OLD NORTH STATE TRUST

1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

THE ECONOMY AT A GLANCE

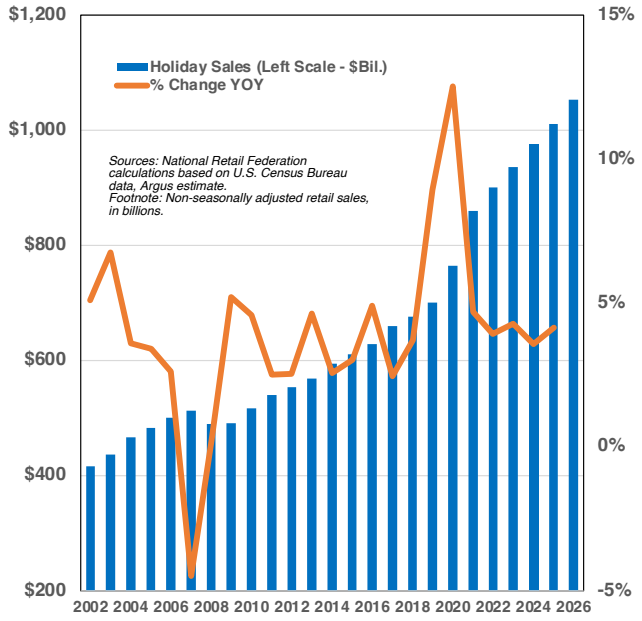
ECONOMIC HIGHLIGHTS

October 5, 2026
Vol. 93, No. 140

HOLIDAY SALES MAY RISE 4.1%

We expect that holiday retail sales will rise about 4.1% in 2026, topping $1 trillion for a second straight year. While 4% is an average performance, there is nothing normal about the current retail environment. On one hand, don't bet against an employed U.S. consumer — especially during the holidays. On the other, gas prices over $4 a gallon are a drag on consumer spending. The tale of the tape is that unemployment has been below 4.5% for a record 60 months. But regular gasoline is selling at $4.50. As background, the average holiday sales gain since 2002 has been 4% including inflation, with a 4.1% increase in 2025 and a high of 12.5% in the pandemic recovery year of 2021. The only decline, of 4.5%, was during the Great Recession in 2008. We tally holiday sales the same way the National Retail Federation does, based on the year-over-year change in the Commerce Department's Retail Sales data for the combined months of November and December. We exclude sales at gas stations, car dealers, and restaurants and focus on core retail. Ultimately, we used fundamentals to arrive at our estimate. A simple statistical model provided a range of 3.3%-3.8% growth. We also considered that after-tax personal income has been growing about 4% year over year. Our primary forecast is based on the total of our estimates for 11 categories of holiday sales. Three represent about two-thirds of holiday season sales and drive our forecast: grocery stores, general merchandise stores, and e-commerce. Our forecasts for those categories are +1.0%, +3.25%, and +7.25%, respectively. While 7.25% is a high hurdle for the big online category, it is up 10.3% year-to-date. With about two months until Thanksgiving, gas prices, inflation, the employment situation, and the level of promotions could affect our outlook.

