounce of gold jumped 33% in six months and broke through $2,000. Gold also spiked in 2022 due to the war in Ukraine. Over the past year, gold has jumped another 40%-plus, driven in part by global uncertainty over tariffs. The current price of gold reflects the perceived safety of hard assets amid the global conflicts, as well as expectations for lower U.S. interest rates, which tend to weaken the dollar (the currency in which gold is priced). The outlook for interests-rate cuts also helps gold, as lower rates reduce the risk for a global economic recession and thus a potential decline in gold purchased for jewelry. Looking ahead, our forecast trading range for gold in 2025 is $3,200-$2,500 and our average price forecast for the year is $3,000. As long as geopolitics and global economic uncertainty are part of the market conversation, gold is likely to remain at levels well above historical averages.

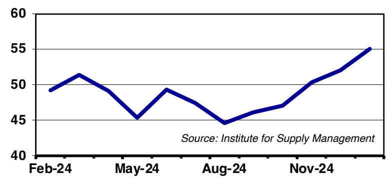
GOLD PRICE ($ PER OUNCE)

ECONOMIC TRADING CHARTS & CALENDAR

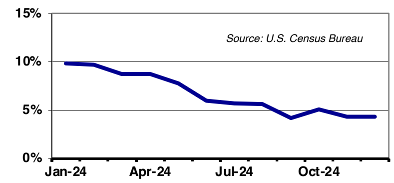
Release: **ISM Manufacturing**
Date: 3/3/2025
Month: February
Previous Report: 50.9
Argus Estimate: 50.0
Street Estimate: 50.5



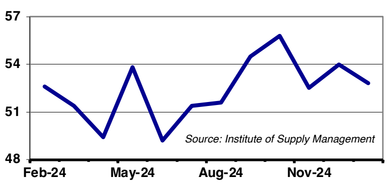
Release: **ISM New Orders**
Date: 3/3/2025
Month: February
Previous Report: 55.1
Argus Estimate: 54.0
Street Estimate: NA



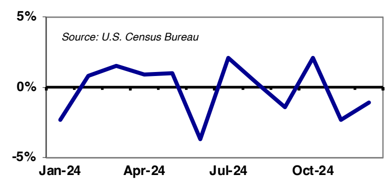
Release: **Construction Spending**
Date: 3/3/2025
Month: January
Previous Report: 4.3%
Argus Estimate: 3.5%
Street Estimate: NA



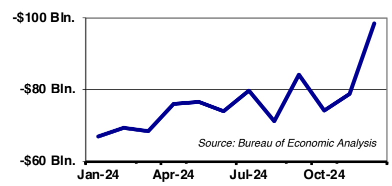
Release: **ISM Services Index**
Date: 3/5/2025
Month: March
Previous Report: 52.8
Argus Estimate: 52.0
Street Estimate: 53.0



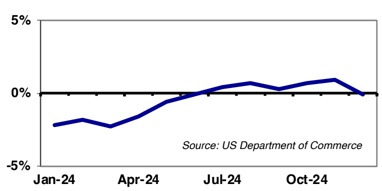
Release: **Factory Orders**
Date: 3/5/2025
Month: January
Previous Report: -1.1%
Argus Estimate: 1.6%
Street Estimate: NA



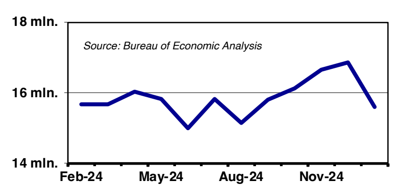
Release: **Trade Balance**
Date: 3/6/2025
Month: January
Previous Report: -$98.4 Bln.
Argus Estimate: -$85.0 Bln.
Street Estimate: -$91.3 Bln.



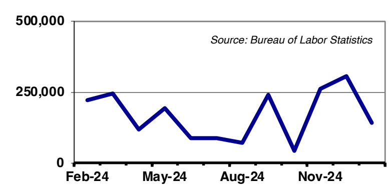
Release: **Wholesale Inventories**
Date: 3/6/2025
Month: January
Previous Report: -0.1%
Argus Estimate: 0.3%
Street Estimate: NA



Release: **Total Vehicle Sales**
Date: 3/6/2025
Month: February
Previous Report: 15.60 mln.
Argus Estimate: 16.40 mln.
Street Estimate: 16.00 mln.

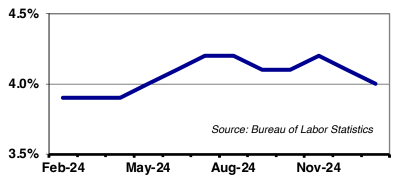


Release: **Nonfarm Payrolls**
Date: 3/7/2025
Month: February
Previous Report: 143000
Argus Estimate: 150000
Street Estimate: 155000

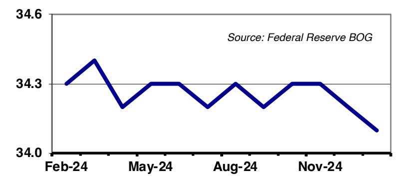


Previous Week's Releases and Next Week's Releases on next page.

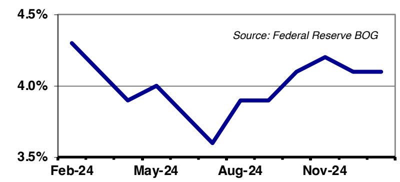
Release: **Unemployment Rate**
Date: 3/7/2025
Month: February
Previous Report: 4.0%
Argus Estimate: 4.1%
Street Estimate: 4.0%



Release: **Average Weekly Hours**
Date: 3/7/2025
Month: February
Previous Report: 34.1
Argus Estimate: 34.2
Street Estimate: 34.2



Release: **Average Hourly Earnings**
Date: 3/7/2025
Month: February
Previous Report: 4.1%
Argus Estimate: 4.0%
Street Estimate: NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Feb	Consumer Confidence	February	**105.3**	101.0	102.8	**98.3**
26-Feb	New Home Sales	January	698K	675K	690K	NA
27-Feb	GDP Annualized QoQ	4Q "2nd est."	2.3%	2.3%	2.3%	NA
	GDP Price Index	4Q "2nd est."	2.2%	2.2%	NA	NA
	Durable Goods Orders	January	-3.7%	7.0%	NA	NA
28-Feb	PCE Deflator	January	2.6%	2.5%	2.5%	NA
	PCE Core Deflator	January	2.8%	2.7%	2.6%	NA
	Personal Income	January	5.3%	5.0%	NA	NA
	Personal Spending	January	5.7%	5.5%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Mar	Consumer Price Index	February	3.0%	NA	NA	NA
	CPI ex-Food & Energy	February	3.3%	NA	NA	NA
13-Mar	PPI Final Demand	February	3.5%	NA	NA	NA
	PPI ex-Food & Energy	February	3.6%	NA	NA	NA
14-Mar	U. of Michigan Sentiment	March	64.7	NA	NA	NA