



OLD NORTH STATE TRUST

1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

THE ECONOMY AT A GLANCE

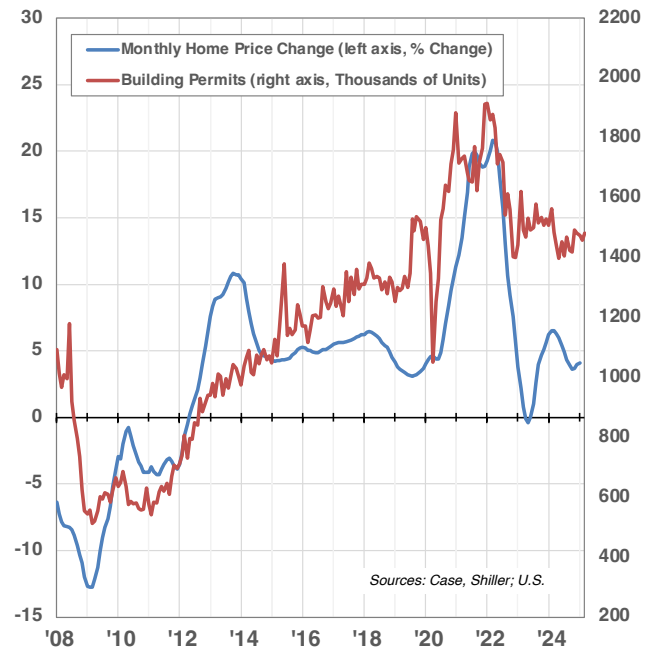
ECONOMIC HIGHLIGHTS

May 5, 2025
Vol. 92, No. 63

TARIFFS RAISE NEW HOME COSTS BY \$10K

New tariffs are already raising the cost to build a new home. This could hurt margins for builders and may foreshadow trends in other industries. With housing affordability already strained, many builders are pragmatically focused on offering incentives to close sales and generate cash flow rather than on protecting margins. Recently, the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index was little changed, rising by one point in April to 40. An index reading below 50 indicates that more builders see conditions as poor than good. As part of the monthly survey, which has been conducted for more than 35 years, the NAHB asked builders about the impact of tariffs on their business. Sixty percent of builders reported that their suppliers already have increased or announced increases of materials prices due to tariffs. On average, suppliers have increased their prices by 6.3% in response to announced, enacted, or expected tariffs, according to the trade organization. "Builders estimate a typical cost effect from recent tariff actions at \$10,900 per home" the NAHB said. The use of incentives by builders was 61% in April, up from 59% in March. The Zillow Home Value Index rose by an annual 2.1% in March down from a 2.6% increase in February. We remain cautiously upbeat on large national home builders because demographics point to strong long-term demand amid a decades-long shortage of affordable homes.

HOUSING MARKET TRENDS



ECONOMIC HIGHLIGHTS (CONTINUED)

