State of the Economy:

Leading, Lagging, and Coincident Indicators

February 2026

Economic
INSIGHT

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Executive Summary

The U.S. economy accelerated in the second half of last year, rising to a +4% GDP pace in Q3 with expectations of similarly solid activity in Q4. The pace of job creation slowed heading into 2026, but it remained positive and within a range the Federal Reserve believes is necessary to maintain full employment. The unemployment rate has shown signs of *"stabilization."* Steady income and wage growth, furthermore, continued to support consumer spending at a moderate pace along with an additional reliance on *"buy now, pay later"* options.

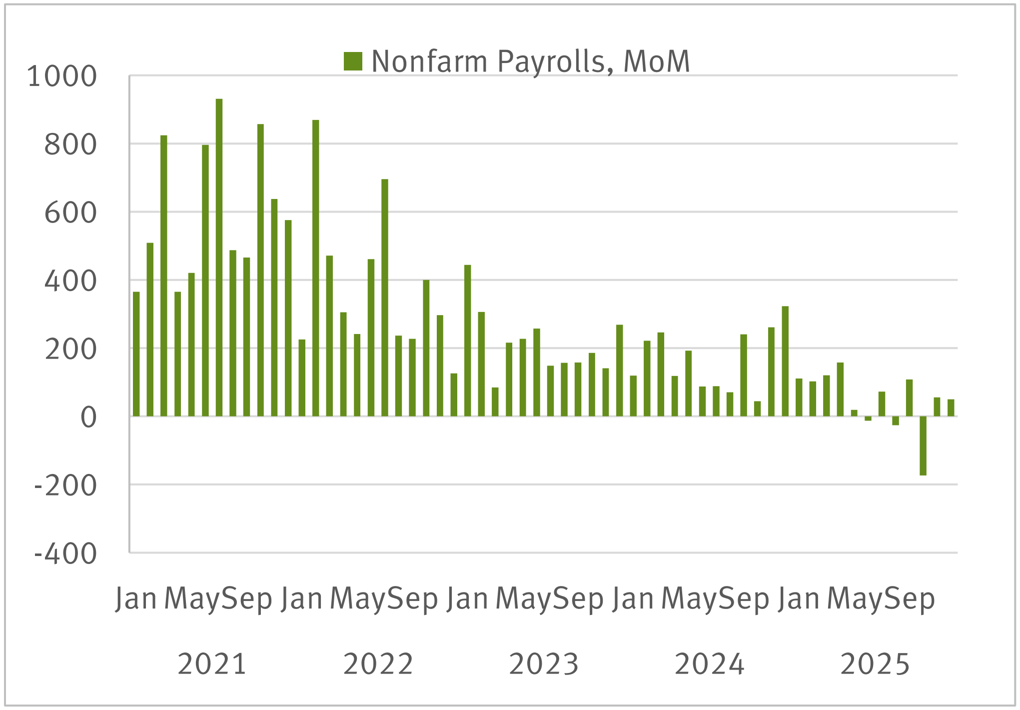
Elevated price pressures and an improved macroeconomic landscape prompted the Fed to pause rate cuts in January with no indication of a willingness – or need – to reengage its policy easing measures any time soon. Unless inflation materially decelerates or the labor market unexpectedly deteriorates, there is very little motivation, let alone justification, for the Committee to reduce policy further.

Additionally, a more positive profile for the domestic economy has buoyed risk assets early on in 2026. At the same time, ongoing international uncertainty and lingering fears of engrained price pressures have added upward momentum to capital safe havens and traditional inflation hedges, such as precious metals.

Leading Indicators

NONFARM PAYROLLS RISE LESS THAN EXPECTED IN DECEMBER

Nonfarm payrolls rose by 50,000 in December, less than the 70,000 gain expected and the weakest pace since October. In 2025, payrolls averaged 49,000, a slowdown from an average 168,000 in 2024.



