

THE ECONOMY AT A GLANCE

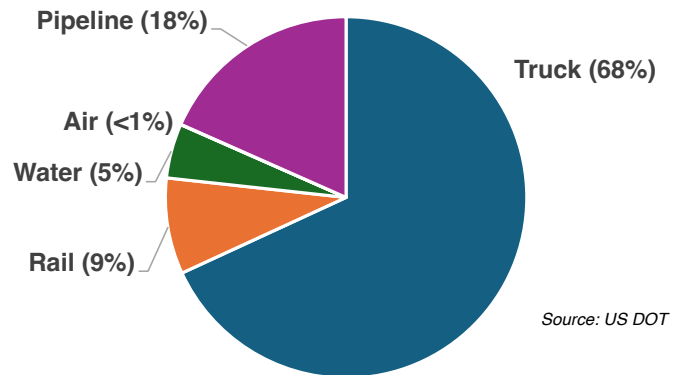
ECONOMIC HIGHLIGHTS

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SUPPLY CHAIN A COMPETITIVE U.S. ADVANTAGE

Onshoring is one of our Top 10 Investment Themes for 2026. The U.S. operates one of the most advanced and robust supply chains in the world, particularly in managing domestic freight volume and technological adoption. The domestic highway system and public roads span over 4 million miles, providing comprehensive coverage for truck transport, which accounts for the largest share of U.S. domestic freight movement by value and weight for short-haul trips. The U.S. also has the world’s largest and most cost-efficient freight rail system, running on nearly 140,000 route miles. Unlike most state-owned foreign railroads that prioritize passenger service, the U.S. network is largely private, allowing for billions in private capital investment to focus on freight efficiency. This system moves significantly more freight per person per year than in the European Union or Japan. Further, the U.S. supply chain is highly advanced in its use of technology. The boom in e-commerce has driven significant growth and innovation in U.S. third-party logistics services, creating highly complex and dynamic supply-chain solutions. Private companies continually invest in automation, warehouse robotics, visibility software, and information technology to improve safety and efficiency. The focus on the supply chain is only likely to increase in the years ahead. President Trump is promoting onshoring through a combination of tariffs, deregulation, tax incentives, and executive orders designed to encourage companies to move their manufacturing back to the U.S. The largest segment of the U.S. supply chain in terms of shipment weight is trucking. The fastest-growing segments are pipeline and airfreight.

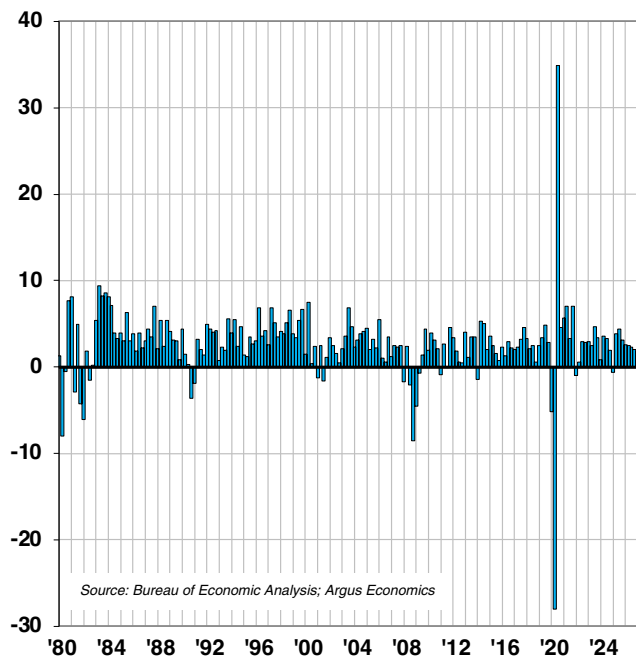
**SUPPLY-CHAIN BREAKDOWN
(% WEIGHT OF SHIPMENTS)**



RAISING GDP FORECASTS

We are raising our 2026 GDP growth forecast to 2.3% from 2.2% and lifting our 2027 growth estimate to 1.8% from 1.7%. The \$31 trillion U.S. economy remains on course for modest growth, powered by corporate investments in AI and outsized spending by the wealthiest households. Unemployment remains low, the Fed's late-2025 rate cuts are a tailwind, and last year's tax legislation should result in healthy refunds and cash in consumers' pockets this spring. Recent economic data has been better than we expected. Yes, hiring remains slow, but the jump of almost 10 points in the Institute of Supply Management's Index of Manufacturing New Orders is an impactful upside surprise. The advance estimate of 4Q GDP will be released on February 20. We expect 3.1% growth, up from 2.4%, which will boost our estimate for 2025 GDP growth to 2.6% from 2.5%. We expect 2.6% GDP growth in 1Q26, followed by 2.5%, 2.3%, and 2.0% quarterly growth for the remainder of 2026. Indicators driven by a broad array of data are projecting continuing near-term growth. On February 2, the best known of these timely indicators, the Federal Reserve Bank of Atlanta's GDP Nowcast, provided an estimate for a 4Q GDP increase of 4.2%, with Personal Consumption Expenditures (PCE) projected to grow 3.1%. The categories where we would see AI investment are adding about a half point of growth. There are almost 1.5 points of growth coming from net exports and inventory accumulation, which are more than we would expect on an ongoing basis. On January 30, the Federal Reserve Bank of New York's Staff Nowcast for 4Q called for 2.74% growth, with a 70% probability range of 0.90% to 4.67%. The 1Q26 Nowcast is projecting 2.73% growth. 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 January 24, 13-week moving average was 2.26%.

