

THE ECONOMY AT A GLANCE

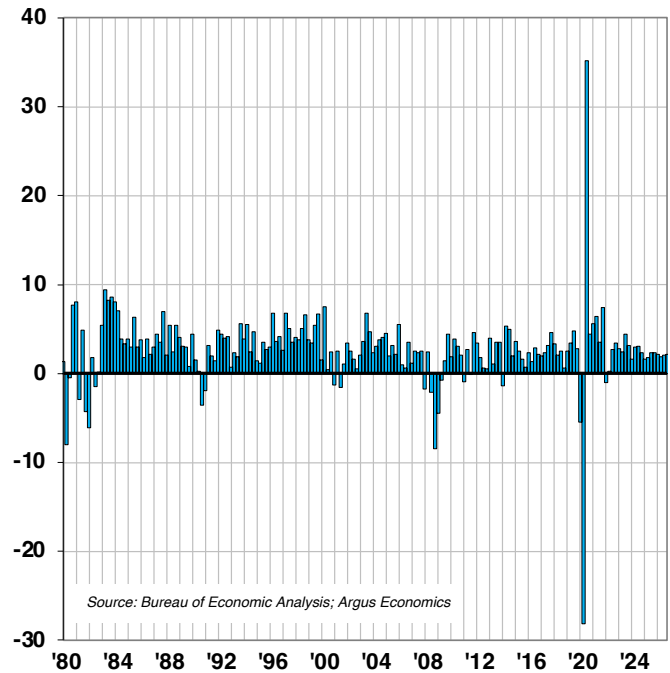
ECONOMIC HIGHLIGHTS

March 24, 2025
Vol. 92, No. 43

SERVICES SUPPORT 2025 GDP GROWTH

We reduced our 2025 estimate for GDP growth to 2.0% from 2.3%. There are some headwinds, but unemployment is low at 4.1%. We expect consumer spending to grow 2.3% for the year, bolstered by 2.4% growth in the Consumer Services category (which represents 47% of GDP). The ISM Services Index showed expansion for an eighth consecutive month in February and has indicated expansion in 54 of the last 57 months. We expect GDP to grow 1.6% in 1Q25, 1.8% in 2Q, 2.3% in 3Q, and 2.3% in 4Q. Our 2026 estimate is 2.1%. The reduction in our 1Q estimate from 3% to 1.6% represents adjustments to several items in our model. Shoppers may have paused in January to pay bills after robust holiday spending. Imports, which are a drag on GDP, appear to have been elevated by purchases ahead of anticipated tariffs. Three indicators driven by a broad array of timely data point to 1Q growth. The Federal Reserve Bank of New York’s Staff Nowcast for 1Q called for 2.67% growth on March 7. The Weekly Economic Index tracked by the Federal Reserve Bank of Dallas is based on 10 daily and weekly indicators of consumer behavior, the labor market, and production. If, for example, an index value of 2% persisted for an entire quarter, the index would suggest that quarter’s GDP would be 2% higher than a year ago. For the week ended March 1, the index was 2.24%, with a 13-week moving average of 2.46%. The Chicago Fed National Activity Index (CFNAI) looks at 85 indicators. It slipped to -0.03 in January from 0.18 in Sept. The CFNAI Diffusion Index rose to 0.10 in January. The Chicago indicators suggest the economy is growing at close to its historical average rate.

GDP TRENDS & OUTLOOK (% CHANGE)

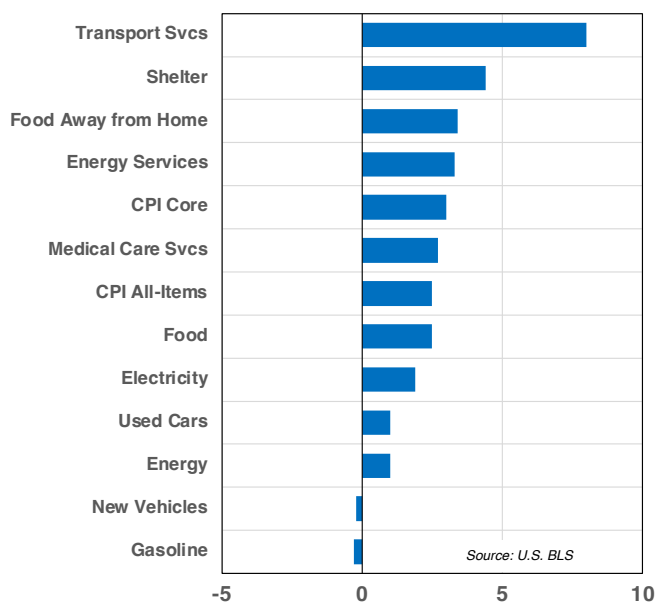


ECONOMIC HIGHLIGHTS (CONTINUED)

