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OLD NORTH STATE TRUST

THE ECONOMY AT A GLANCE

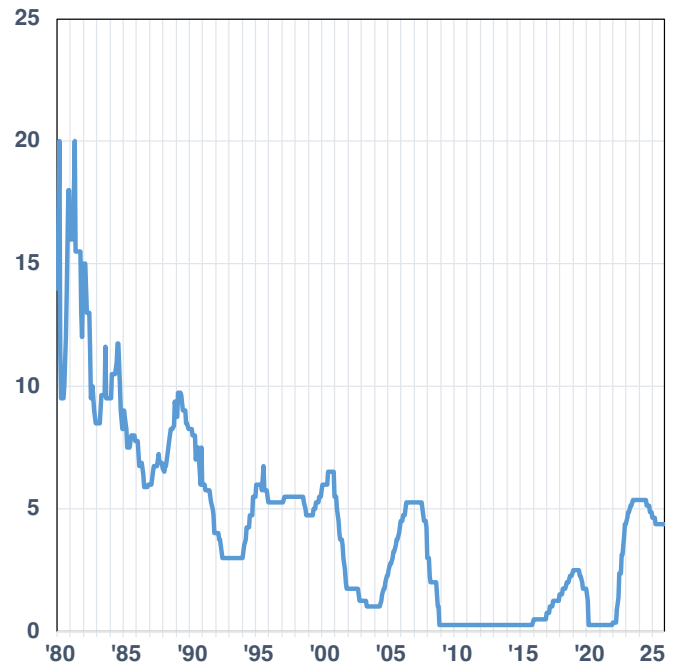
ECONOMIC HIGHLIGHTS

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FED INCHES CLOSER TO RATE CUT

The Federal Reserve wrapped up its Open Market Committee meeting and, as expected, held the current federal funds rate steady at 5.25%-5.50%. The rate remains at its highest level since 2000 and above the long-term average of 4.4%. This is the Fed’s plan: keep rates high to push inflation lower. In the meantime, inflation has been on a downward trek. The latest CPI reading was 3.0%, down from 9.1% in July 2022. The latest core PCE Price Index reading -- the Fed’s favorite metric -- was 2.5%. Yet despite progress, both measures remain above the Fed’s target of 2.0% and the slope of the downward trajectory has flattened a bit. Those are potential problems for a central bank that watched while pricing pressures got out of hand in 2020-2021 and wants to rebuild its reputation as an effective inflation fighter. However, the Fed has a dual mandate -- inflation and employment -- and also must be mindful of the trend in the unemployment rate, which is up 70 basis points from its cycle low to a current rate of 4.1%. Here are our key takeaways from the Fed meeting and the follow-up press conference featuring Chairman Powell. The first rate cut could be “on the table” at the central bank’s next meeting, which begins on September 18. As well, the Fed appears to be tilting its focus away from inflation and toward the labor market, as the post-meeting statement this time proclaimed “the committee is attentive to the risks to both sides of its dual mandate.” That replaces the previous language that said the Fed was “highly attentive to risks.” We still think that two cuts is the right number for the Federal Reserve in 2024, with two more in 2025.

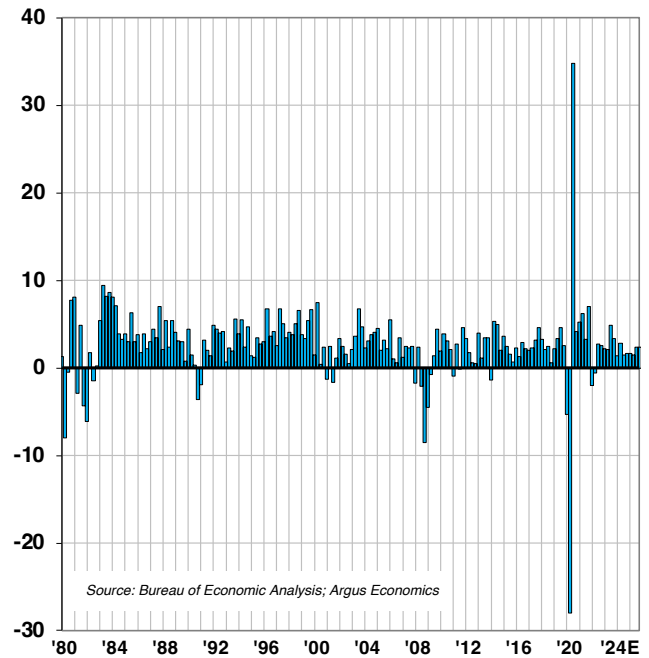
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