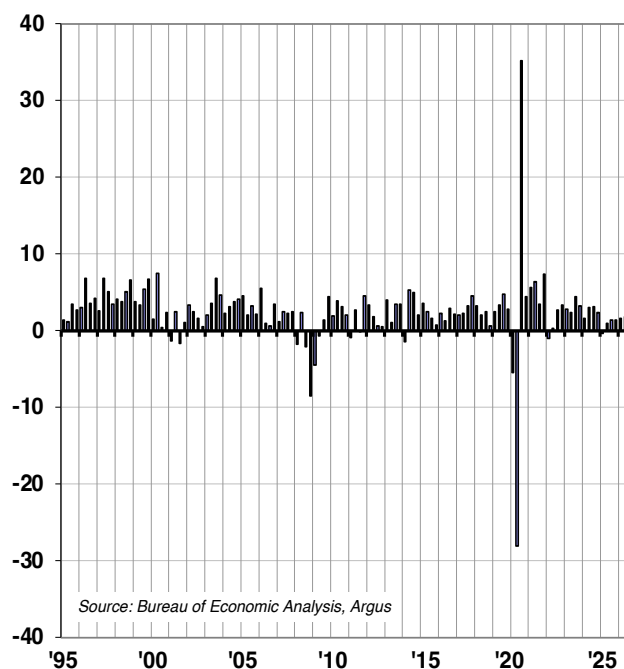
GDP FALLS 0.3%

According to the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) fell in the first quarter at an annualized rate of 0.3%. That's below the consensus forecast for growth of 0.4% and 2.4% growth in the fourth quarter. Imports increased 41.3% as companies made purchases of goods in advance of expected tariffs. Net exports of goods and services (the trade balance) reduced 1Q GDP by 4.83 percentage points. Companies appear to have stockpiled goods. Inventories contributed 2.25 points to GDP. Private investment surged 21.9%, led by information processing equipment. Spending by consumers rose 1.8%, but that was a significant deceleration from 4.0% in 4Q. Consumer spending on goods rose 0.5%. Within goods, durables were down 3.4%, after a 12.4% jump in 4Q. Nondurables were up 2.7%. The huge services category was up 2.4% after a 3.0% increase in 4Q. This "steady Eddie" category added 1.1 points of growth and may be an important line of defense against further GDP contraction as imports moderate. Government consumption and investment declined 1.4%. The federal government was down 5.1% with national defense lower by 8.0%. Nondefense was down 1.0%, State and local government was up 0.8% after 2.5% growth in 4Q. The report also contains data on inflation, which unfortunately accelerated in 1Q. The PCE Price Index increased 3.6% in the first quarter, compared with an increase of 2.4% in the fourth quarter. Excluding food and energy, the index increased 3.5%, compared with an increase of 2.6% in the previous quarter.

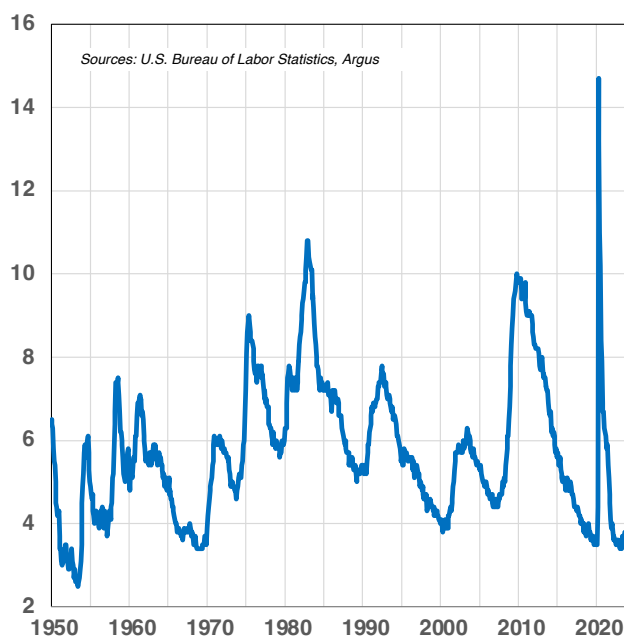
THE R-WORD FOR JOBS: RESILIENT

The job market remained healthy in April. Employment conditions in the coming months are likely to determine whether the 0.3% drop in first-quarter GDP remains contained or becomes a recession. The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 177,000 nonfarm jobs in April. March's payrolls were revised lower by 43,000 and February by 15,000. The April result and the revisions raised the three-month average to 155,000 from 152,000. Nonfarm payrolls are one of the indicators that the National Bureau of Economic Research (NBER) watches in assessing whether the U.S. is in a recession. We believe the monthly increase in April payrolls and 1.2% growth on a year-over-year basis are encouraging. The BLS diffusion index indicated that more than half of 250 private industries are hiring. The April unemployment rate remained at 4.2%. Average hourly earnings increased six cents month to month and are 3.8% higher year over year, in line with our estimate. The average workweek remained at 34.3 hours.

