OLD NORTH STATE TRUST

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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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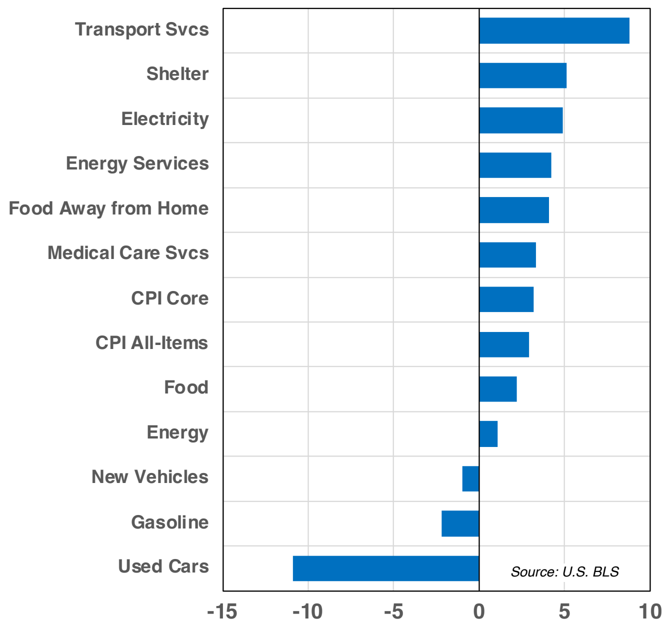
MORE PROGRESS ON INFLATION

Two important inflation reports were released recently and both indicated that overall pricing pressures have retreated from peaks. Let's first take a deeper dive into the Consumer Price Index. According to the latest CPI report, the overall inflation rate in July of 2.9% was lower than the prior month's rate of 3.0%. That good news was supported by a low reading in the monthly core CPI rate, which excludes the impact of food and energy and rose 0.2% from June to July, consistent with subdued readings for the past quarter. What's propping up core CPI, which on an annual basis has risen at a 3.2% rate? Transportation Services and Shelter, which have stickier prices. In contrast, prices for Gasoline and New and Used Cars are actually lower year over year. The other inflation report was the Producer Price Index, which measures pricing trends farther up the supply chain, at the manufacturing level. Here, we also saw a decline in the rate of inflation. The PPI final demand annual rate through July was 2.2%, compared to 2.6% in June. The June 2022 CPI rate marked the peak reading for the index this cycle, and we expect pricing pressures to continue to ease as the housing market cools, 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% over the past 24 months, and the rate hikes appear to be reducing inflationary pressures. We look for the U.S. central bank to be lowering rates in 2H24 and 1H25 as their concern shifts toward economic growth.

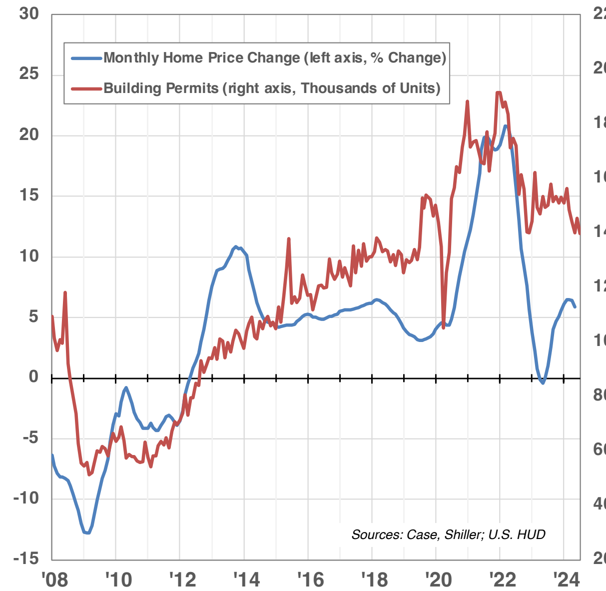
INFLATION FACTORS (% CHANGE Y/Y)



HELP FOR HOUSING IS ON THE WAY

Housing is in a summer slump, but help is on the way. A 50-basis-point decline in the 30-year mortgage rate since June and a likely rate cut from the Fed may not solve all of the market's affordability issues -- but they sure will help. Housing starts fell to an annual rate of 1.24 million in July, which is the lowest pace in more than four years according to data from the Department of Housing and Urban Development and the Census Bureau. Starts peaked at 1.8 million in April 2022, just a month after the Fed's first of 11 interest rate hikes in March 2022. Tighter monetary policy ended a long recovery from the Great Recession of 2007-2009. Signs that the Fed is poised to ease policy and reduce the funds target could bring buyers back into the market. The Zillow Home Value Index rose by 3.8% in June and 3.3% in July. We remain bullish on the sector because demographics point to strong demand amid a decades-long shortage of affordable homes.