NFP TCH Index (U.S. Employees on Nonfarm Payrolls Total MoM Net Change SA) Nonfarm Payrolls Monthly

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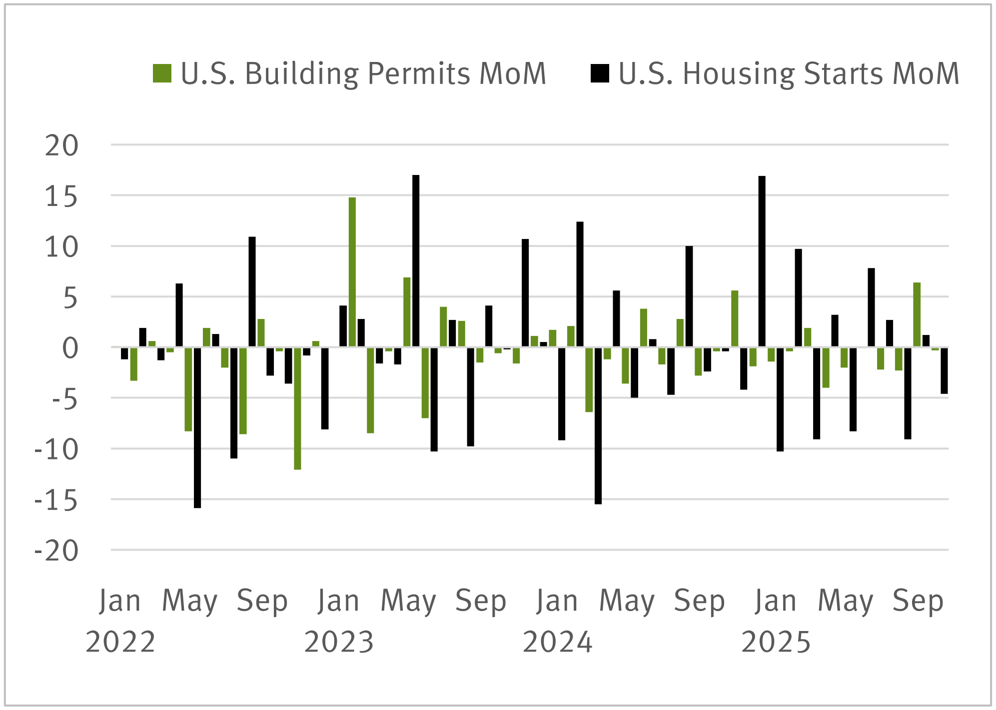
BUILDING PERMITS AND HOUSING STARTS FALL IN OCTOBER

On a month-over-month (MoM) basis, building permits fell 0.3%, while housing starts dropped 4.6% in October. Year-over-year, permits fell 1.2% and starts slipped 7.8%, the weakest pace since the end of 2024.



NHCHATCH Index (Private Total Housing Authorized by Building Permits MoM SA) Housing Permits/Starts Monthly

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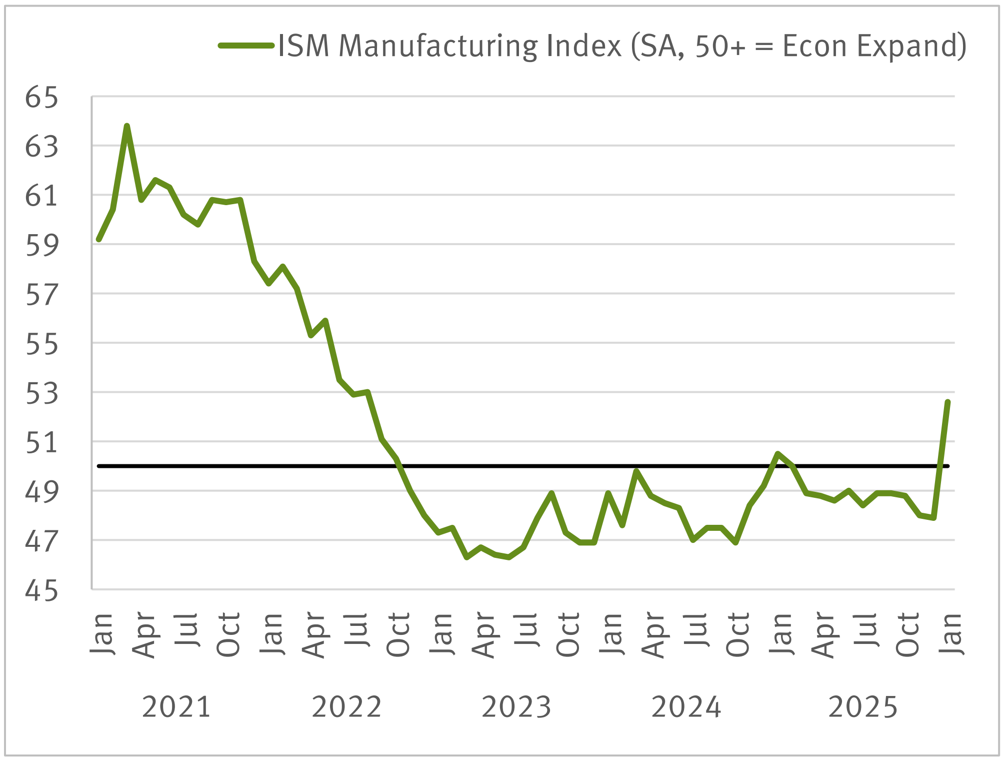
Leading Indicators

