

THE ECONOMY AT A GLANCE

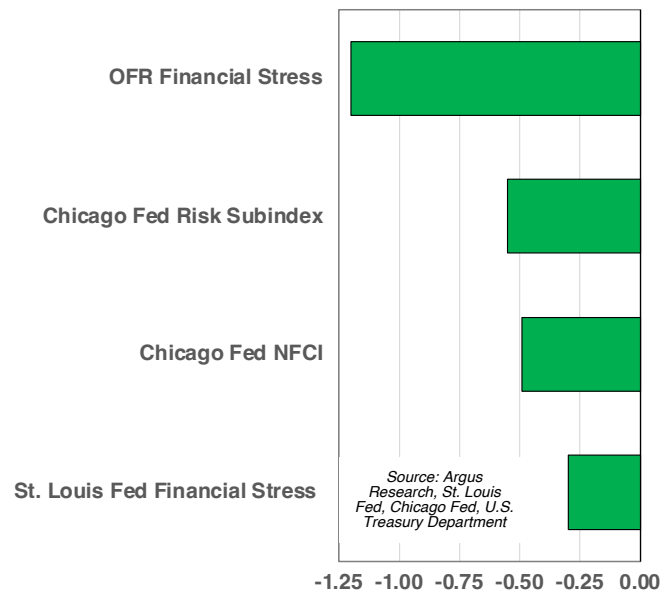
ECONOMIC HIGHLIGHTS

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FINANCIAL CONDITIONS: SO FAR, SO GOOD

A group of indicators from Federal Reserve banks and the Department of the Treasury show that the U.S. financial system is functioning normally despite the war in Iran. We monitor indices of financial conditions for signs of stress, as markets that are functioning normally may be the bulwark between an economic slowdown and a financial crisis. Our dashboard of financial conditions indices includes the St. Louis Fed Financial Stress Index (FSI), the Chicago Fed National Financial Conditions Index, the Chicago Fed National Financial Conditions Risk Subindex, and the OFR Financial Stress Index (or FSI, which was developed by the Office of Financial Research, within the Department of the Treasury). These indices use statistical techniques to monitor a wide range of variables that are indicative of changing financial conditions. The FSI, for example, includes 18 weekly data series: seven interest rate series, six yield spreads, and five other indicators. The indices in our dashboard are designed so a value of zero represents normal financial conditions over the history of an index. Values below zero suggest “looser” conditions, or below-average financial market stress. Values above zero suggest “tighter” conditions, or above-average financial market stress. The Chicago and St. Louis indices are weekly, released each Wednesday for the prior week. The OFR index provides daily data released with a two-business-day lag. All of these indices (encouragingly) indicate that conditions currently remain more favorable than normal.

INDEX VALUES

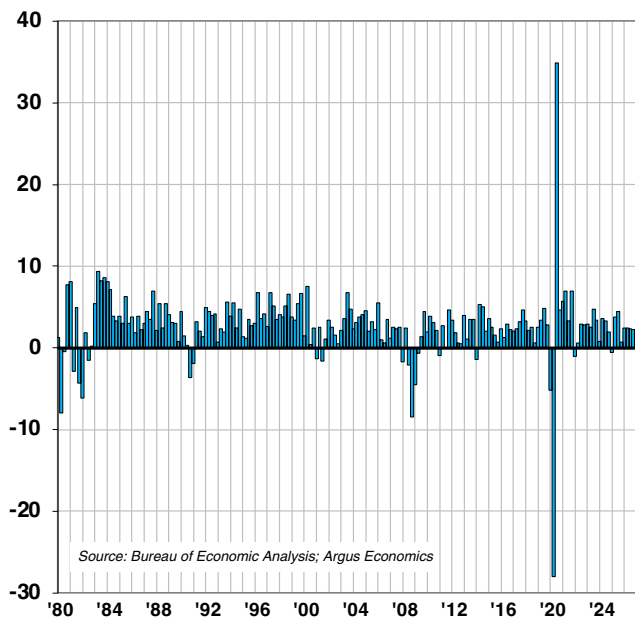


ECONOMIC HIGHLIGHTS (CONTINUED)

