



OLD NORTH STATE TRUST

1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

THE ECONOMY AT A GLANCE

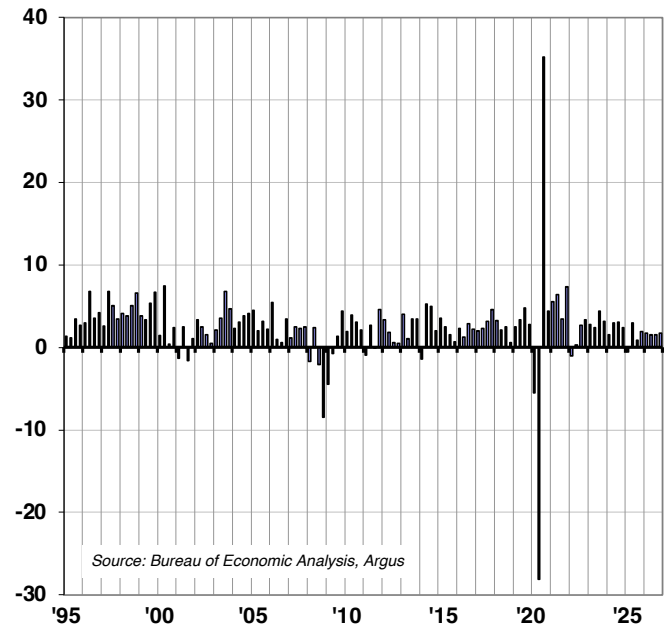
ECONOMIC HIGHLIGHTS

August 11, 2025
Vol. 92, No. 114

GDP IS GROWING AGAIN, 2Q UP 3.0%

According to the advance estimate from the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) rose in the second quarter at an annualized rate of 3.0%. That's above the 2.4% consensus and a rebound from the 0.5% decline in the fourth quarter. Imports decreased 30.3% as trade normalized after the first quarter's 51.6% jump in goods purchases (in advance of the expected imposition of tariffs). Net exports of goods and services (the trade balance) raised 2Q GDP by 4.99 percentage points, reversing a 4.61-point drag in 1Q. Companies appear to be using the stockpiles built in 1Q. Inventories cut 3.17 points from GDP after adding 2.59 points in 1Q. Spending by consumers rose 1.4%, an improvement from the 0.5% increase in 1Q. Private investment declined 15.6%, led by a 10.3% decline in nonresidential structures. Consumer spending on goods rose 2.2%. The huge services category was up 1.1% after an increase of just 0.6% in 1Q. That is a little softer than we would like. This steady category added 0.53 points of growth. Government consumption and investment rose 0.4%. The federal government was down 3.7%, with national defense up 2.2%. Nondefense was down a big 11.3%, State and local government was up 3.0%. Growth in real final sales to private domestic purchasers, which exclude net exports, inventory investment, and government spending, rose 1.2% -- slower than 1.9% in 1Q. The GDP report also contains data on inflation, which slowed in 2Q. The PCE Price Index increased 2.1% in the second quarter. Excluding food and energy, the index increased 2.5%.

REAL GDP (% GROWTH/QTR)

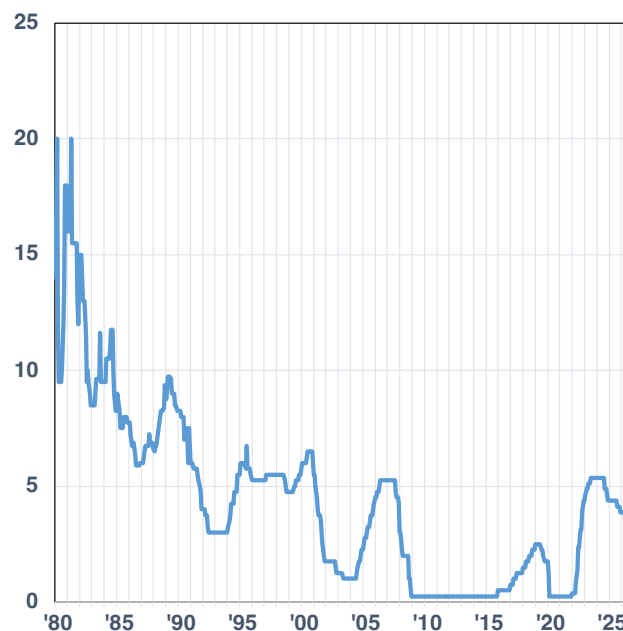


ECONOMIC HIGHLIGHTS (CONTINUED)

