

THE ECONOMY AT A GLANCE

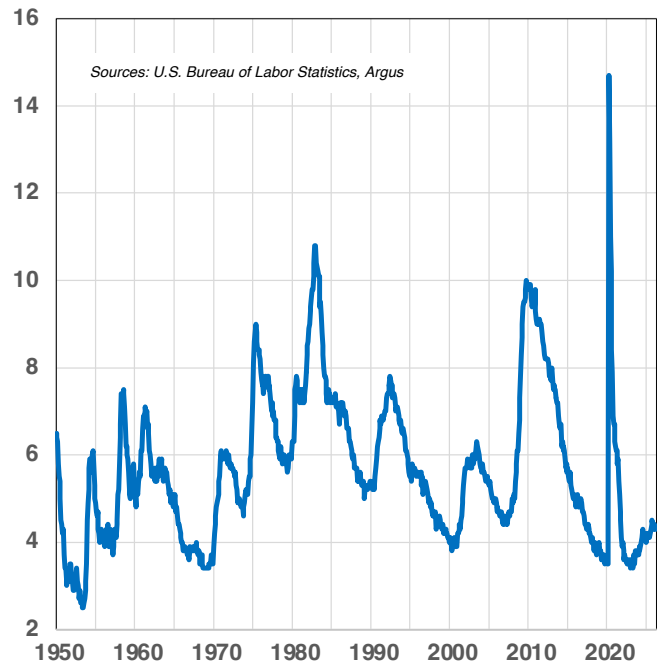
ECONOMIC HIGHLIGHTS

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PAYROLLS POWER HIGHER

The Bureau of Labor Statistics (BLS) released the Employment Situation for May. The U.S. added 172,000 non-farm jobs, helped by strength in leisure and hospitality; local government; and the stalwart Healthcare sector. Employment in financial activities declined. Our forecast was for an increase of 125,000 new jobs in May, while the consensus was 85,000. The results raised the three-month average to 188,000 from 48,000 before the report. April's payrolls were revised higher by 64,000 to 179,000 and March was increased by 29,000 to a gain of 214,000. In addition, the decline in February payrolls rolled out of the calculation. The BLS Diffusion Index indicated 54.4% of 250 private industries are hiring, up from 54.0% in April. Manufacturing rose to 53.5% from 46.5%. The unemployment rate was unchanged at 4.3%, which matched our estimate and the consensus. Average hourly earnings increased \$0.12 month to month and are 3.4% higher year over year. The average workweek was unchanged at 34.3 hours. Employment showed little change in construction; manufacturing; wholesale trade; retail trade; information; professional and business services; and other services. Employment declined by 22,000 in financial activities and is down by 107,000 since a recent peak in May 2025. There were notable job losses (-11,000) in insurance carriers and related activities in May. The manufacturing sector added 7,000 jobs. After the report, there is a 31% probability that the fed funds rate will end the year at the current 3.5%-3.75% target range, and a 1% probability of a rate cut. The probability that the funds rate will be higher at the end of the year rose to 68%, from 49%.

U.S. UNEMPLOYMENT RATE (%)

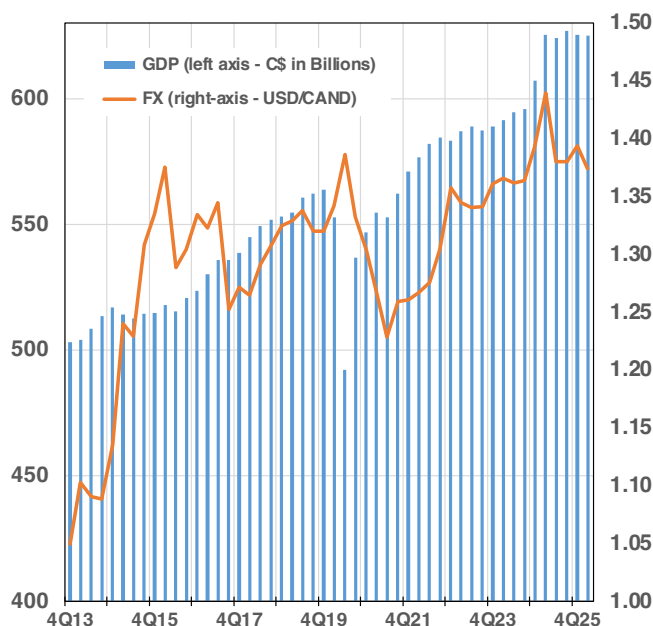


ECONOMIC HIGHLIGHTS (CONTINUED)