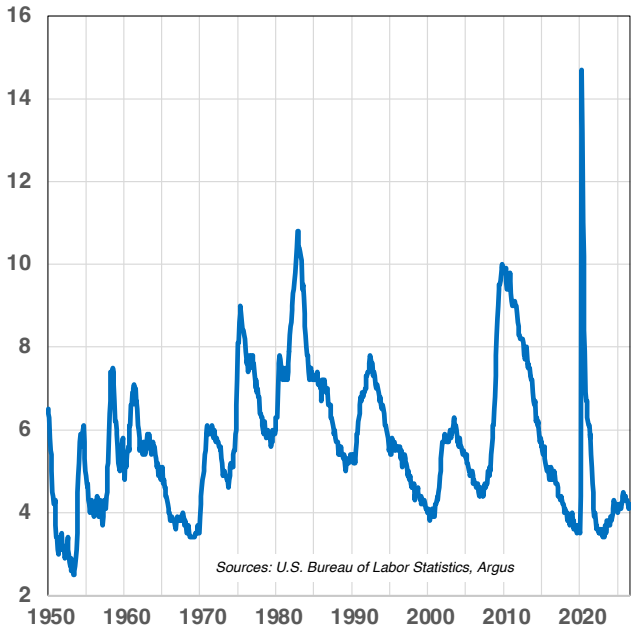
HOLIDAY SHOPPING TRENDS



SOFT JOBS COOL INTEREST` RATES

The Bureau of Labor Statistics has released the Employment Situation for September. The U.S. added 29,000 nonfarm jobs, helped by increases in healthcare and construction, while employment in financial activities declined. Private payrolls were up 46,000, while the government category lost 17,000 jobs, with federal down 1,000. Our forecast was for an increase of 115,000 new jobs in September, while the consensus was 90,000. August's payrolls were revised lower by 29,000 to 133,000, and July was reduced by 31,000 to a loss of 10,000 jobs. September's results and the revisions reduced the three-month average to 51,000 from 71,000. The unemployment rate rose to 4.2%, which was higher than our estimate of 4.0% and the consensus of 4.1%. The labor force participation rate increased by 0.02%, meaning more job growth would have been needed to hold unemployment steady. Average hourly earnings increased $0.05 month to month and are 3.0% higher year over year. The average workweek remained at 34.4 hours. Employment showed little change in mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; transportation and warehousing; information; professional and business services; social assistance; leisure and hospitality; and other services. The manufacturing sector added 9,000 jobs, and construction added 11,000. After the report, traders became more hawkish. The probability of a preelection rate hike at the October 27-28 Federal Open Market Committee (FOMC) meeting decreased to 16.1% from 21.6%. There was no expectation the FOMC would reduce the 3.75%-4.0% target range before or after the employment report. The probability that the fed funds rate will be 4.0%-4.25% (25 basis points higher) at the end of the year rose to 63.8% from 61.4%, but the probability that rates will be higher by 50 basis points decreased to 11.3% from 19.2%.

U.S. UNEMPLOYMENT RATE (%)

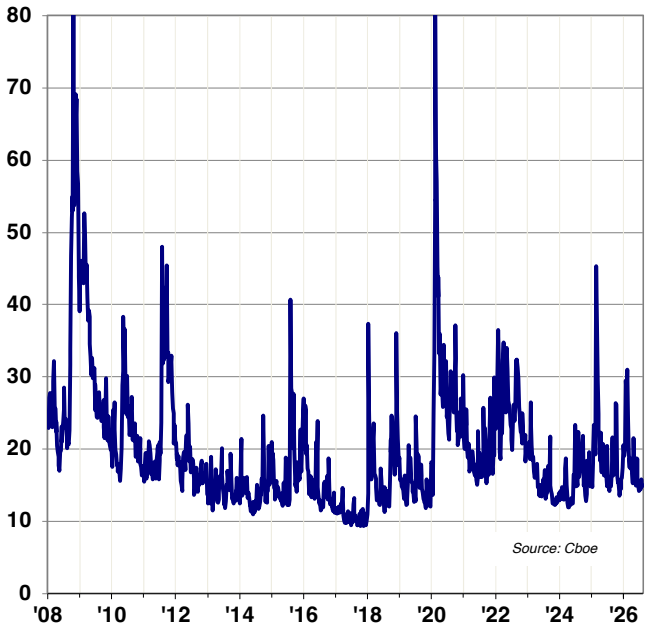


FINANCIAL MARKET HIGHLIGHTS

MARKET CALM AS EARNINGS SEASON APPROACHES

After a spike in market volatility last spring, as the war in Iran kicked into higher gear and oil prices jumped, the closely watched Cboe Volatility Index (VIX) has declined back below its historical average of 20 and appears calm ahead of the next earnings season. Meanwhile, stock prices generally continue to crawl ahead. The low VIX, in some respects, is a bit of a surprise, given the war in Iran, the high price of oil, stubborn inflation trends, upcoming midterm elections, and a new up cycle in the Fed Funds rate. That said, our 2026 "base case" has called for the bull market to soldier on, supported by solid growth in the U.S. economy (and no recession) and double-digit earnings-per-share growth. Valuations also appear reasonable, supported by the strong profit growth trend. The current VIX reading is south of 15, which is well below the historical average of 20 and is consistent with a bull market. Indeed, during the long bull market in the 2010s, the VIX averaged 18 and even touched lows below 10 in 2017. We continue to think the S&P 500 is in the middle stage of a bull run that dates to October 2022. And while the path for equities won't be straight up, we suggest investors favor high-quality domestic stocks in their portfolios at the current market and economic juncture.

