OLD NORTH STATE TRUST

1250 REVOLUTION MILL DRIVE
SUITE 152
GREENSBORO, NC 27405

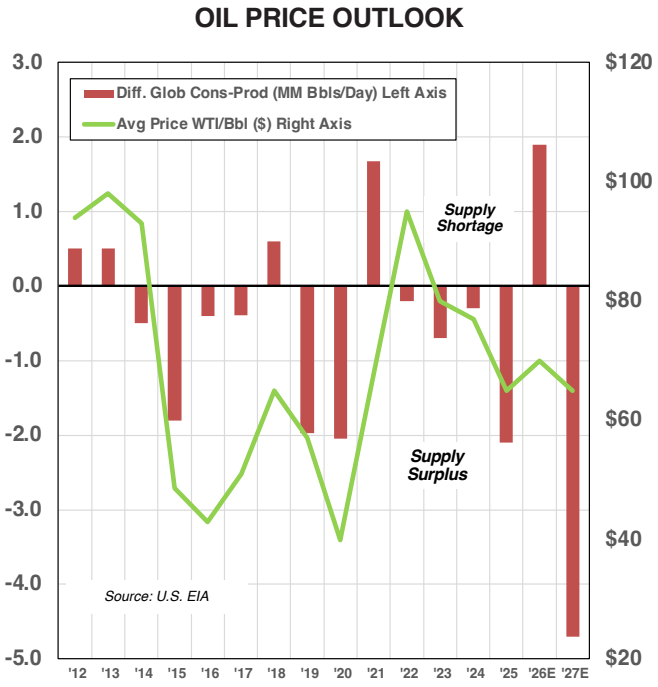
THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

August 24, 2026
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OIL PRICES: HIGHER FOR LONGER

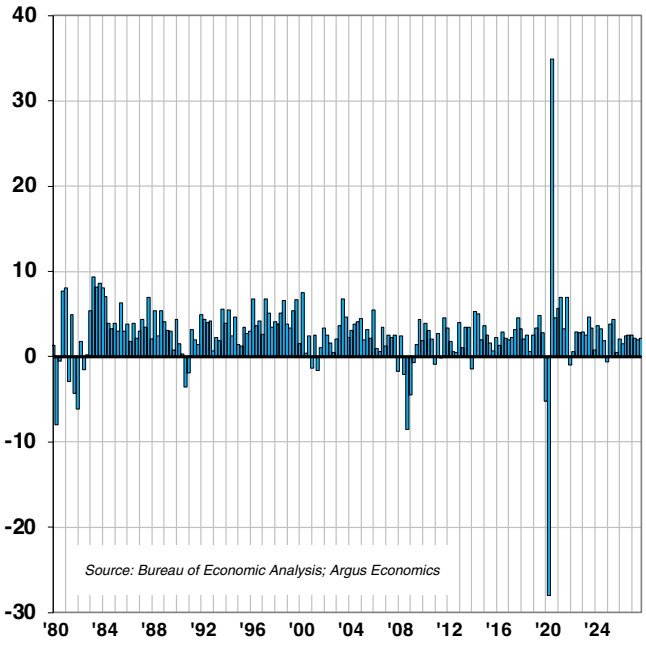
The price of a barrel of the crude oil benchmark grade West Texas Intermediate, which had declined steadily for the past four years as new energy sources emerged, soared to triple-digit-territory a few months ago due to the impact on supply from the war in Iran. Iran is not necessarily a major producer of oil (3% of the global total), but the country has responded to the attack by effectively closing the Strait of Hormuz, through which tankers moving about 20% of the world's oil supply travel. As a consequence, the U.S. Energy Information Administration (EIA) says the global supply of oil is expected to decline about 5% in 2026 compared to 2025, while global demand declines about 1%. Thus, it is little surprise that oil prices over $80 per barrel remain more than 40% above their lows for the year. And they will likely stay elevated for a while, as attacks have damaged gas fields and refineries in Saudi Arabia and Qatar. For 2026, our oil price forecast now calls for $80 per barrel, and our forecast trading range for 2H26 is $70-$120. This forecast implies a 22% jump in gas prices in 2026 compared to an average price of $65 in 2025. Looking further ahead, the EIA outlook for 2027 calls for a recovery in supply and ultimately a surplus. If that's the case, oil prices likely will resume their secular downward trend. Our preliminary outlook for WTI next year is $70. Yet that forecast is subject to change, depending on the trajectory of the conflict in the Middle East.