CANADIAN ECONOMY CONTRACTS AGAIN IN 1Q

Statistics Canada announced in late May that gross domestic product (GDP) for the Canadian economy slipped by 0.1% in 1Q26, after a revised 1.0% decline in 4Q25. That meets the technical definition of a recession (two consecutive quarterly declines). It was the first such instance since the coronavirus pandemic in 2020. The 1Q drop was very much unexpected, with the consensus calling for a 1.5% growth rate. One major culprit for the shortfall was a strong 2.9% rise in imports. Meanwhile, household spending grew, but was offset by reduced business and government investments. Hoping the 1Q figure would be amended upward in a later revision, Canadian economists stopped short of calling the Canadian economy currently in a recession. With U.S. tariffs and the Iran conflict top of mind, the Bank of Canada left its benchmark interest rate at 2.25% when it met in April, marking four consecutive meetings at which the rate was held. The central bank's latest GDP forecast calls for the economy to grow by 1.2% in 2026, implying a healthy resurgence from the 1Q rate, and by 1.6% in 2027. With worries about inflation from elevated energy prices offset by the weak 4Q/1Q showing in economic growth, most economists expect the central bank to maintain its current interest-rate stance through its next several meetings. We continue to favor select companies in the Canadian market for country diversification and growth opportunities.

CANADA ECONOMIC TRENDS

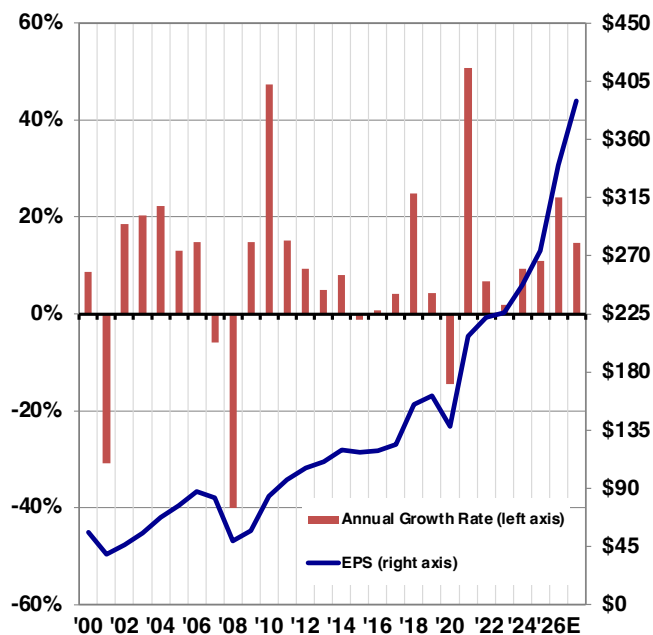


FINANCIAL MARKET HIGHLIGHTS

ARGUS ADJUSTS S&P 500 EPS ESTIMATES

After 95% of S&P 500 constituent companies reported results, first-quarter 2026 earnings were up in the range of 30% from the year-earlier quarter. That makes the earnings growth rate for 1Q26 the highest since 4Q21. What has been keeping earnings growing so steadily through inflation, macro-economic pressures, and geopolitical turbulence? The two-prong answer is revenue growth and margin expansion. Annual revenue growth has accelerated from a mid-single-digit rate in recent years -- and for the 1Q26 EPS season, top-line growth was about 11%. Meanwhile, net profit margin is running at least a point above the long-term average of 12%. This expansion partly reflects the increasing impact on overall profits of the high-margined sectors such as Information Technology. Yet all companies across all sectors have been through a lot in recent years, and, along the way, have learned how to run leaner, source raw materials optimally, and (wherever possible) turn fixed costs into variable costs. We believe the strong margin performance will carry past the first quarter of 2026. Our 2026 and preliminary 2027 EPS forecasts are now \$340, implying year-over-year growth of 25%, and \$390, which implies double-digit EPS growth.

S&P 500 EPS TRENDS & ESTIMATES



GOLD PRICES RETURN TO EARTH

When global economic conditions are uncertain, investors often flock to gold. When certainty returns, they may head in a different direction. This year is a case in point, as gold prices established a high for the century in January at \$5,500 per ounce. But with seeming progress in winding down the Iran war, the price of gold drifted down to the \$4,450 range, for a gain of about 2% for the year. Our forecast trading range for gold in 2026 is \$4,000-\$6,000 and our average price forecast is \$4,500. Technically, the price of gold had been in a long-term bullish trend of higher highs and higher lows. But momentum may have stretched prices. On average, the price of gold has traded at a 6% premium to its 12-month moving average this century. The standard deviation is 9%. Earlier this year, the premium almost reached 40%, more than three standard deviations above the norm. As a fundamental valuation measure, we compare the price of gold to the value of the S&P 500. Over the past 45 years, the S&P 500 has been priced in a normal range of 3-to-1 times an ounce of gold. A reading above 3 likely reflects too much confidence in the S&P 500, while a reading below 1 is a nosebleed price for gold. The current ratio is about 1.7, not far from average.