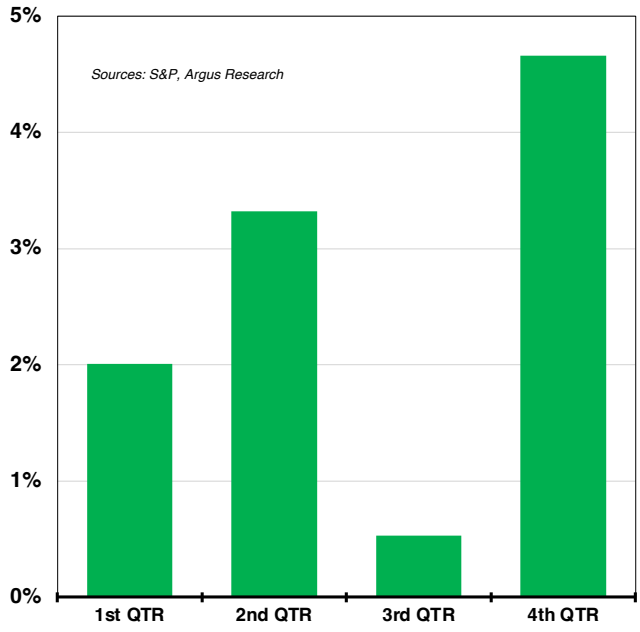
CBOE VOLATILITY INDEX (WEEKLY CLOSE)



FOURTH QUARTER TYPICALLY POSITIVE FOR STOCKS

In theory, investors can feel optimistic heading into the fourth quarter, when the stock market typically posts the strongest returns of the year. To draw this conclusion, we analyzed data collected on S&P 500 performance from 1980 to 2025. By our calculations, the fourth quarter has generated average gains of 4.7%, compared to gains of 2.0%, 3.3%, and 0.5% for 1Q, 2Q, and 3Q, respectively. And the fourth quarter is consistent as well, with a "win percentage" of 83%. That means that 4Q stock returns are positive in four years out of five, and that winning percentage compares to 64% in 1Q, 68% in 2Q, and 63% in 3Q. Further, the S&P 500 has achieved its high-water mark for the year more than 70% of the time during 4Q, with more than 50% of these highs occurring in December. To be sure, the quarter has posted some clunkers. In 1987, which included Black Friday, stocks fell 23% during the quarter. In 2008, stocks sold off 18% after the collapse of Lehman Brothers Holdings Inc. and as the U.S. economy plunged into a deep recession. As recently as 2018, stocks slid 14% in the final quarter when trade wars intensified and the Federal Reserve raised rates. But in 2023, when stocks were still in the early stages of the current bull market, 4Q performance was outstanding, at up 12%. Last year, the S&P 500 advanced 2.6%. This year, it is not unreasonable to expect a slow start, given concerns over inflation, midterm elections, and on-again, off-again trade wars. Even so, we expect 2026 to be a positive year for stock returns, with help, as usual, from the fourth quarter.

AVERAGE STOCK-MARKET APPRECIATION (S&P 500, QUARTERLY)



