



OLD NORTH STATE TRUST

1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

THE ECONOMY AT A GLANCE

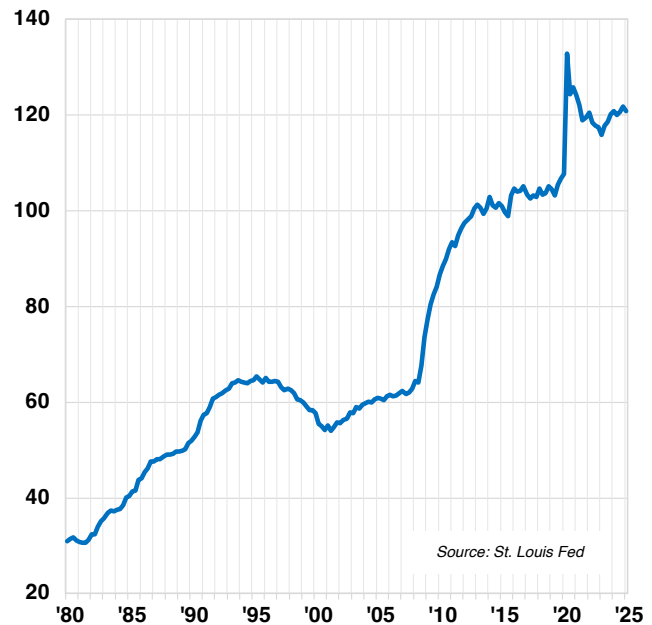
ECONOMIC HIGHLIGHTS

July 28, 2025
Vol. 92, No. 107

DEBT A HIGH LEVEL OF GDP

With tax cuts now approved as part of the One Big Beautiful Bill Act, market participants are starting to take a closer look at U.S. debt. They don't appear to like what they see, despite prospects of reductions in federal spending through President Trump's plans to shrink the government. The yield on the benchmark Treasury 10-year bond has jumped from 4.0% to 4.4%. There is no doubt that U.S. debt levels have quickly grown over the past 10 years, and total U.S. debt is now more than 120% of GDP, according to the Office of Management & Budget. That is the highest level since World War II. Despite more than 10 years of economic growth prior to the pandemic, debt only increased as a percentage of GDP. Then, spurred by the fiscal spending allocated to fight the impact of COVID-19, debt levels surged further. This is not a problem that has to be fixed today; Japan's current debt-to-GDP ratio is around 250%. But we do note that interest expense now accounts for 3.7% of U.S. GDP, up from 2.3% in 2020 and compared to the historical average of 3.0% and a high of 5.0% in 1991. Ideally, politicians should start to establish a plan to address the issue in the next 10-15 years. If the trend persists and is not reversed, a debt debacle could result in a weak dollar and persistent hyper-inflation. That would send interest rates even higher and cut into economic growth and equity valuations.

U.S. DEBT/GDP RATIO (%)

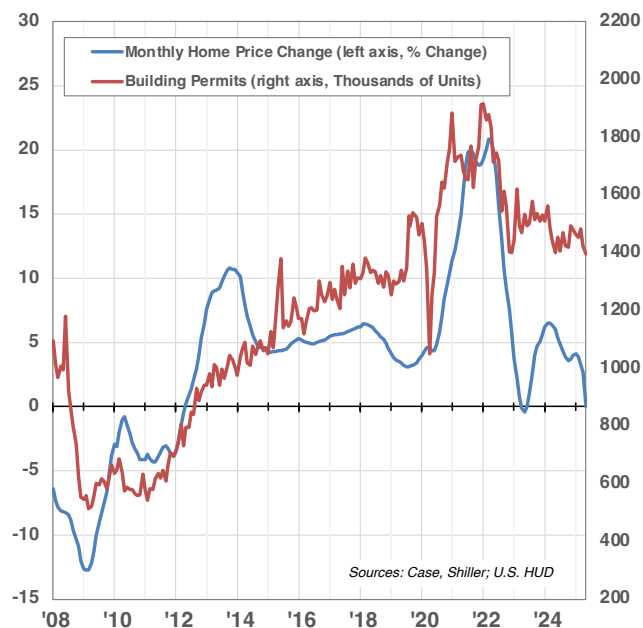


ECONOMIC HIGHLIGHTS (CONTINUED)