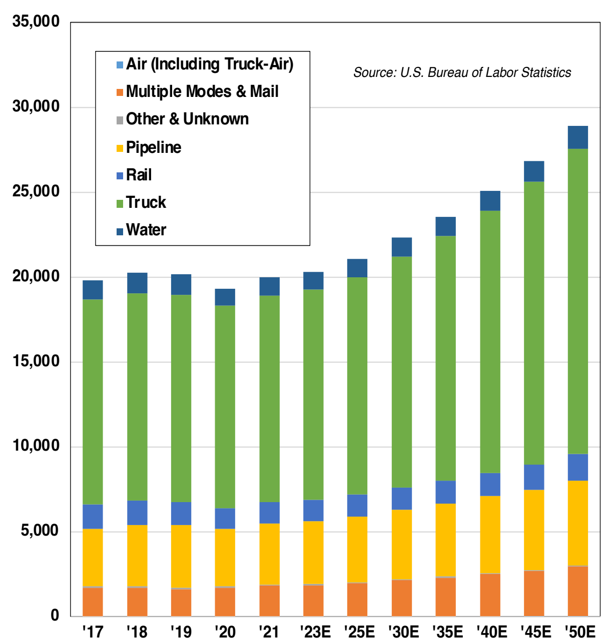
HOUSING MARKET TRENDS



SUPPLY CHAIN GETTING BACK ON TRACK

The transportation and supply-chain industry is rarely noticed -- until something goes wrong. The sector moves goods, and there is a direct relationship between consumer demand and the amount of freight transported. In the early days of COVID-19, consumer demand plummeted. But as the world shifted to remote working, demand surged. After the pandemic began to recede, many workers stayed home from the office, but shifted spending towards experiences, leading to a downturn in shipping demand. While the supply chain has begun to normalize, it remains out of balance. According to the Department of Transportation's Bureau of Transportation Statistics, the U.S. transportation system moved an average daily 55.2 million tons of freight valued at more than $54 billion. Excluding materials moved by pipeline, estimated annual freight moved will be approximately 16.4 billion tons. The majority of this is moved by truck, which handles about 75% of the load. Water and rail each move approximately 6%, while air moves less than 1%. The industry accounts for almost 2% of the S&P 1500 market capitalization and just over 2% of the revenue generated by companies in the index. The largest 20 companies by market capitalization collectively generated revenues of almost $410 billion in 2023. We expect challenging market conditions -- including rising labor costs and lower volume -- to persist for the next few quarters. But as the economy recovers from high inflation and deglobalization, we see U.S. companies looking to strengthen domestic supply chains.

FREIGHT BY TYPE (MILLIONS OF TONS)

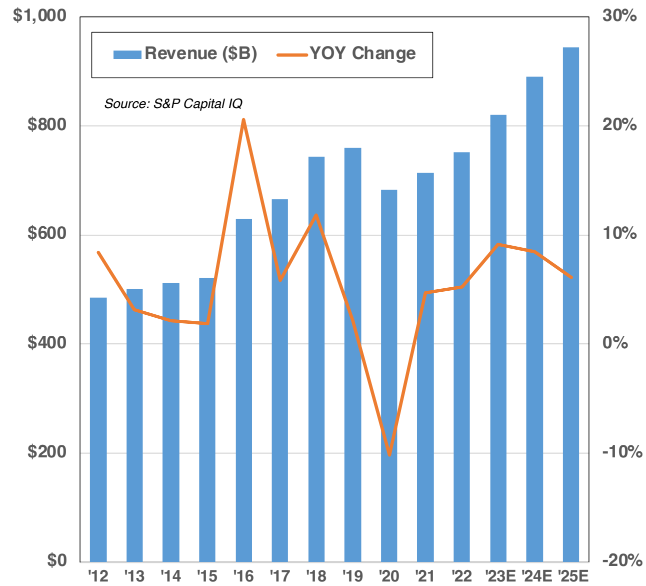


FINANCIAL MARKET HIGHLIGHTS

HEALTHY OUTLOOK FOR AEROSPACE & DEFENSE

Aerospace & Defense design and manufacturing is one of the core competencies of the U.S. economy. The recovering global airline industry bodes well for commercial aerospace demand over the next several years. Airline passenger levels and airline revenues have started to recover, and international markets have reopened. We believe the industry will be able to recover a substantial amount of its pre-COVID-19 revenues and profitability into 2025. This should drive increased commercial aerospace demand as airlines resume investing in their products after cutting all but the most crucial expenditures during the COVID-19 pandemic. We also expect solid military spending over the next few years. According to the Office of the Undersecretary of Defense, military funding for FY2024 tallied $817 billion. For FY2025, the White House has requested a base defense budget of $850 billion, which represents 4% growth year over year. On top of the country's typical strong commitment to defense spending, the budget has been influenced by the ongoing Russian invasion of Ukraine, rising inflation, and other factors. We see the current geopolitical environment keeping this type of spending high.