GDP TRENDS & OUTLOOK (% CHANGE)

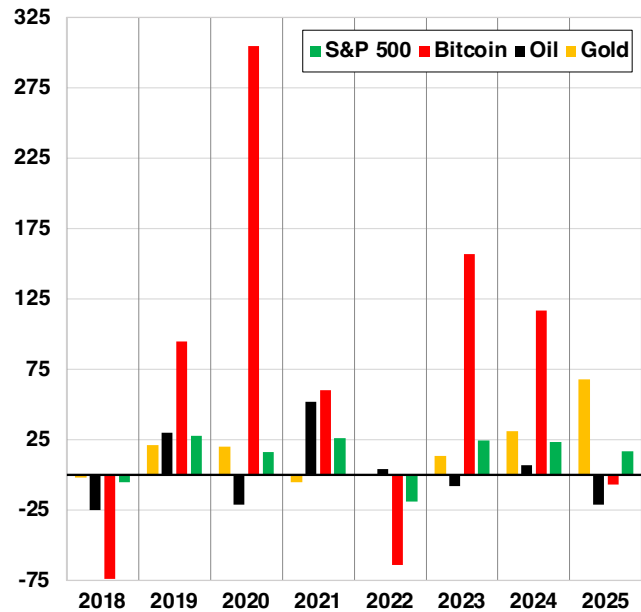


FINANCIAL MARKET HIGHLIGHTS

WHAT IS THE BEST ALTERNATIVE?

Alternative investments are often added to diversified portfolios to hedge against stock market weakness and reduce the riskiness of overall returns. At least that’s what the textbooks say. Real-time market performance can be another matter. Of all the alternatives in the marketplace, oil and gold often zig when the broad U.S. equity market zags, and can serve as relatively dependable alternative options. In 2022, when the S&P 500 dropped 19%, oil prices rose 4% and gold was steady. Last year was a solid year for stocks, while oil tumbled and gold soared. And there are years when all move in lockstep. For our asset-allocation models, we typically have alternatives constitute up to 1%-3% of the portfolios. (As of this writing, given the current stage of the equity bull market, we are recommending an under-weighting in alternatives.) We think it is early to be adding cryptocurrency-related securities to most portfolios, though we are encouraged about the long-term opportunities for blockchain technology. In the near-term, we believe there may be a place for Bitcoin ETFs with limited exposure in an aggressive diversified portfolio.

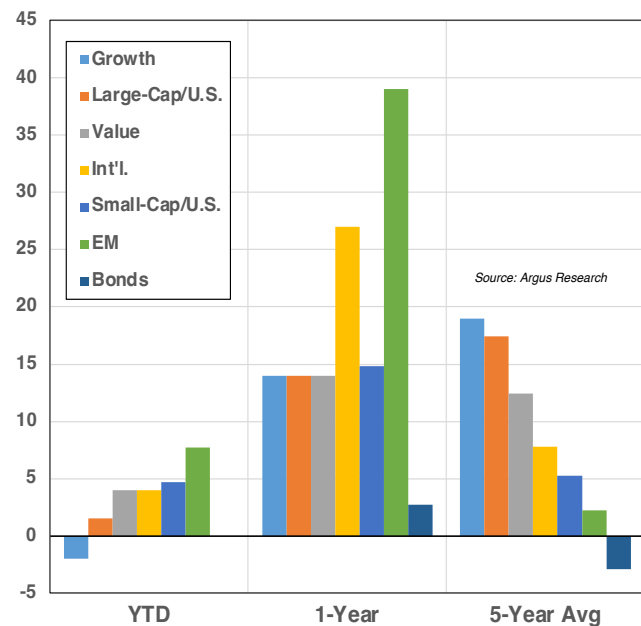
ALTERNATIVES PERFORMANCE (%)



SMALL-CAPS, EMERGING MARKETS LEAD

We have three strategic asset-allocation models, targeting three risk-tolerance levels: Conservative, Growth, and Aggressive. We make tactical adjustments to the models, based on our outlooks for the various segments of the capital markets. Performance matters, and we monitor it closely. Looking ahead, from an asset-allocation standpoint, our Stock-Bond Barometer model still sees both asset classes near fair value, so portfolio weights ultimately will depend on strategic factors. 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, as well as exposure to the IT sector. Our recommended exposure to small- and mid-caps is 10% of equity allocation, below the benchmark weighting. We note strong early performance in small-caps this year -- and if earnings can continue to surprise on the upside, we may boost our allocation. One of the market surprises in 2025 was the performance of global stocks, which booked impressive results. We expect the long-term trend favoring U.S. stocks to ultimately re-emerge, given volatile global economic, political, geopolitical, and currency conditions. That said, international stocks still offer favorable near-term valuations, and we target an increased 15%-20% of equity exposure to the group. In terms of growth and value, over the longer term, we anticipate that growth will top returns from value due to favorable secular and demographic trends.