KEY ECONOMIC FORECASTS

- The $33 trillion U.S. economy remains on course for productive long-term growth, powered by corporate investments in artificial intelligence (AI). Nvidia Corp. CFO Colette Kress estimated in May that AI infrastructure spending is on track to reach $3 trillion-$4 trillion annually by the end of this decade.
- Real potential gross domestic product (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.
- Our 2026 GDP growth forecast is 2.2% (up from 2.1%). Our 2027 forecast is unchanged at 2.2%. In an August 2026 speech, Tom Barkin, president of the Federal Reserve Bank of Richmond, cited the low unemployment rate and a record 59 months with unemployment below 4.5% as keys to the economy's resilience, despite a "slew of challenges." President Barkin added that "consumers aren't feeling as much pressure to cut back" when they have jobs.
- Argus expects S&P 500 earnings per share (EPS) to rise almost 25% to $340 in 2026 and increase about 15% to $390 in 2027. EPS are helped by an increase in operating margins to about 19% this year. Growing tech giants such as Microsoft Corp. and Nvidia have higher margins than Dow stalwarts such as Walmart Inc. and Caterpillar Inc. Argus expects the S&P 500 to trade in a range of 6,900-8,450 over the next 12 months. Our year-end 2026 price target for the S&P 500 is 8,000, based on a multiple of 20.5-times our 2027 EPS estimate.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate, is 7.6%, below the average of 9.2% since 1949 but up from 6.7% in January. Unemployment is low, at 4.2%. Inflation remains elevated at 3.4% in August, but it is below the recent peak of 4.2% in May.
- Gasoline prices at $4.40 a gallon are straining consumers' preholiday spending. Inflation will be a key issue in fall elections for control of Congress. Looking ahead to 2027, the Energy Information Administration outlook calls for a recovery in oil supply and ultimately a surplus. If that's the case, West Texas Intermediate likely will resume its secular downtrend. Our preliminary 2027 outlook is $70 a barrel, down from $80 in 2026.
- The yield on the 10-year Treasury bond has jumped to about 5.25%, up from 3.95% before the escalation of the conflict with Iran. The 10 year has a bigger and more direct effect on the economy than an equivalent move in the Federal Funds rate. We expect the 10 year to end 4Q27 in a range of 4.0%-5.0%.
- Gold, the ancient safe-haven asset, is likely to remain at high levels, in a range of $4,000-$6,000 an ounce in 2026, amid buying by central banks, global uncertainty, and concerns about the U.S. budget deficit.
- The Federal Open Market Committee voted 12-0 in September to raise the Fed Funds target by a quarter point to 3.75%-4.0%. Argus Fixed Income Strategist Kevin Heal expects one more hike this year before the central bank moves to the sidelines in 2027. We expect the dollar to be to be flat to firmer over the next year, helped by higher rates and demand for shares of innovative U.S. companies.
- What could go right? Low unemployment, strong S&P 500 earnings, ongoing innovation, spending by wealthy consumers, massive capital investment in AI, and productivity gains.
- Risks: Higher interest rates, a pause in investment by AI companies, a weak housing market, inflation/strains on affordability, hostilities with Iran, and U.S. budget deficits raising the national debt.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Oct	ISM Manufacturing	September	54.6	55.0	55.0	**54.50**
	ISM New Orders	September	53.7	54.0	55.1	**55.3**
	ISM Prices	September	71.1	71.0	72.5	**77.9**
	Construction Spending	August	**-2.6%**	-3.6%	NA	**-1.7%**
2-Oct	Nonfarm Payrolls	September	**133K**	115K	90K	**29K**
	Unemployment Rate	September	4.1%	4.0%	4.1%	**4.2%**
	Average Weekly Hours	September	34.4	34.4	34.3	**34.4**
	Average Hourly Earnings	September	3.1%	3.1%	3.2%	**3.0%**
	Factory Orders	August	**9.8%**	6.6%	NA	**8.5%**
5-Oct	ISM Services Index	September	55.4	55.2	NA	**54.9**
6-Oct	Trade Balance	August	**-$92.8 Bln.**	-$101.0 Bln.	NA	**-$105.6 Bln.**
	Total Vehicle Sales	September	**16.6 Mln.**	16.3 Mln.	NA	**16.0 Mln.**
8-Oct	Wholesale Inventories	August	5.7%	6.6%	NA	NA
9-Oct	U. Michigan Sentiment	October	48.1	47.0	47.8	NA
13-Oct	Existing Home Sales	September	3.98 Mln.	4.00 Mln.	NA	NA
14-Oct	Consumer Price Index	September	3.4%	3.6%	3.7%	NA
	CPI ex-Food & Energy	September	2.4%	2.4%	2.5%	NA
15-Oct	PPI Final Demand	September	5.4%	5.5%	NA	NA
	PPI ex-Food & Energy	September	4.6%	4.5%	NA	NA
	Retail Sales	September	5.4%	5.6%	NA	NA
	Retail Sales ex-autos	September	6.2%	6.5%	NA	NA
	Business Inventories	August	3.8%	5.5%	NA	NA
16-Oct	Industrial Production	September	1.4%	1.7%	NA	NA
	Capacity Utilization	September	76.3%	76.4%	76.5%	NA
	Import Price Index	September	7.0%	7.5%	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.