REDUCING 2026 GDP ESTIMATE

We have reduced our 2026 gross domestic product (GDP) growth forecast to 2.3% from 2.5%. Our outlook for consumer spending is slightly lower based on the surge in gasoline to \$4.00 a gallon, and we expect a slightly larger trade deficit than we modeled previously. These two drags on the economy are partially offset by signs of continuing strong investment in computer equipment and research and development for artificial intelligence (AI). The impact of high gas prices is somewhat muted in 1Q because the attacks on Iran started at the end of February, and the higher prices will take time to start affecting consumers. Households are seeing bigger tax returns, but any benefits to 1Q and 2Q spending may be used to offset fuel prices before they are spent. We expect 2.4% GDP growth in 2Q26, followed by 2.3% and 2.2% quarterly growth for the remaining two quarters of 2026. We are raising our 2027 estimate to 2.0% from 1.8%. We are reducing our dollar estimate for 2027, but it has an easier comparison against our reduction to 2026 GDP. While our growth estimates are positive amid solid corporate earnings, unemployment at just 4.3, and the assumption that war in Iran will end in the not-too-distant future, the economic risks will build each week that gasoline prices rise.

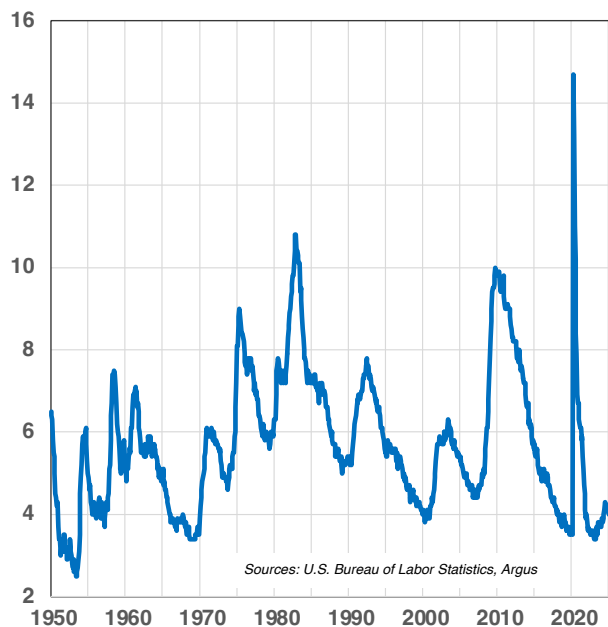
GDP TRENDS & OUTLOOK (% CHANGE)



PAYROLLS REBOUND, HEALTHCARE LOOKS HEALTHY

The Bureau of Labor Statistics (BLS) released the Employment Situation for March. The report indicated that the U.S. added 178,000 non-farm jobs in March, helped by strength in the stalwart Healthcare sector (which more than rebounded from a strike in February). There were notable swings for job creation in construction, as well as in transportation and warehousing. The report was stronger than expected. The results raised the three-month average to 68,000 from 6,000 before the report. February's payrolls were revised lower by 41,000 to -133,000 and January was increased by 34,000, to 160,000. The BLS Diffusion Index indicated 56.8% of 250 private industries are hiring, up from 49.2% in February. Manufacturing rose to 47.9% from 46.5%. The March unemployment rate declined to 4.3% from 4.4% in February. Average hourly earnings increased \$0.09 month to month and are 3.5% higher year over year. The average workweek declined by 0.1 hour to 34.2 hours. We had expected an unemployment rate of 4.4% and the consensus also was 4.4%.