MORE POSITIVE INFLATION READINGS

Two recent inflation reports (the Consumer Price Index, or CPI, and the Producer Price Index, PPI) signaled that pricing pressures are easing (a bit) but that inflation remains above the Fed's 2.0% target. For CPI, the news was surprisingly good, as the annualized headline number ticked lower from the previous month. The core rate (ex-food and energy) also declined month over month. Perhaps the most encouraging data was related to Transportation Services and Shelter costs. In these sticky categories, year-over-year inflation declined meaningfully. Gas prices are sharply lower year over year. PPI measures pricing trends farther up the supply chain, at the manufacturing level. Here, the news was also generally positive. For example, the final demand annual rate through February was 3.2%, compared 3.7% in January. We expect pricing pressures to continue easing as the housing market cools due to high mortgage rates, supplies of new vehicles are replenished, and the price of oil stays below \$90 per barrel. The Fed lifted the feds fund rate from 0.0% to above 5.25% in 2022-2023, and those hikes did their part reducing inflation. The central bank shifted its policy toward lower rates in September 2024, and we expect it to continue reducing the cost of money in 2025 as its concern shifts toward economic growth.

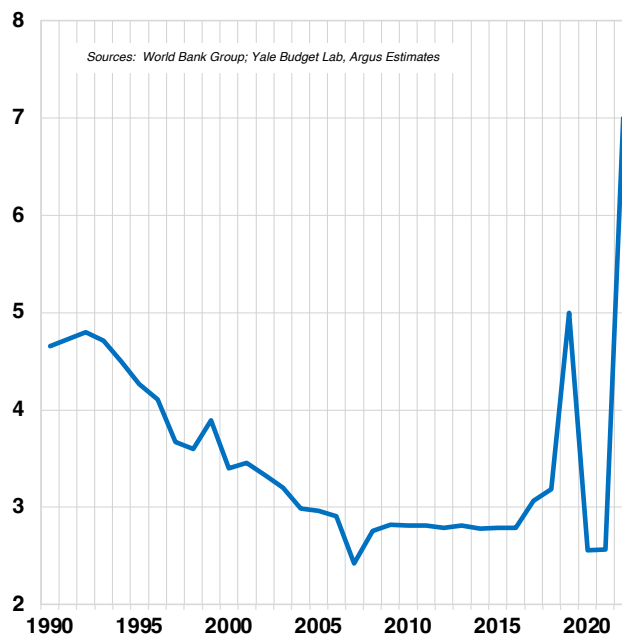
CONSUMER INFLATION FACTORS (% CHANGE Y/Y)



TARIFFS ARE A FACT OF ECONOMIC LIFE

The Trump administration has kicked off a trade war with the goals of reducing the trade imbalance. The reaction in financial markets suggests investors are skeptical. Trade wars often start with a narrow focus, but then broaden as partners retaliate. Let's look at the impact on imported goods such as steel and aluminum. Domestic metals producers will be in an improved position because imported steel and aluminum prices will be higher. But farther up the value chain, the outcomes change as domestic companies that use imported metals face higher costs. Exporters face trouble right away from retaliatory tariffs. Given that numerous tariffs have been in place for years, U.S. corporations have experience managing these challenges. If tariffs and trade policies better protect corporate intellectual property, certain domestic companies may benefit. That said, the U.S. economy is among the strongest and most diversified in the world. And U.S. consumers have benefitted for years from innovative imports. With the economy humming and unemployment at 4%, we think this is an odd time to fiddle with a bedrock economic principle like free trade.