HOME BUILDING MAY DRAG ON 2Q GDP

Residential fixed investment, the category that includes home building in the Gross Domestic Product report, is poised to decline in 2Q after a “subdued” spring selling season. “While longer term, the outlook for the housing market remains favorable, driven by demographics and an undersupply of homes, consumers are continuing to demonstrate a lack of confidence about the short term, which has impacted their home purchase decisions” said KB Home CEO Jeffrey Mezger in the company’s 2Q earnings call. “Affordability challenges have persisted, compounded by the variability in mortgage interest rates, which remain elevated, as well as macroeconomic and geopolitical uncertainty. These factors resulted in a more subdued demand during the spring selling season,” Mr. Mezger added. The category is poised for an annualized decline of 6.4% according to the Federal Reserve Bank of Atlanta’s GDPNow indicator for the second quarter. Residential investment may trim about a quarter point from 2Q GDP, which the Atlanta Fed expects to grow at an annualized 2.4%. Our estimate is for a 1.8% increase in 2Q GDP.

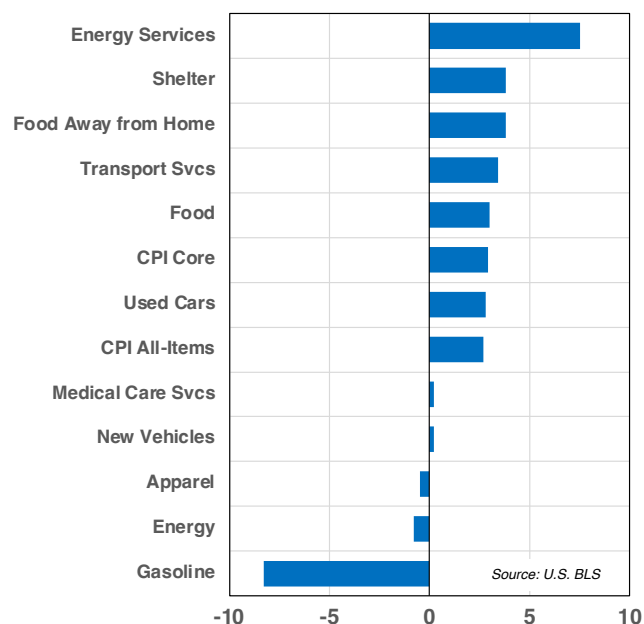
HOUSING MARKET TRENDS



INFLATION RELATIVELY STABLE

Two important inflation reports were released recently and both signaled that pricing pressures were essentially unchanged from the prior month. But inflation is still not at the Fed’s 2.0% goal. Let’s first take a deeper dive into the Consumer Price Index. The news here was so-so, as the month-to-month headline number increased three-tenths of a percent from the previous month; the annualized rate was 2.7%, up from 2.4% a month ago. Meanwhile, the core inflation rate (ex-food and energy) rose two-tenths of a percent month to month, and ticked higher to an annual rate of 2.9% from the prior reading of 2.8%. The Producer Price Index measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news was better. For example, the PPI final demand annual rate through June was 2.3%, compared to 3.7% in January. Looking ahead and based on the fundamentals, we expect pricing pressures to ease in the months ahead as the housing market cools due to high mortgage rates and the price of oil stays below \$90 per barrel. But the current low price of oil reflects a new wild card that has entered the forecasting picture: Donald Trump’s trade wars. His tariffs -- should they ever go into full effect -- will almost certainly raise prices, sending the inflation rate higher again.

INFLATION FACTORS (% CHANGE Y/Y)

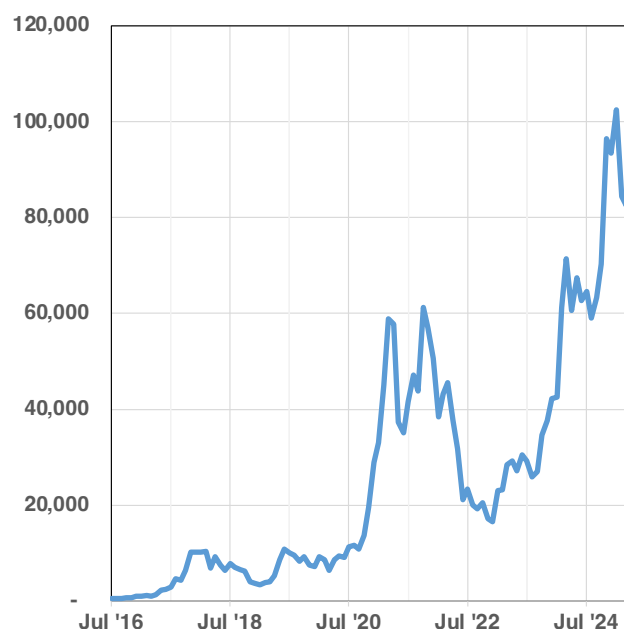


FINANCIAL MARKET HIGHLIGHTS

BITCOIN ETFS: IS IT TIME TO INVEST?