U.S. UNEMPLOYMENT RATE (%)

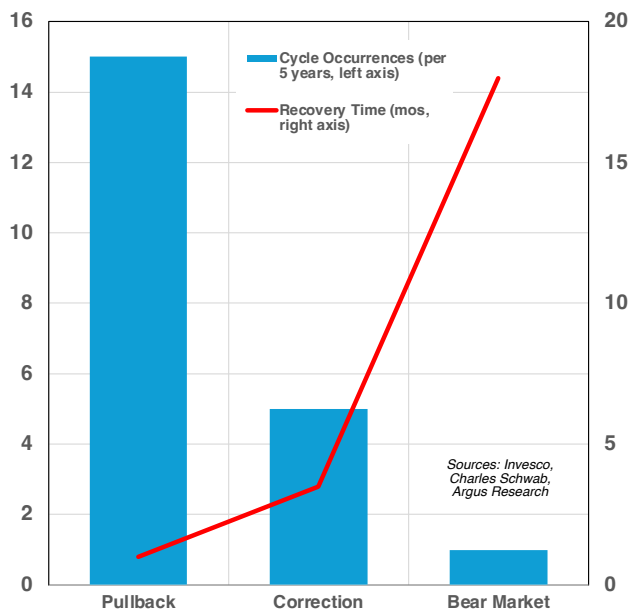


FINANCIAL MARKET HIGHLIGHTS

STOCKS CAN SURVIVE A PULLBACK

Investors have endured a pullback in the stock market this year. These things happen. But they don't necessarily signal that a bull market is on its last legs or that a bear market is imminent. A pullback occurs when stock prices drop 5% from their highs. That happened in response to the war in Iran and the spike in oil prices. Historically, pullbacks occur on average three times per year, or 15 times per traditional five-year market cycle. Corrections -- when stocks drop 10% -- are less frequent; they happen about once per year. Stocks have always recovered from pullbacks and corrections, as well as from bear markets. The average time to rebuild after a pullback has been one month. For a correction, it may take four months. Those recoveries are more dependent on the fundamentals in the market at the time. As we review the current market fundamentals, the economy is growing, interest rates had been falling before the oil scare, and corporate profits are increasing at a healthy pace. It is impossible to know when the Iran war will end. But post hostilities, we expect oil prices to drop significantly and interest rates to head lower. Overall, we remain optimistic that stocks can post gains in 2026, though our base case outlook calls for single-digit returns, not the 15%-25% returns investors have enjoyed for the past three years.

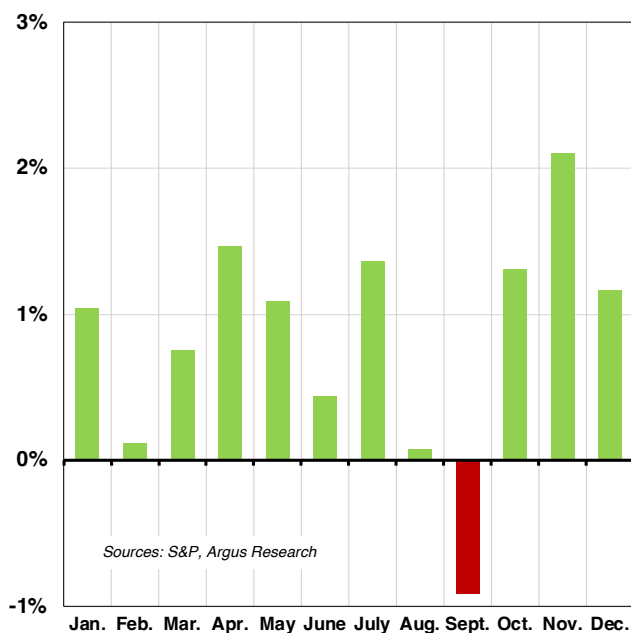
STOCK MARKET DOWNTURNS



NOT A GOOD START TO THE YEAR

The first quarter of 2026 on Wall Street is in the books, with the S&P 500 down 4.6% for the year to date. The quarter is typically a positive one for equities, as the average gain for the period since 1980 has been 2.0%. Stocks historically have risen in 1Q about two-thirds (64%) of the time. But just because the first quarter was forgettable, doesn't mean the full year will be a wipe out. Going back to 1980, there have been 16 negative first quarters. Still, in more than half of those years, stocks finished with positive annual returns. The average gain for the recovery years was 14.7%. April historically is the second-best month of the year. The average gain for the S&P 500 in the month since 1980 is 1.5%. We note that market returns in April have exceeded 5% on eight occasions since 1980. April is a busy month on Wall Street, as companies report first-quarter results. The direction of interest rates also will be an important topic, as the markets process the latest oil prices and prepare for the Fed's next meeting. The wild card will be the status of the war in Iran.