TRIMMING 3Q GDP GROWTH FORECAST

We are reducing our third quarter 2024 forecast for GDP growth to 1.5% from 1.6%. We are reducing our 4Q estimate to 1.7% from 1.9%. We see a U.S. economy that is growing, but may be losing momentum based on our analysis of more than 50 business cycle indicators. Our forecast has been for GDP growth to slow in the second half of 2025 as a result of restrictive monetary policy. We continue to expect the Fed to cut the funds rate in 2024, leading to a reacceleration of growth in the second half of 2025. We are raising our estimate of full-year 2024 GDP growth to 1.9% from 1.7% because 2.8% growth in 2Q topped our estimate of 1.8%. Business investment was stronger than we anticipated in 2Q, helped by spending on equipment and intellectual property offset by a decline in residential investment. Four indicators driven by very timely data support our belief the economy is not in a recession but may be losing steam. On August 8, the Federal Reserve Bank of Atlanta's GDP Nowcast was estimating solid 3Q growth of 2.9%. On August 2, the New York Fed's Staff Nowcast for 3Q was for 2.1% growth, with a 68% probability range of 0.33% to 3.69% growth. The Weekly Economic Index tracked by the Dallas Fed is based on 10 daily and weekly indicators that track 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 August 3, the index was 2.2%, with a 13-week moving average of 2.0%. Bloomberg's Economic Surprise Index measures the degree to which more than 35 economic indicators have cumulatively surpassed or missed consensus. The index hit a 12-month high of .54 last September. The 12-month average is 0.03. The index slipped into negative territory three months ago with a value of -0.55 on August 8. We are maintaining our estimate of 3Q core PCE inflation at 2.5%. We expect 2.0% GDP growth in 2024.

GDP TRENDS & OUTLOOK (% CHANGE)

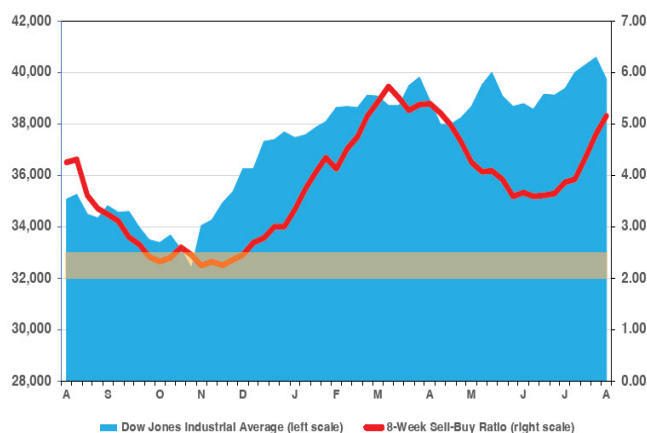


FINANCIAL MARKET HIGHLIGHTS

INSIDER YET TO CALL A BOTTOM

Peter Lynch famously noted that “insiders might sell their shares for any number of reasons, but they buy them for only one: they think the price will rise.” Up until recently, 2024 was a very good year for equity investors, with all-time highs booked on a regular basis. So as insiders grew increasingly cautious over the past few months, it was easy to assume they were simply taking a little off the top. But about four weeks ago, the caution became pronounced, and last week, analysts at Vickers Stock Research noted that sell/buy ratios based on insider transactions were at their highest (most-bearish) levels since February of 2023. Indeed, Vickers’ Total Eight-Week Sell/Buy Ratio has worsened to 5.15 from 3.59 in late June, this on a scale where anything above 2.50 is considered to be bearish. More important is the following: Are insiders starting to think that prices are again attractive? Not yet. Current insider-sentiment readings from Vickers remain very bearish for a third week, with the action on the NYSE especially bleak: the index sports a one-week sell/buy reading of 11:00, up from 3.97 four weeks ago. Meanwhile, the Insider Index from Vickers (which looks at six months of insider activity) now sits at its most-bearish reading since August of 2021.