RESILIENT ECONOMY

After almost six months of high gasoline prices, unemployment remains low and stock prices are high. Argus expects S&P 500 EPS to rise almost 25% in 2026 and about 15% in 2027. We expect Gross Domestic Product (GDP) to keep growing -- by 2.1% in 2026 and 2.2% in 2027. That is a slight deceleration from our previous estimates of 2.3% and 2.4%, respectively, but not because of a slowdown in demand. We boosted our estimate of imports, which reflects purchases of gear to support the AI build-out. As a reminder, GDP is the value of goods and services produced in the U.S. and imports are subtracted from GDP. By our tally, imports of computers, computer accessories, telecommunications equipment, and semiconductors were up more than 70% in the first half of the year, topping $430 billion. We expect strong AI investment to continue in the second half and into 2027, with imports playing a slightly bigger role than we previously expected. In 2Q, real final sales to private domestic purchasers, which focuses on core consumer spending and business investment, were up a strong 3.9% versus a 1.7% increase in 1Q. Our 2026 estimate is 3.2% and our 2027 estimate is 2.6%. Consumer spending has slowed from almost 3% in 2023 and 2024 to about 2% in 2025 and to an annualized rate of 1.3% through the first five months of this year, according to the Federal Reserve's Monetary Policy Report to Congress. We expect employed consumers to keep spending, albeit at a modest rate, until lower inflation allows them to splurge.

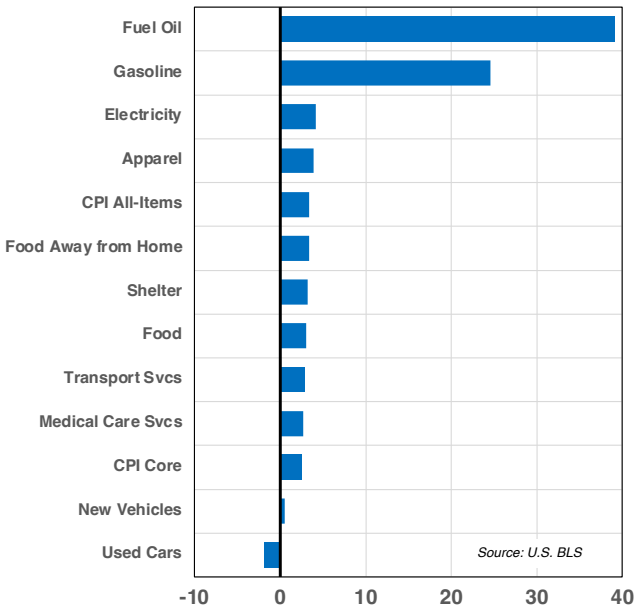
GDP TRENDS & OUTLOOK (% CHANGE)



PRICING PRESSURES COOL

The pricing pressure that had been building in the economy is starting to ease, at least for now. Two important inflation reports were released recently. The first report was the Consumer Price Index (CPI), which is the most widely quoted inflation measure in the financial press. CPI rose at a 3.4% rate year over year through July. That was down from the prior month's reading of 3.5%, though it is still a far cry from the Fed's stated goal of 2.0%. Moving up the value chain, the Producer Price Index (PPI) has risen at a 4.7% annual rate through July, down from a 5.5% rate in June and a 6.5% rate in May. Though these latest rates are lower, we think it is premature to suggest that inflation is back on a downward trek. Pricing pressures peaked back in 2022, with the CPI topping out at a rate of 9.0%. They came down consistently for years, bottoming at 2.3% last April. But the war in Iran is not over, and we think the volatility in the pricing environment will keep the Fed on the sidelines in 2026.