REAL GDP (% GROWTH/QTR)



U.S. UNEMPLOYMENT RATE (%)

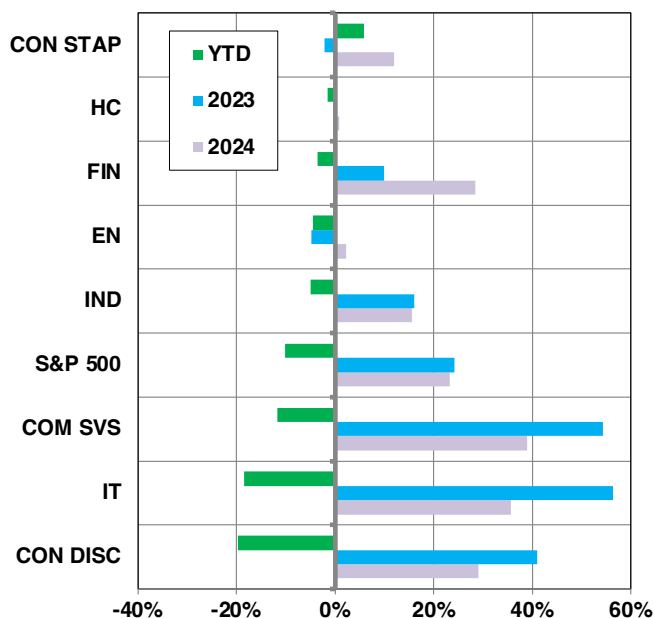


FINANCIAL MARKET HIGHLIGHTS

SECTOR LEADERS AND LAGGARDS

In a reversal of the dominant trend in most of 2023 and 2024, the traditional growth sectors (Communication Services, Information Technology, Consumer Discretionary) are down sharply in 2025. After holding gains through January and February, Communication Services was down 12% as of mid-April. Information Technology declined in every month of the first quarter and was down 18% year to date. Selling has broadened from the AI category to nearly every technology niche, including software, computing, and semiconductors. Consumer Discretionary was down about 20% year to date as consumer confidence tanked and auto sales -- including Teslas -- stall. Consumer Staples was leading the market, with a 6% gain year to date, while the Utility group was up 3%. Those two traditionally defensive sectors were the only ones in positive territory for 2025. Other sectors outperforming the S&P 500, which was down 10% for the year, include Energy, Financials, Healthcare, Industrials, Materials, and Real Estate. The takeaway from the mid-April year-to-date 2025 sector performance table was breadth, which we believe bodes well in a challenging market for traditional leaders. Sector rotation also carries risks, however, particularly if it gets too intense. If 2025 features deeply negative performances from the three growth sectors -- which collectively represent about 50% of total market weight -- the overall stock market may struggle to generate a positive return for the year.