Bitcoin is up about 22% this year. Several factors led to the rally. For one, investing in Bitcoin has come a long way thanks to the January 2024 debut of spot Bitcoin ETFs. This relatively new type of security gives investors exposure to Bitcoin without the need to buy, store, or manage it on their own. And convenience isn't the only reason. Bitcoin ETFs operate in regulated financial markets that provide a degree of security and transparency to investors and mitigate risks like theft and mistakes. They are offered by 11 reputable asset managers, many of them household names, and the funds offer better liquidity than the underlying security. In addition, the crypto rally has coincided with the Trump administration taking over in Washington. New regulators in important securities market positions have crypto backgrounds. President Trump and many in his family are invested. The Senate recently passed the Genius Act, designed to promote "stablecoins." While we expect volatility of the underlying security to decline over time as the market matures, Bitcoin remains speculative. The recent results demonstrate that Bitcoin ETFs may offer attractive returns for investors with a long-term investment horizon and high tolerance for risk.

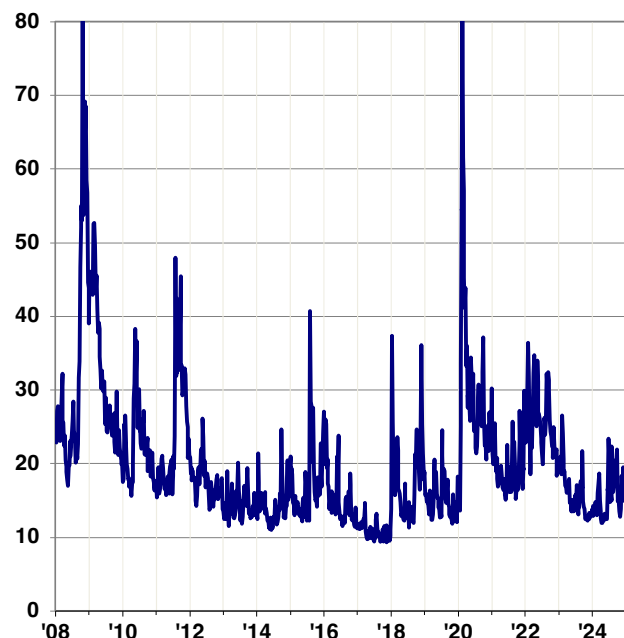
BITCOIN PRICE TRENDS (USD)



FEAR INDEX BACK TO NORMAL LEVELS

After a period of intense market volatility in the spring -- including one point at which the S&P 500 had fallen 19% from its all-time high -- the closely-watched VIX Volatility Index has declined back below its historical average of 20 as summer swings into high gear. Meanwhile, stock prices have recovered all of the lost ground and the benchmark S&P is once again setting record highs. Our Base Case for 2025 called for another year of growth in the U.S. economy (and no recession), declining interest rates, and double-digit EPS growth. Each of those planks in the Base Case platform is currently in place. So assuming that the Trump administration gets its economic growth plans firmly on track, there's reason to expect that equity prices can continue to climb. Back to the market, the current VIX fear index reading is well below the 10-year average of 20 and consistent with a bull market. We continue to think that the S&P 500 is in the early/mid-stage of a bull market that dates to October 2022. And while the path for equities won't be straight up, we suggest investors favor growth stocks in their portfolios at the current market and economic juncture.

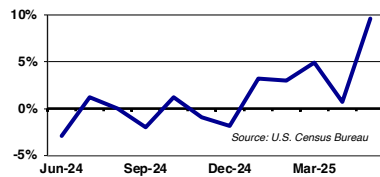
VOLATILITY INDEX (WEEKLY CLOSE)



ECONOMIC TRADING CHARTS & CALENDAR

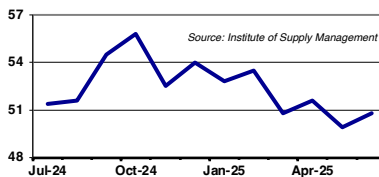
Release: **Factory Orders**

Date: 8/4/2025
 Month: June
 Previous Report: 9.6%
 Argus Estimate: 6.1%
 Street Estimate: NA