FED RESISTS PRESSURE, HOLDS RATES STEADY

The Federal Reserve, as expected, recently maintained its fed funds target rate at the 4.25-4.50% level. The non-decision indicates that the Fed still has concerns over inflation, as well as the overall economy. Further, the central bankers, are wary about the potential impact on prices and on GDP from the Trump administration's tariff initiatives. Meanwhile, the administration has been extraordinarily vocal with opinions on interest rates, blurring a clear line that has long existed between the White House and the Fed. CPI inflation has fallen from readings above 9% in 2022 to readings below 3% -- but lately has struggled to extend its downward trend toward the central bank's goal of 2%. At the same time, the unemployment rate is historically low. Based on the healthy employment environment, the economy is not in dire need of lower rates. Yet. The Fed governors continue to call for economic growth in the 1.4%-1.8% range through 2027 and an inflation rate down to 2.0% by 2027. Over the next two years, the governors anticipate that the federal funds target rate will decline to 3.25-3.50%, implying a real yield of about 1.25%.

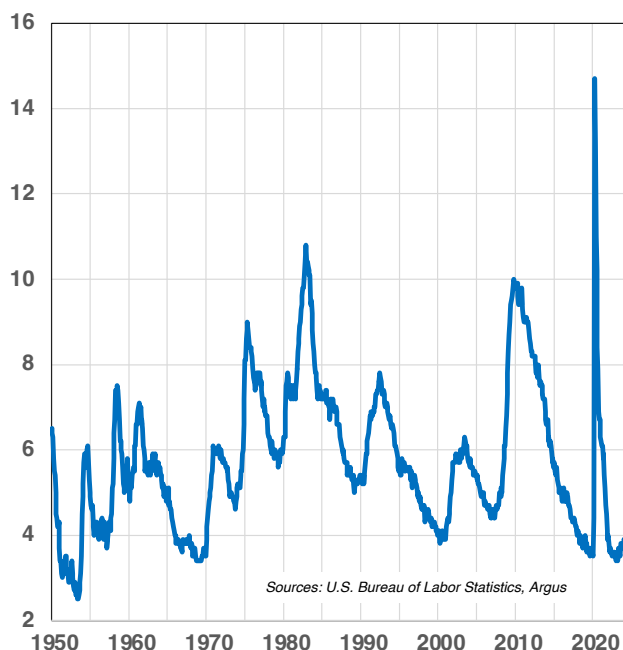
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



PAYROLLS SLUMP, FED CUTS MORE LIKELY

The job market showed signs of weakness in July, as hiring slowed and unemployment ticked higher. The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated just 73,000 nonfarm jobs in July. The consensus was 110,000. June's payrolls were revised lower by 133,000 and May by 125,000. The July result and the revisions reduced the three-month average to 35,000 from a solid 150,000 before the report. The BLS Diffusion Index indicated 51.2% of 250 private industries are hiring, up from 47.2% in June. Manufacturing slumped to 43.8% from 48.6%. The July unemployment rate increased to 4.2%. Average hourly earnings increased 12 cents month to month and are 3.9% higher year over year. The average workweek rose by 0.1 hour to 34.3 hours. The manufacturing sector lost a disappointing 11,000 jobs. Healthcare and social assistance added 73,300. Federal government employment fell by 12,000, and the decline of 84,000 since January is still below 292,000 federal layoffs announced this year, according to outplacement firm Challenger, Gray & Christmas. The BLS reiterated that employees on paid leave or receiving ongoing severance pay are counted as employed in the establishment survey.