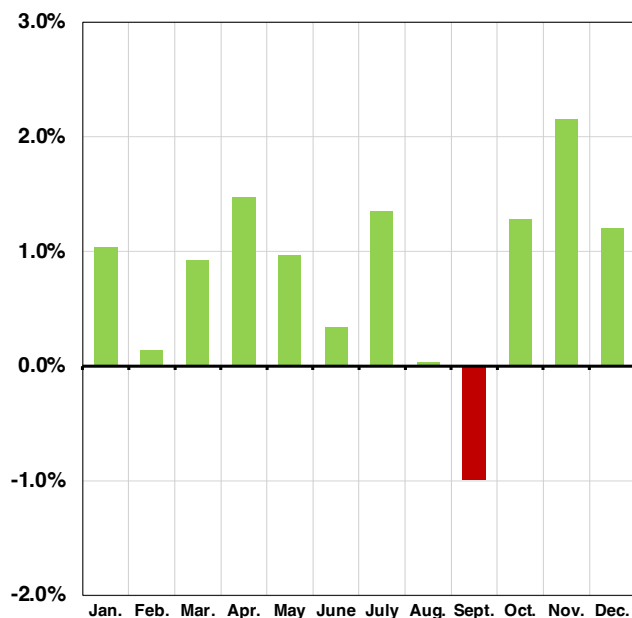
SELECT SECTOR PERFORMANCE



MAY USUALLY OK

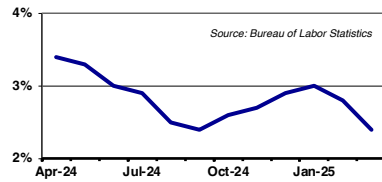
The S&P 500 delivered a third consecutive monthly decline in 2025 (-0.8% in April, before dividends). But if historical patterns hold true, the negative trend may end in May. The stock market typically rises in May, on average 1.0% and with a 71% winning percentage. We note that market returns in May have exceeded 5% on six occasions since 1980, including a 9.2% gain in 2000; and 2024 was not bad, at 3.9%. But there have been some clunkers in May, including 2019 (a painful 6.6% loss), 2010 (an 8.2% value wipeout), 2012 (down 6.0%) and 1984 (down 5.9%). May starts off as a busy month on Wall Street, as companies report earnings, the nonfarm payrolls report is released, and the Fed meets. But then investors will be left to ponder trade wars, inflation, future Fed activity, and recession. Our forecast for stocks in 2023 has been bullish, as we have expected the economy to grow (check), interest rates to s (check), and earnings to expand at a double-digit rate (check). The wild card has been the White House. There's still time for a market recovery if the Trump administration will simply let the markets figure the way forward.

AVERAGE MONTHLY S&P 500 APPRECIATION

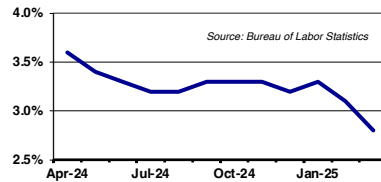


ECONOMIC TRADING CHARTS & CALENDAR

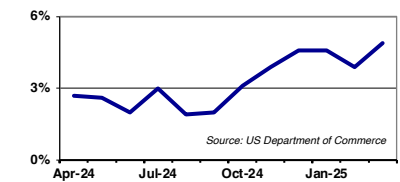
Release: **Consumer Price Index**
 Date: 5/13/2025
 Month: April
 Previous Report: 2.4%
 Argus Estimate: 2.3%
 Street Estimate: 2.4%



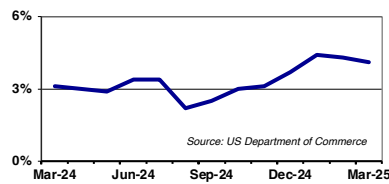
Release: **CPI ex-Food & Energy**
 Date: 5/13/2025
 Month: April
 Previous Report: 2.8%
 Argus Estimate: 2.8%
 Street Estimate: 2.8%



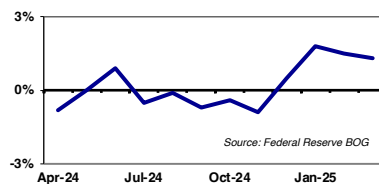
Release: **Retail Sales**
 Date: 5/15/2025
 Month: April
 Previous Report: 4.9%
 Argus Estimate: 4.5%
 Street Estimate: NA



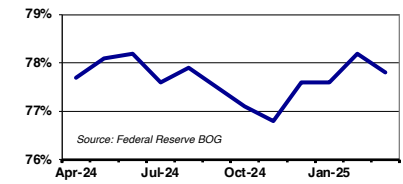
Release: **Retail Sales ex-autos**
 Date: 5/15/2025
 Month: April
 Previous Report: 4.1%
 Argus Estimate: 3.9%
 Street Estimate: NA