USA MEAN TARIFF RATE (%)

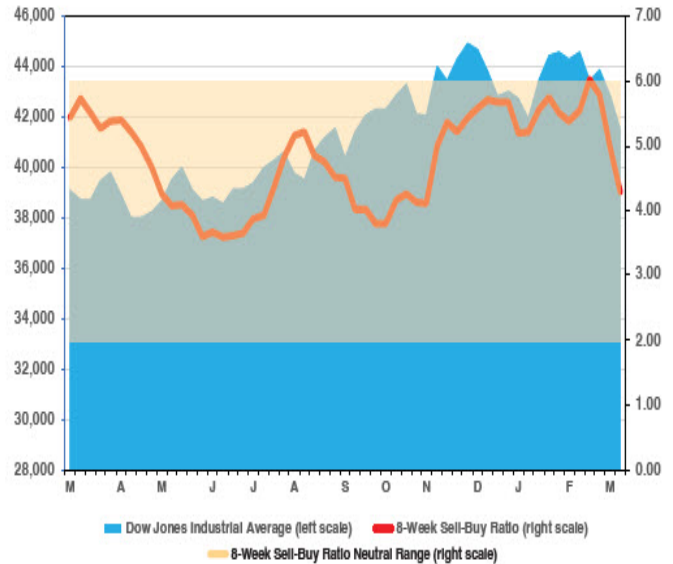


FINANCIAL MARKET HIGHLIGHTS

INSIDERS MAKE AN APPEARANCE

Over the course of the market contraction that has been underway since mid-February, corporate executives, directors, and beneficial owners (insiders) had stayed on the sidelines. But based on data from Argus' sister company, Vickers Stock Research, that has now changed. Looking at the major one-week sell/buy ratios from Vickers, we note that the NYSE/ASE One-Week Sell/Buy Ratio is now 1.71 on a scale where anything below 2.00 is bullish and anything above 6.00 is bearish. The ratio was as high as 8.48 just a few weeks ago. For the standalone NYSE, the One-Week Sell/Buy Ratio is 1.75 (again bullish) and was 9.00 a few weeks ago. For the Nasdaq, the One-Week Sell/Buy Ratio is 3.14 (neutral), but it was as high as 14.06 at the start of February. The bullish one-week activity has had an impact on Vickers broadest sentiment gauge, the Total (all exchanges) Eight-Week Sell/Buy Ratio. That ratio is currently 4.29, which is neutral, but was in bearish territory at 6.02 only a few weeks ago. Sure, one week does not make a trend, but it is a very good start. Of note, insiders historically jump in before many other investors when an apparent opportunity presents itself. The last time Vickers' ratios were in bullish territory was late-October/November of 2023, and that turned out to be a very good time to buy stocks.