U.S. UNEMPLOYMENT RATE (%)

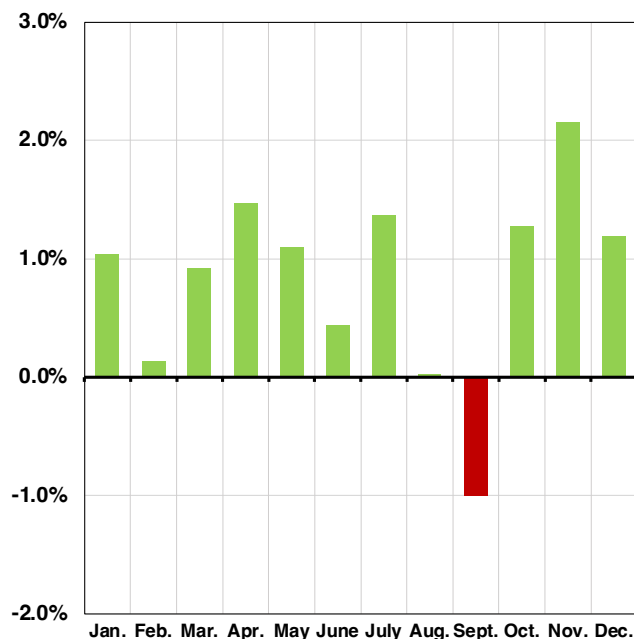


FINANCIAL MARKET HIGHLIGHTS

AUGUST A CHALLENGE FOR INVESTORS

Our analysis of monthly returns going back to 1980 indicates that August, the eighth month of the year, is ahead of only one other month -- the dreaded September -- in terms of average return. There have been some hits. The month has a “win percentage” of 56% and S&P 500 rose 1.3% in August last year. But there have also been some real clunkers, including 1981 (-6%), 1990 (-9.4%), 1998 (-14.6%), 2001 (-6.4%), and 2015 (-6.3%). August generally is quiet on Wall Street. The second-quarter earnings reports are mostly finished in July, though retailers and a few stragglers will still be reporting. The IPO market, relatively quiet this year, often goes into a period of deep hibernation, and volume tends to be light -- which is perfect for higher volatility. This August, nerves are likely to remain on edge as the Fed debates upcoming changes to policy and President Trump uses his pulpit to espouse his views on tariffs, interest rates, and the quality of employment data. We continue to stress a focus on quality companies (with strong earnings, balance sheets, and management teams) as the markets approach what typically has been a difficult two-month stretch.