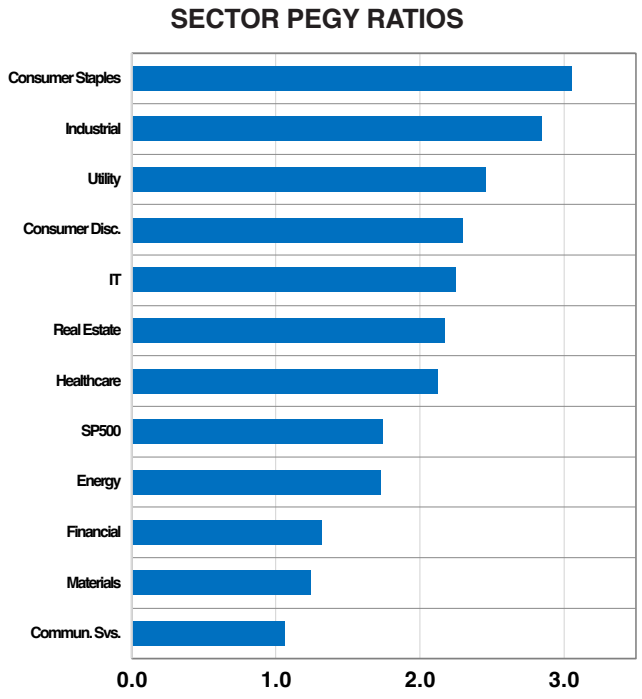
CONSUMER INFLATION FACTORS (% CHANGE Y/Y)



FINANCIAL MARKET HIGHLIGHTS

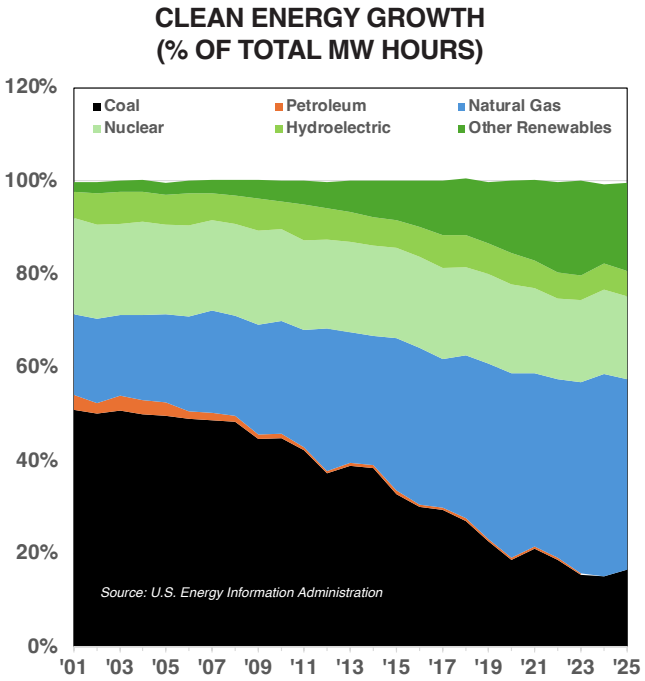
GARP SECTORS

We have examined sector growth and valuation investing, which is often referred to as GARP investing (Growth At A Reasonable Price). Investors hunting for GARP stocks that reasonably balance long-term growth prospects and current value characteristics might want to look at the Financial, Materials, Energy, and Communication Services sectors. These are among the groups currently selling for PEGY (price/earnings)/(growth+yield) ratios at or below the S&P 500's ratio of 1.7. To generate the PEGY ratios, we use the P/E ratio for each sector based on forward earnings for the numerator. For the denominator, we average the growth rates for the past five years along with two years of forward estimates, this in order to achieve a less-volatile earnings growth rate trend. We add the current yield to approximate total return. Based on our analysis of growth rates and valuations, along with other factors, we have established our current over-weight sectors as Information Technology, Financial, Industrial, and Materials. Our under-weight sectors are Consumer Staples and Consumer Discretionary. Our Market-Weight sectors are Communication Services, Healthcare, Energy, Utilities, and Real Estate.