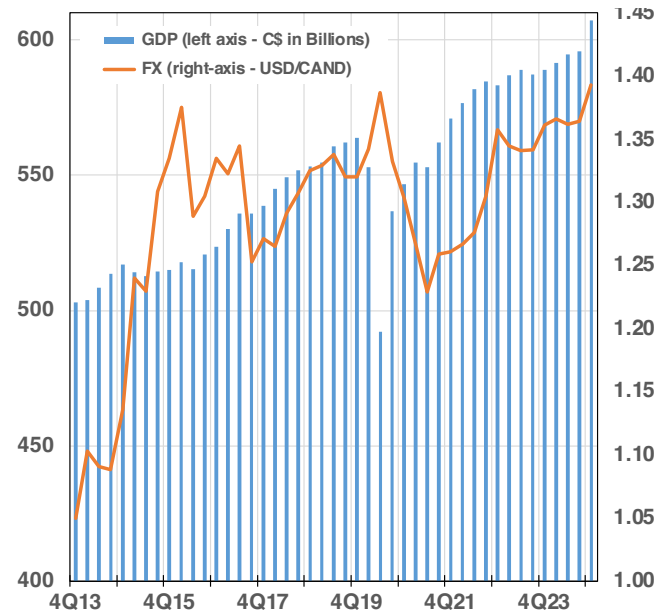
TOTAL 8-WEEK SELL/BUY RATIO VS. DJIA



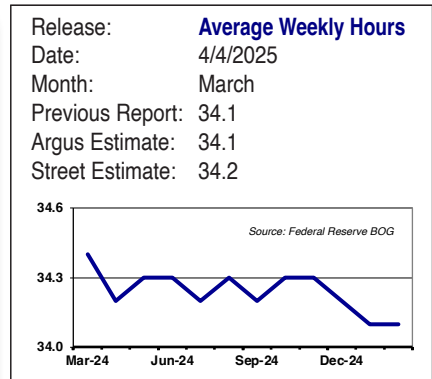
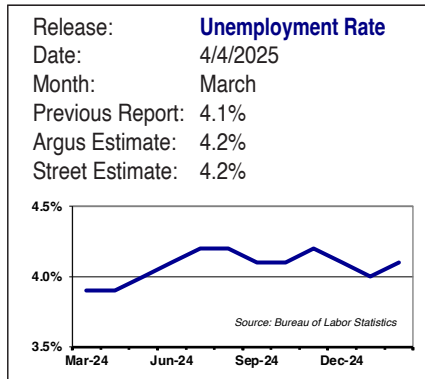
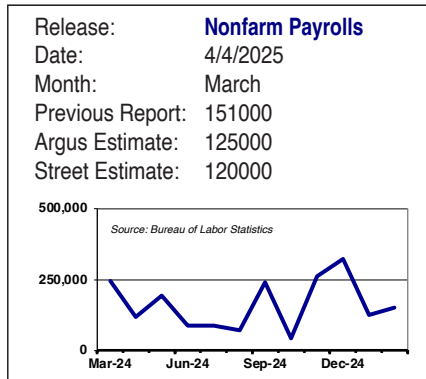
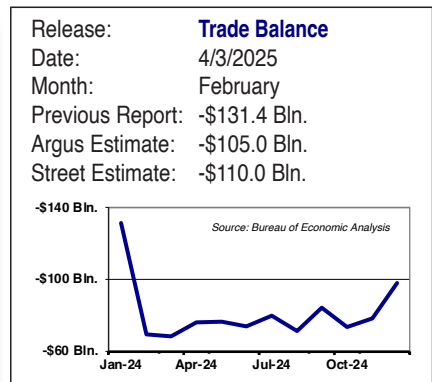
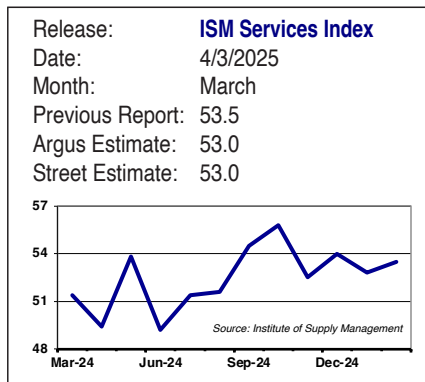
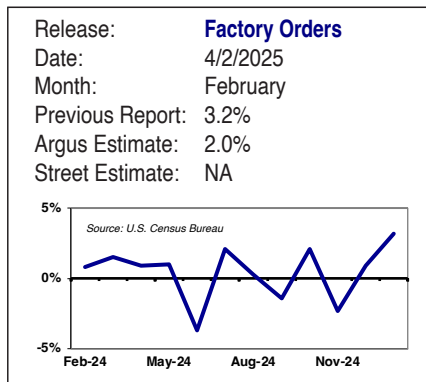
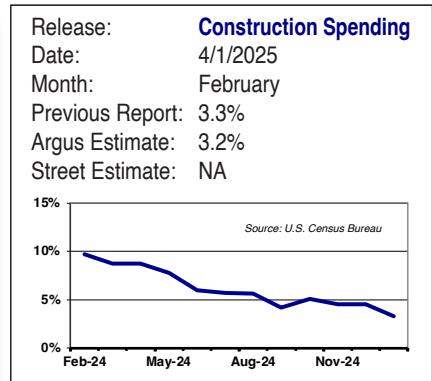
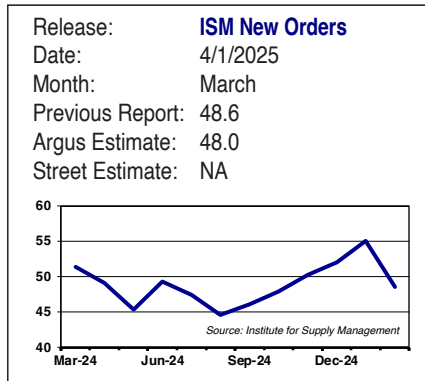
CANADA DEALS WITH TARIFF TURMOIL