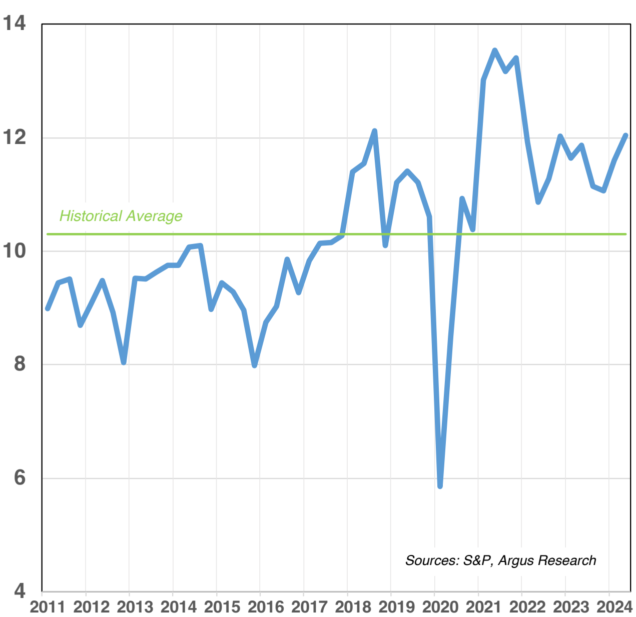
S&P 1500 AEROSPACE & DEFENSE INDEX REVENUE



PROFIT MARGINS WIDENED IN 2Q

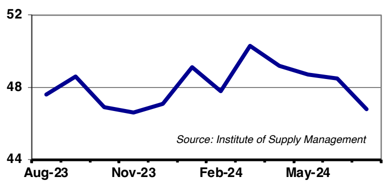
Second-quarter earnings season is winding down. The overall growth rate is set to land in the 12% range, an improvement from the high-single-digit rate in 1Q. There are three drivers to EPS growth: higher sales, a wider operating margin, and a reduced share count. A decline in shares outstanding, the result of corporate share buybacks, is the lowest-quality driver of EPS growth. Higher sales is the highest quality, especially when sales totals are driven by an increase in volume. Margin management is in the middle. Consistently wider margins, quarter after quarter, are often a sign of a good management team, which is more often able to grow revenues faster than it grows costs. But that's a tall order in periods of high inflation (which raises the prices of Cost of Goods Sold) and of high interest rates (which result in higher financing costs). What's more, there's a cap to margins as they don't rise indefinitely. (This is one of those statistics for which the concept "reversion to the mean" is relevant.) In the second quarter, the S&P 500 operating margin widened by some 80 basis points year over year to 12.1%. This result fits into our outlook calling for a modest widening for the S&P 500 operating margin in 2024, and for EPS growth in the 9%-10% range for the year.

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

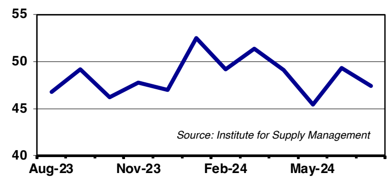


ECONOMIC TRADING CHARTS & CALENDAR

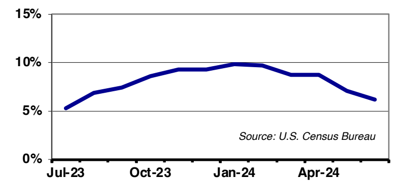
Release:	**ISM Manufacturing**
Date:	9/3/2024
Month:	August
Previous Report:	46.8
Argus Estimate:	46.5
Street Estimate:	47.9



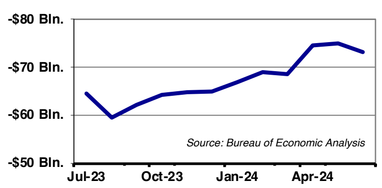
Release:	**ISM New Orders**
Date:	9/3/2024
Month:	August
Previous Report:	47.4
Argus Estimate:	46.6
Street Estimate:	NA