AVERAGE MONTHLY S&P 500 APPRECIATION



KEY ECONOMIC FORECASTS

- The \$31 trillion U.S. economy remains on course for productive long term growth, powered by corporate investments in AI and outsized spending by wealthy households. Nvidia CEO Jensen Huang estimated, in November, that \$3 - \$4 trillion will be spent on AI infrastructure in the next 5 years.
- 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.
- The war in Iran is affecting millions of lives. Oil supply disruptions are a risk to affordability. We recently raised our 2026 oil price forecast to \$75 per barrel from \$60. The ceasefire is a hopeful sign.
- The U.S. economy has become more resilient, more diversified and less oil dependent, but it is managing additional supply headwinds from tariffs and reduced immigration. This triumvirate could raise inflation, slow growth, and complicate Fed policy. Tax benefits and AI should help the economy.
- A simple rule of thumb: National gasoline prices above \$4.00 begin to hurt consumer spending.
- We are monitoring financial conditions and high-frequency indicators including Nowcasts and weekly jobless claims. We recently reduced our 2026 forecast for GDP growth to 2.3% from 2.5%.
- 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 60% 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 slightly stronger in 2026 driven by foreign demand for shares of innovative U.S. companies and economic resilience.
- Gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached an all-time record above \$5,000 an ounce. We expect gold to trade in a range of \$4,000 - \$6,000 in 2026.
- 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 6.8%, well below the average of 9.2% since 1949. According to consensus estimates, the Misery Index could reach 7.2% in 2Q26.
- What could go right? Big tax refunds, spending by wealthy consumers, strong S&P earnings, capital investment, productivity gains, inflation expectations remaining anchored, and ongoing innovation.
- Risks: Elevated Inflation, high fuel prices, weak housing market, low income consumers are struggling, spending by affluent may depend on stock market gains, AI may reduce entry-level hiring.
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CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
2-Apr	Trade Balance	February	-\$54.7 Bln.	-\$54.0 Bln.	-\$59.2 Bln.	-\$57.3 Bln.
3-Apr	Nonfarm Payrolls	March	-133K	47K	60K	178K
	Unemployment Rate	March	4.4%	4.4%	4.4%	4.3%
	Average Weekly Hours	March	34.3	34.3	34.3	34.2
	Average Hourly Earnings	March	3.8%	3.8%	3.7%	3.5%
6-Apr	ISM Services Index	March	56.1	55.0	55.0	54.0
	Total Vehicle Sales	March	15.8 Mln.	15.8 Mln.	NA	16.3 Mln.
7-Apr	Durable Goods Orders	February	9.0%	3.3%	NA	7.2%
9-Apr	GDP Annualized QoQ	4Q "Final"	0.7%	0.7%	0.7%	NA
	GDP Price Index	4Q "Final"	3.8%	3.8%	NA	NA
	PCE Deflator	February	2.8%	2.7%	2.8%	NA
	PCE Core Deflator	February	3.1%	2.8%	3.0%	NA
	Personal Income	February	4.4%	4.5%	NA	NA
	Personal Spending	February	5.3%	5.4%	NA	NA
	Wholesale Inventories	February	1.0%	1.2%	NA	NA
10-Apr	Consumer Price Index	March	2.4%	3.3%	3.4%	NA
	CPI ex-Food & Energy	March	2.5%	2.7%	2.7%	NA
	Factory Orders	February	4.4%	2.2%	NA	NA
	U. Michigan Sentiment	April	53.3	53.0	51.80	NA
13-Apr	Existing Home Sales	March	4.09 Mln.	4.05 Mln.	NA	NA
14-Apr	PPI Final Demand	March	3.4%	3.7%	NA	NA
	PPI ex-Food & Energy	March	3.9%	3.9%	NA	NA
15-Apr	Import Price Index	March	1.30%	2.80%	NA	NA
16-Apr	Industrial Production	March	1.4%	1.8%	NA	NA
	Capacity Utilization	March	76.3%	76.4%	NA	NA

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