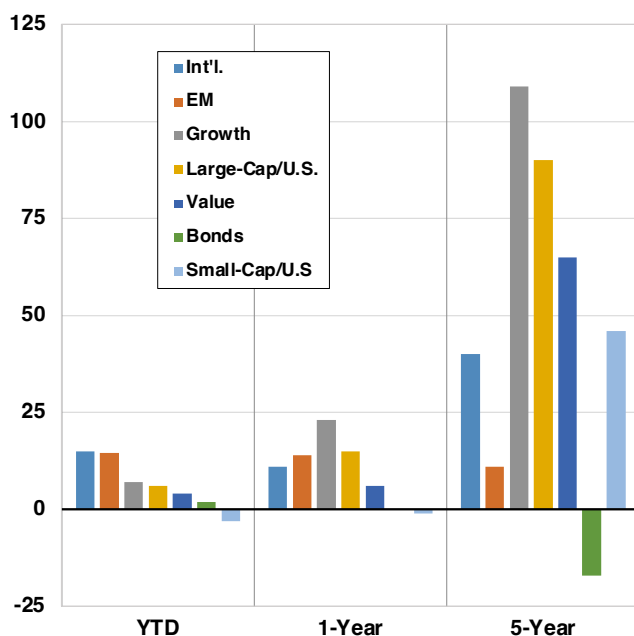
AVERAGE MONTHLY S&P 500 APPRECIATION



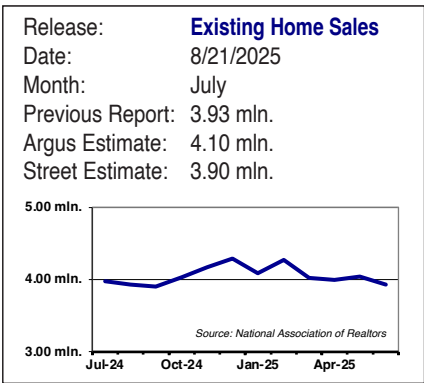
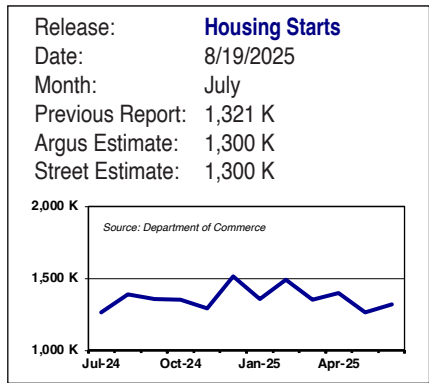
STOCKS TAKE PERFORMANCE LEAD

In terms of performance through the first half of 2025, stocks and bonds are close, with stocks pulling a few hundred basis points ahead through July. From an asset-allocation standpoint, our Stock-Bond Barometer model still slightly favors bonds over stocks for long-term portfolio positioning. We are over-weight on large-cap stocks at this stage of the market cycle. We favor large-caps for growth exposure and financial strength, amidst volatility. Our recommended exposure to small- and mid-caps is 5%-10% of equity allocation, below the benchmark weighting. Global stocks have taken a performance lead in 2025, although U.S. stocks have outperformed global peers over the trailing one and five years. We expect this trend favoring U.S. stocks to continue, given volatile global economic, political, geopolitical, and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 10%-20% of equity exposure to the group. In terms of growth and value, growth rebounded in 2023-2024 and outperformed value as interest rates stabilized and started lower, though value is off to a good start in 2025 and looks likely to outperform in a risk-off environment. Key value sectors that may be less exposed to the global trade wars include Consumer Staples, Healthcare, Utilities, and Financial (via regional banks).

MARKET SEGMENT RETURNS (% THROUGH 7/31/2025)



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
12-Aug	Consumer Price Index	July	2.7%	2.8%	2.8%	2.7%
	CPI ex-Food & Energy	July	2.9%	3.1%	3.0%	3.1%
14-Aug	PPI Final Demand	July	2.3%	2.6%	2.5%	NA
	PPI ex-Food & Energy	July	2.6%	2.9%	2.9%	NA
15-Aug	Retail Sales	July	3.9%	3.4%	NA	NA
	Retail Sales ex-autos	July	3.3%	3.4%	NA	NA
	Industrial Production	July	0.7%	1.0%	NA	NA
	Capacity Utilization	July	77.6%	77.6%	77.5%	NA
	Business Inventories	June	1.7%	1.5%	NA	NA
	Import Price Index	July	-0.2%	-0.2%	NA	NA
	U. Michigan Sentiment	August	61.7	60.0	62.3	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Aug	New Home Sales	July	627K	NA	NA	NA
26-Aug	Durable Goods Orders	July	12.6%	NA	NA	NA
	Consumer Confidence	July	97.2%	NA	NA	NA
28-Aug	GDP Annualized QoQ	2Q "2nd est."	3.0%	NA	NA	NA
	GDP Price Index	2Q "2nd est."	2.0%	NA	NA	NA
29-Aug	PCE Deflator	July	2.6%	NA	NA	NA
	PCE Core Deflator	July	2.8%	NA	NA	NA
	Personal Income	July	4.7%	NA	NA	NA
	Personal Spending	July	4.7%	NA	NA	NA

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