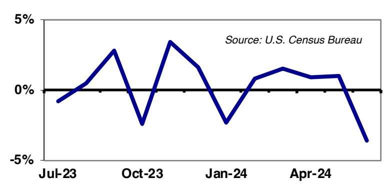
Release:	**Construction Spending**
Date:	9/3/2024
Month:	July
Previous Report:	6.2%
Argus Estimate:	5.6%
Street Estimate:	NA



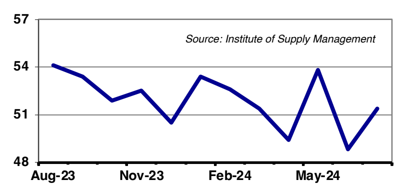
Release:	**Trade Balance**
Date:	9/4/2024
Month:	July
Previous Report:	-$73.1 Bln.
Argus Estimate:	-$75.0 Bln.
Street Estimate:	-$74.3 Bln.



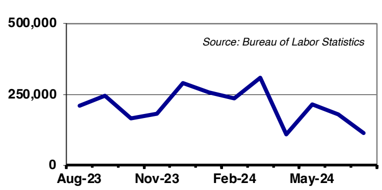
Release:	**Factory Orders**
Date:	9/4/2024
Month:	July
Previous Report:	-3.6%
Argus Estimate:	0.7%
Street Estimate:	NA



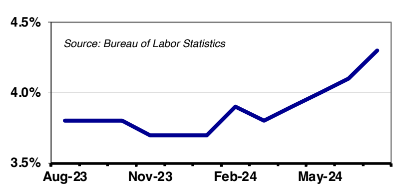
Release:	**ISM Services Index**
Date:	9/5/2024
Month:	August
Previous Report:	51.4
Argus Estimate:	52.0
Street Estimate:	51.2



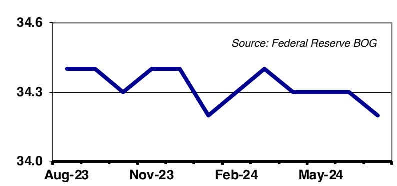
Release:	**Nonfarm Payrolls**
Date:	9/6/2024
Month:	August
Previous Report:	114000
Argus Estimate:	130000
Street Estimate:	160000



Release:	**Unemployment Rate**
Date:	9/6/2024
Month:	August
Previous Report:	4.3%
Argus Estimate:	4.3%
Street Estimate:	4.2%

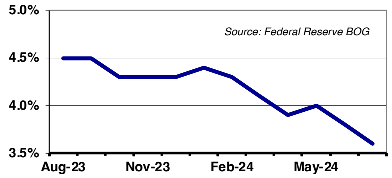


Release:	**Average Weekly Hours**
Date:	9/6/2024
Month:	August
Previous Report:	34.2
Argus Estimate:	34.2
Street Estimate:	NA

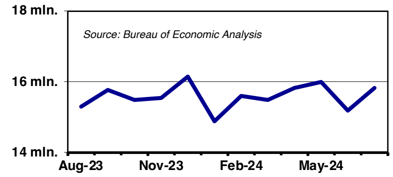


Previous Week's Releases and Next Week's Releases on next page.

Release: **Average Hourly Earnings**
Date: 9/6/2024
Month: August
Previous Report: 3.6%
Argus Estimate: 3.5%
Street Estimate: NA



Release: **Total Vehicle Sales**
Date: 9/6/2024
Month: August
Previous Report: 15.82 mln.
Argus Estimate: 15.30 mln.
Street Estimate: NA



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
26-Aug	Durable Goods Orders	July	-11.3%	9.5%	NA	**3.0%**
27-Aug	Consumer Confidence	August	**101.9**	101.0	99.6	**103.3**
29-Aug	GDP Annualized QoQ	2Q "2nd est."	2.8%	2.8%	2.8%	NA
	GDP Price Index	2Q "2nd est."	2.3%	2.3%	NA	NA
30-Aug	PCE Deflator	July	2.5%	2.6%	NA	NA
	PCE Core Deflator	July	2.6%	2.6%	2.7%	NA
	Personal Income	July	4.5%	4.3%	NA	NA
	Personal Spending	July	5.2%	5.3%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
9-Sep	Wholesale Inventories	July	0.1%	NA	NA	NA
11-Sep	Consumer Price Index	August	2.9%	NA	NA	NA
	CPI ex-Food & Energy	August	3.2%	NA	NA	NA
12-Sep	PPI Final Demand	August	2.2%	NA	NA	NA
	PPI ex-Food & Energy	August	2.4%	NA	NA	NA
13-Sep	Import Price Index	August	1.6%	NA	NA	NA
	U. of Michigan Sentiment	September	67.8	NA	NA	NA