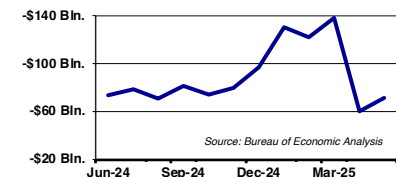
Release: **ISM Services Index**

Date: 8/5/2025
 Month: July
 Previous Report: 50.8
 Argus Estimate: 51.0
 Street Estimate: 51.3



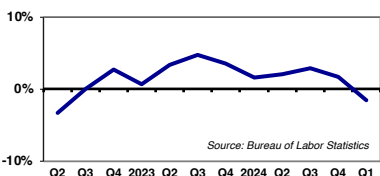
Release: **Trade Balance**

Date: 8/5/2025
 Month: June
 Previous Report: -\$71.5 Bln.
 Argus Estimate: -\$62.0 Bln.
 Street Estimate: -\$75.0 Bln.



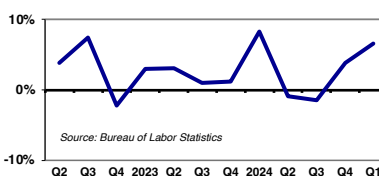
Release: **Nonfarm Productivity**

Date: 8/7/2025
 Month: 2Q
 Previous Report: -1.5%
 Argus Estimate: 1.3%
 Street Estimate: NA



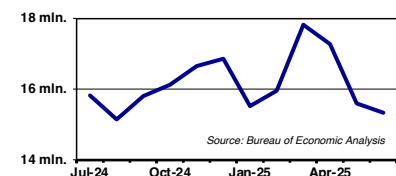
Release: **Unit Labor Costs**

Date: 8/7/2025
 Month: 2Q
 Previous Report: 6.6%
 Argus Estimate: 3.5%
 Street Estimate: NA



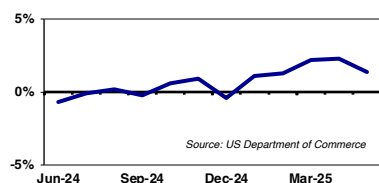
Release: **Total Vehicle Sales**

Date: 8/7/2025
 Month: July
 Previous Report: 15.34 mln.
 Argus Estimate: 16.00 mln.
 Street Estimate: 15.80 mln.



Release: **Wholesale Inventories**

Date: 8/7/2025
 Month: June
 Previous Report: 1.4%
 Argus Estimate: 1.5%
 Street Estimate: NA



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
29-Jul	Consumer Confidence	July	95.2	95.0	96.1	97.2
30-Jul	GDP Annualized QoQ	2Q "1st est."	-0.5%	1.8%	2.5%	NA
	GDP Price Index	2Q "1st est."	3.8%	2.5%	NA	NA
31-Jul	PCE Deflator	June	2.3%	2.5%	2.6%	NA
	PCE Core Deflator	June	2.7%	2.7%	2.8%	NA
	Personal Income	June	4.5%	4.6%	NA	NA
	Personal Spending	June	4.5%	4.6%	NA	NA
1-Aug	Nonfarm Payrolls	July	147K	112K	105K	NA
	Unemployment Rate	July	4.1%	4.1%	4.2%	NA
	Average Weekly Hours	July	34.2	34.3	NA	NA
	Average Hourly Earnings	July	3.7%	3.8%	NA	NA
	ISM Manufacturing	July	49.0	50.0	49.5	NA
	ISM New Orders	July	46.4	48.0	NA	NA
	Construction Spending	June	-3.5%	-3.6%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-Aug	Consumer Price Index	July	2.7%	NA	NA	NA
	CPI ex-Food & Energy	July	2.9%	NA	NA	NA
14-Aug	PPI Final Demand	July	2.3%	NA	NA	NA
	PPI ex-Food & Energy	July	2.6%	NA	NA	NA
15-Aug	Retail Sales	July	3.9%	NA	NA	NA
	Retail Sales ex-autos	July	3.3%	NA	NA	NA
	Industrial Production	July	0.7%	NA	NA	NA
	Capacity Utilization	July	77.6%	NA	NA	NA
	Business Inventories	June	1.7%	NA	NA	NA
	Import Price Index	July	-0.2%	NA	NA	NA
	U. Michigan Sentiment	August	61.8	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.