The Bank of Canada lowered interest rates again in late January, easing the overnight rate by 25 basis points to 3.00%. The stimulus appears to be working, with the Canadian unemployment rate declining to 6.6% in January from 6.9% late last year. Meanwhile, trade uncertainty -- after the Trump administration instituted broad-based tariffs, ostensibly to rein in the flow of illegal drugs and to encourage more onshore manufacturing -- has created a high level of uncertainty for those making economic forecasts. The most-recent tariff salvo calls for 50% tariffs on Canadian steel and aluminum, and the potential for elevated tariffs on automobiles. For its part, Canada's central bank, in lowering rates, said "if broad-based and significant tariffs were imposed, the resilience of Canada's economy would be tested." For now, many economists see economic growth in Canada falling to under 2% in 2025, despite expectations for another 50 basis points of interest-rate reductions through year end. For all the turmoil, Canada's TSX index is off only about 6% from its recent peak. Among our Canadian coverage, we believe the Financial sector, where Argus has an Over-Weight stance, remains among the better opportunities for Canadian stocks.

CANADA ECONOMIC TRENDS

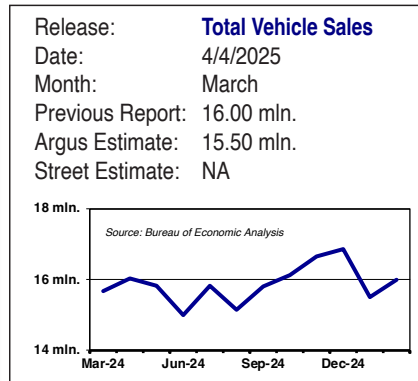
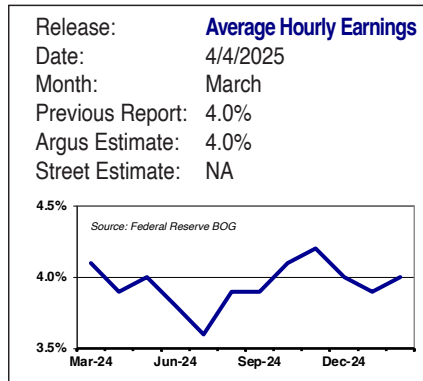


ECONOMIC TRADING CHARTS & CALENDAR



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
25-Mar	New Home Sales	February	664K	700K	681K	676K
	Consumer Confidence	March	100.1	94.0	93.5	92.9
26-Mar	Durable Goods Orders	February	4.3%	-1.3%	NA	NA
27-Mar	GDP Annualized QoQ	4Q "3rd est."	2.3%	2.3%	2.3%	NA
	GDP Price Index	4Q "3rd est."	2.4%	2.4%	2.4%	NA
28-Mar	PCE Deflator	February	2.5%	2.4%	2.5%	NA
	PCE Core Deflator	February	2.6%	2.6%	2.7%	NA
	Personal Income	February	4.6%	4.6%	NA	NA
	Personal Spending	February	5.6%	5.2%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
9-Apr	Wholesale Inventories	February	1.2%	NA	NA	NA
10-Apr	Consumer Price Index	March	2.8%	NA	NA	NA
	CPI ex-Food & Energy	March	3.1%	NA	NA	NA
11-Apr	PPI Final Demand	March	3.2%	NA	NA	NA
	PPI ex-Food & Energy	March	3.4%	NA	NA	NA
	U. of Michigan Sentiment	April	57.9	NA	NA	NA

Disclaimer

Argus Research Co. (ARC) is 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 content of this report may be derived from Argus research reports, notes, or analyses. 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. In addition, this content is not prepared subject to Canadian disclosure requirements. 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. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. 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. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in New York, NY, is a customer of Argus Research Co. (ARC), also based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products. Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives. Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly. This content is not prepared subject to Canadian disclosure requirements.