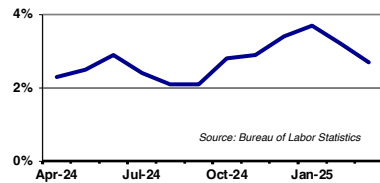
Release: **Industrial Production**
 Date: 5/15/2025
 Month: March
 Previous Report: 1.3%
 Argus Estimate: 1.4%
 Street Estimate: NA



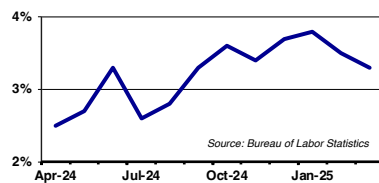
Release: **Capacity Utilization**
 Date: 5/15/2025
 Month: March
 Previous Report: 77.8%
 Argus Estimate: 77.8%
 Street Estimate: 77.9%



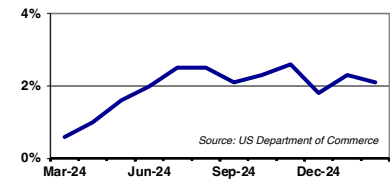
Release: **PPI Final Demand**
 Date: 5/15/2025
 Month: April
 Previous Report: 2.7%
 Argus Estimate: 2.4%
 Street Estimate: NA



Release: **PPI ex-Food & Energy**
 Date: 5/15/2025
 Month: April
 Previous Report: 3.3%
 Argus Estimate: 3.1%
 Street Estimate: NA



Release: **Business Inventories**
 Date: 5/15/2025
 Month: March
 Previous Report: 2.1%
 Argus Estimate: 2.5%
 Street Estimate: NA



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

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Release: **Housing Starts**

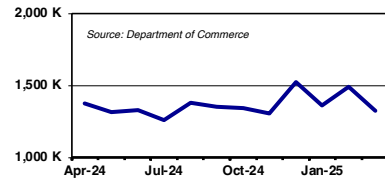
Date: 5/16/2025

Month: April

Previous Report: 1,324 K

Argus Estimate: 1,300 K

Street Estimate: 1,368 K



Release: **Import Price Index**

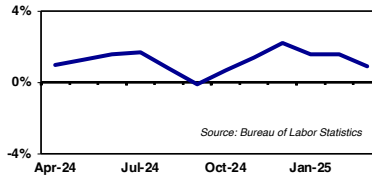
Date: 5/16/2025

Month: April

Previous Report: 0.9%

Argus Estimate: 0.4%

Street Estimate: NA



Release: **U. of Michigan Sentiment**

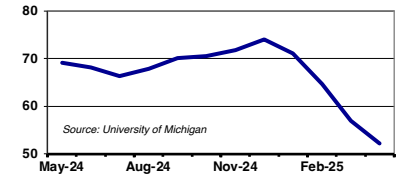
Date: 5/16/2025

Month: May

Previous Report: 52.2

Argus Estimate: 52.0

Street Estimate: 53.0



Previous Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|-------|-----------------------|-------|-----------------|----------------|-----------------|------------|
| 5-May | ISM Services Index | April | 50.8 | 50.2 | 50.4 | 51.6 |
| | Total Vehicle Sales | April | 17.83 mln. | 17.20 mln. | 17.15 mln. | 17.27 mln. |
| 6-May | Trade Balance | March | -\$122.7 Bln. | -\$120.0 Bln. | -\$129.5 Bln. | NA |
| 8-May | Nonfarm Productivity | 1Q | 1.5% | 1.0% | -0.5% | NA |
| | Unit Labor Costs | 1Q | 2.2% | 3.5% | 5.5% | NA |
| | Wholesale Inventories | March | 1.1% | 1.3% | NA | NA |

Next Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|--------|---------------------|-------|-----------------|----------------|-----------------|--------|
| 19-May | Leading Index | April | -0.7% | NA | NA | NA |
| 22-May | Existing Home Sales | April | 4.02 Mln. | NA | NA | NA |
| 23-May | New Home Sales | April | 724K | 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.