GOLD PRICE TRENDS (PER OUNCE)



KEY ECONOMIC FORECASTS

- The \$32 trillion U.S. economy remains on course for productive long term growth, powered by corporate investments in Artificial Intelligence. Nvidia CFO Colette Kress estimated, on May 20, that AI infrastructure spending is on track to reach \$3 - \$4 trillion annually by the end of this decade.
- Real Potential GDP – the sustainable speed limit of the US economy is poised to increase to 2.1%, on average, through 2030 according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the labor force from an aging population and reduced immigration.
- We recently raised our 2026 gross domestic product (GDP) growth forecast to 2.3% from 2.1%, our 2Q26 estimate to 2.5% from 2.2%, and our 2027 growth forecast to 2.4% from 2.0%. The major change is that indicators point to even stronger domestic investment. The investment dollars will boost the AI-dominated Equipment and Intellectual property categories in the GDP report.
- News of an interim peace deal between the U.S. and Iran sent gasoline to \$4.07 a gallon from \$4.53 a month earlier (according to AAA). Lower gas prices are welcome news for consumers as we approach the important back-to-school shopping season, which starts after the July 4 weekend. Spending during Amazon's Prime Day (June 23-June 26) may be a useful leading indicator.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate is below the average of 9.2% since 1949 but it rose to 8.5% in May from 6.9% in January. The May unemployment rate is low at 4.3% but the CPI rose to 4.2% in May from 2.4% in January.
- We are monitoring financial conditions and high-frequency indicators. They show ongoing economic resilience and financial system stability.
- Argus expects S&P 500 EPS to rise almost 25% to \$340 in 2026 and increase about 15% to \$390 in 2027. EPS is helped by an increase in operating margins to about 18.8% this year, well above 13.9% in pre-pandemic 2019. Growing tech giants such as MSFT and NVDA have operating margins of 47% and 64% respectively while Dow stalwarts Walmart and Caterpillar earn 4% and 17%, respectively.
- Argus Fixed Income Strategist Kevin Heal expects the Fed to maintain the funds target at 3.50% to 3.75% in 2026 and reduce the target by 25 basis points in 2027 as inflation is likely to abate. We expect the dollar to be slightly stronger in 2026 driven by foreign demand for shares of innovative U.S. companies and continuing economic growth.
- Gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached a record above \$5,000 an ounce. We expect gold to trade in a range of \$4,000 - \$6,000 in 2026.
- What could go right? Low unemployment, spending by wealthy consumers, strong S&P earnings, capital investment in Artificial Intelligence, productivity gains, slower inflation if the price of oil has peaked, a small economic boost from the World Cup, and ongoing innovation.
- Risks: Strains on affordability from years of elevated inflation, uncertainty related to the interim peace deal with Iran, a lower 10-year Treasury yield could depend on deficit reduction, a weak housing market, low income consumers are struggling, spending by affluent may depend on stock gains.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
11-Jun	PPI Final Demand	May	5.7%	5.8%	6.4%	6.5%
	PPI ex-Food & Energy	May	4.9%	5.1%	5.4%	4.9%
12-Jun	U. Michigan Sentiment	June	44.8	43.0	46.0	48.9
15-Jun	Industrial Production	May	1.4%	1.9%	NA	1.7%
	Capacity Utilization	May	76.1%	76.2%	76.1%	76.2%
16-Jun	Housing Starts	May	1,392K	1,390K	1,440K	1,177K
	Import Price Index	May	4.2%	4.7%	NA	6.7%
17-Jun	Retail Sales	May	4.8%	5.5%	NA	6.9%
	Retail Sales ex-autos	May	6.4%	6.0%	NA	7.5%
	Business Inventories	April	2.1%	3.1%	NA	2.7%
18-Jun	Leading Index	May	0.1%	0.3%	NA	NA
24-Jun	New Home Sales	May	622K	665K	NA	NA
25-Jun	GDP Annualized QoQ	1Q "Final"	1.6%	1.6%	1.6%	NA
	GDP Price Index	1Q "Final"	3.5%	3.5%	3.5%	NA
	PCE Deflator	May	3.8%	4.0%	4.1%	NA
	PCE Core Deflator	May	3.3%	3.3%	3.4%	NA
	Personal Income	May	2.5%	2.2%	NA	NA
	Personal Spending	May	5.9%	5.9%	NA	NA
	Durable Goods Orders	May	19.2%	-4.8%	NA	NA

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