OPPORTUNITIES IN CLEAN ENERGY

Government policies and incentives, along with growing environmental awareness, are driving substantial investments in renewable energy sources and technologies. Some 194 member states of the United Nations signed the Paris Agreement in 2015. This legally binding international treaty on climate change seeks to limit global warming to well-below 2.0 degrees Celsius, compared to pre-industrial levels. In the U.S., the Inflation Reduction Act (IRA) of 2022, enacted by the 117th Congress, called for the investment of $391 billion in programs and incentives relating to energy security and climate change. Though the recent One Big Beautiful Bill changed some provisions previously available under the IRA, we expect economic factors ultimately will kick clean energy into a higher gear. Consider the fate of coal. As recently as 2001, coal was used to generate more than 50% of the country's electricity. That percentage is now only 19%, due to coal's relative lower efficiency than other sources. Meanwhile, wind power as a percentage of U.S. electricity generation has grown from less than 1% in 1990 to 10% by 2022, this according to the U.S. Energy Administration. The global solar power market is also large and growing. It generated $235 billion in 2022 revenue and that is projected to rise at a compound annual growth rate of 7% to $293 billion in 2029.



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.
- Our 2026 gross domestic product growth forecast is 2.1%. Our 2027 forecast is 2.2% In the Monetary Policy Report to Congress, the Federal Reserve said, "Overall, economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East."
- National gasoline prices once again exceed $4.00 a gallon as tensions between the U.S. and Iran remain. Gas prices below $4.00 are important to consumers with the holidays around the corner. Inflation is likely to be a key issue in fall elections for control of the House and Senate.
- 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 rounds to 7.4% from 6.7% in January. Unemployment is low at 4.1%. Inflation remains elevated, but CPI did ease to 3.4% in July from 3.5% in June.
- We are monitoring financial conditions and high-frequency indicators. They show ongoing economic resilience and financial system stability that accommodates saving, borrowing, and investing.
- 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 19% 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 19%. Argus expects the S&P 500 to trade in a range of 6,730-8,225 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 Federal Open Market Committee voted 9-3 in July to maintain the federal funds target at 3.5%-3.75%. Argus Fixed Income Strategist Kevin Heal expects the Fed to maintain the current funds target in 2026 and cut rates by 25 basis points in the second half of 2027. We expect the dollar to be flattish in 2026. We see foreign demand for shares of innovative U.S. companies, tempered by lower prospects for Fed tightening and concerns about the U.S. budget deficit.
- Gold is likely to remain at high levels amid global uncertainty and concerns about the budget deficit. The ancient safe-haven asset reached a record above $5,000 an ounce in 1Q. It briefly dropped to about $4,000 before rallying back to $4,700.
- What could go right? Low unemployment, spending by wealthy consumers, strong S&P earnings, strong capital investment in Artificial Intelligence, productivity gains, and ongoing innovation.
- Risks: Strains on affordability from years of elevated inflation, uncertainty related to hostilities with Iran, higher interest rates, increased borrowing by AI companies, a weak housing market, low income consumers are struggling, spending by affluent may depend on stock market gains.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
20-Aug	Leading Index	July	**-0.1%**	0.2%	0.1%	**0.2%**
25-Aug	New Home Sales	July	**678K**	630K	620K	**607K**
	Consumer Confidence	August	**90.2**	90.0	90.2	**89.4**
26-Aug	GDP Annualized QoQ	2Q "Second"	1.5%	1.5%	1.5%	**1.5%**
	GDP Price Index	2Q "Second"	6.2%	6.2%	6.2%	**6.4%**
	PCE Deflator	July	3.7%	3.6%	3.6%	**3.7%**
	PCE Core Deflator	July	3.3%	3.3%	3.3%	**3.3%**
	Personal Income	July	3.9%	3.5%	NA	**3.7%**
	Personal Spending	July	**6.4%**	5.5%	NA	**5.9%**
	Durable Goods Orders	July	9.2%	16.0%	NA	**12.9%**
1-Sep	ISM Manufacturing	August	55.6	56.0	NA	NA
	ISM New Orders	August	56.7	57.0	NA	NA
	ISM Prices	August	71.1	70.0	NA	NA
2-Sep	Factory Orders	July	7.4%	10.0%	NA	NA
3-Sep	Trade Balance	July	-$73.3 Bln.	-$75.0 Bln.	NA	NA
	ISM Services Index	August	54.1	54.5	NA	NA
4-Sep	Nonfarm Payrolls	August	-23K	50K	NA	NA
	Unemployment Rate	August	4.1%	4.1%	NA	NA
	Average Weekly Hours	August	34.3	34.3	NA	NA
	Average Hourly Earnings	August	3.2%	3.2%	NA	NA
	Total Vehicle Sales	August	16.3 Mln.	16.4 Mln.	NA	NA

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