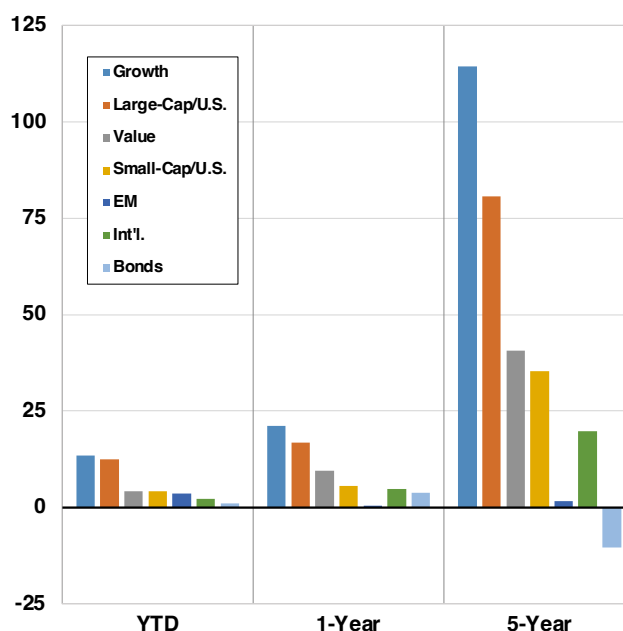
TOTAL 8-WEEK SELL/BUY RATIO VS. DOW INDUSTRIALS



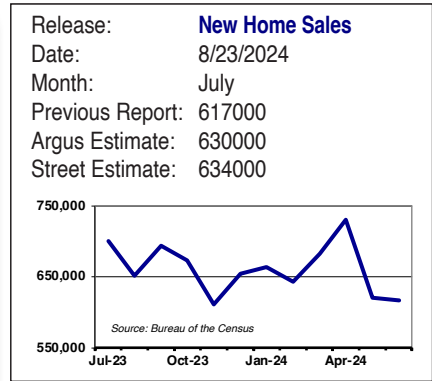
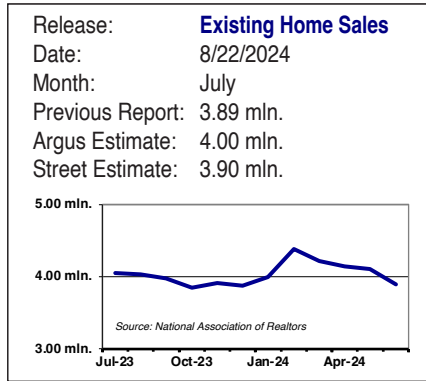
ARGUS’S FAVORED CLASSES, SEGMENTS

July was a challenging month for equity investors, as the S&P 500 slid 2% while the fixed-income benchmark ETF AGG rose 4.0%. Looking ahead, our Stock-Bond Barometer model modestly favors bonds over stocks for long-term portfolios. In other words, these asset classes should be near their target weights in diversified portfolios, with a slight tilt toward fixed income, given the rise in yields over the past year. We are over-weight on large-caps. We favor large-caps for growth exposure and financial strength, while small-caps offer value. Our recommended exposure to small- and mid-caps is 12%-13% of equity allocation, below the benchmark weighting. U.S. stocks have outperformed global stocks over the trailing five-year period. We expect this long-term trend favoring U.S. stocks to continue, given volatile and erratic global economic, political, geopolitical, and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 5%-10% of equity exposure to the group. In terms of growth and value, growth has rebounded in 2024, outperforming value as interest rates have stabilized.

MARKET SEGMENT RETURNS (% THROUGH 8/2/2024)



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
13-Aug	PPI Final Demand	July	2.7%	1.8%	NA	2.2%
	PPI ex-Food & Energy	July	3.0%	2.4%	NA	2.4%
14-Aug	Consumer Price Index	July	3.0%	3.0%	NA	NA
	CPI ex-Food & Energy	July	3.3%	3.3%	NA	NA
15-Aug	Industrial Production	July	1.6%	0.3%	NA	NA
	Capacity Utilization	July	78.8%	78.6%	78.6%	NA
	Retail Sales	July	2.3%	2.4%	NA	NA
	Retail Sales ex-autos	July	3.4%	1.8%	NA	NA
	Business Inventories	June	1.6%	1.3%	NA	NA
	Import Price Index	July	1.6%	1.2%	NA	NA
16-Aug	Housing Starts	July	1,353K	1,300K	1,373K	NA
	U. of Michigan Sentiment	August	66.4	63.0	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
26-Aug	Durable Goods Orders	July	-11.2%	NA	NA	NA
27-Aug	Consumer Confidence	July	100.30	NA	NA	NA
29-Aug	GDP Annualized QoQ	2Q "2nd est."	2.8%	NA	NA	NA
	GDP Price Index	2Q "2nd est."	2.3%	NA	NA	NA
30-Aug	PCE Deflator	July	2.5%	NA	NA	NA
	PCE Core Deflator	July	2.6%	NA	NA	NA
	Personal Income	July	4.5%	NA	NA	NA
	Personal Spending	July	5.2%	NA	NA	NA

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