MARKET SEGMENT RETURNS (% THROUGH 1/30/2026)



KEY ECONOMIC FORECASTS

- The \$31 trillion U.S. economy remains on course for growth, powered by corporate investments in AI and outsized spending by the wealthiest households. Nvidia CEO Jensen Huang estimated, in November, that \$3 - \$4 trillion will be spent on AI infrastructure in the next 5 years.
- We recently raised our 2026 forecast for GDP growth to 2.3% from 2.2%. Unemployment remains low, the Fed has been stimulating growth by reducing the funds rate, and last year's tax legislation could boost tax returns by \$600 - \$1,000 for many families. We recently raised our 2027 GDP estimate to 1.8% growth from 1.7%. We expect full-year GDP growth for 2025 to come in at 2.6%.
- Consumers have been the engine of economic growth. That should continue with unemployment at 4.3%. Demand for healthcare workers, who are hard to replace with AI, is strong in an aging population.
- Inflation's downward progress has stalled above the Fed's 2% target. Core PCE has exceeded 2.5% since March 2022, rising to 2.9% in 3Q25. The median projection of Federal Reserve officials does not return to 2% until 2028.
- Argus expects S&P 500 EPS to rise almost 16% to \$315 in 2026 and increase about 15% to \$363 in 2027. EPS is helped by an increase in operating margins to about 18.0% this year, well above 13.9% in pre-pandemic 2019. Growing tech giants such as MSFT and NVDA have operating margins of 47% and 59% respectively while Dow stalwarts Walmart and Caterpillar earn 4% and 17%, respectively.
- Argus Fixed Income Strategist Kevin Heal expects the Fed to reduce the funds rate by 25 basis points in 2026 and by another 25 basis points in 2027 taking the target range to 3%-3.25%. We expect the dollar to be flat or slightly stronger in 2026 as foreign demand for shares of innovative U.S. companies and economic resilience offset monetary easing.
- As long as geopolitics are flaring and the global economy is wobbling, gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached an all-time record above \$5,000 an ounce. Our average target price in 2026 is \$4,500.
- Despite last year's economic-and-policy "uncertainty," the Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate, is approximately 7.0%, well below the average of 9.2% since 1949.
- What could go right? Monetary easing, big tax refunds, spending by wealthy consumers, strong S&P earnings, capital investment, productivity gains, and ongoing innovation.
- Risks: Elevated Inflation, housing is stalled, low income consumers are struggling, spending by affluent may be dependent on stock market gains, AI may reduce entry-level hiring.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
6-Feb	U. Michigan Sentiment	February	56.4	55.0	55.0	57.3
	Total Vehicle Sales	January	16.0 Mln.	15.0 Mln.	NA	14.9 Mln.
10-Feb	Retail Sales	December	3.3%	3.1%	NA	2.4%
	Retail Sales ex-autos	December	4.2%	4.2%	NA	3.3%
	Import Price Index	December	-0.1%	0.1%	NA	0.0%
	Business Inventories	November	1.3%	1.5%	NA	1.2%
11-Feb	Nonfarm Payrolls	January	48K	45K	70K	130K
	Unemployment Rate	January	4.4%	4.4%	4.4%	4.3%
	Average Weekly Hours	January	34.2	34.2	34.2	34.3
	Average Hourly Earnings	January	3.7%	3.7%	3.6%	3.7%
12-Feb	Existing Home Sales	January	4.35 Mln.	4.20 Mln.	4.15 Mln.	NA
13-Feb	Consumer Price Index	January	2.7%	2.4%	2.5%	NA
	CPI ex-Food & Energy	January	2.6%	2.5%	2.5%	NA
18-Feb	Durable Goods Orders	December	10.5%	2.0%	NA	NA
	Industrial Production	January	2.0%	2.5%	NA	NA
	Capacity Utilization	January	76.3%	76.5%	76.4%	NA
	Housing Starts	December	1,246K	1,300K	1,303K	NA
19-Feb	Trade Balance	December	-\$56.8 Bln.	-\$55 Bln.	-\$55.5 Bln.	NA
20-Feb	GDP Annualized QoQ	4Q "Advance"	4.4%	3.1%	2.9%	NA
	GDP Price Index	4Q "Advance"	3.8%	3.5%	NA	NA
	PCE Deflator	December	2.8%	2.8%	NA	NA
	PCE Core Deflator	December	2.8%	2.8%	3.0%	NA
	Personal Income	December	4.3%	4.4%	NA	NA
	Personal Spending	December	5.4%	4.7%	NA	NA
	New Home Sales	December	737K	725K	738K	NA

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