MANUFACTURING ACTIVITY EXPANDS BY THE MOST SINCE 2022

The ISM Manufacturing Index jumped 4.7 points to 52.6 in January, marking the fastest pace of expansion since 2022 and the first reading above 50 – signaling expansion – since February 2025.



NAPMPMI Index (ISM Manufacturing PMI SA) Manufacturing Monthly

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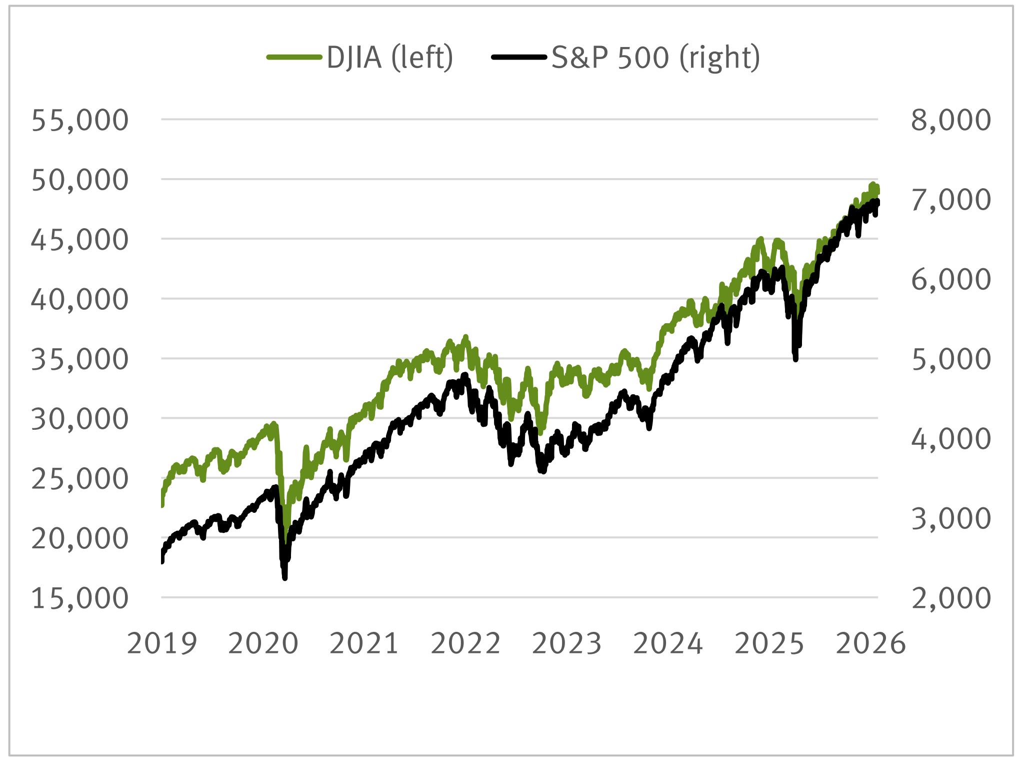
STOCKS MOVE HIGHER AT THE START OF THE YEAR

Stocks ended higher in January. The S&P 500 started at 6,845.50 and rose 1.4% in the first month of 2026. The Dow Jones Industrial Average (DJIA), which started at 48,063.29, climbed 1.7% in January.



SPX Index (S&P 500 Index) SP500/DJIA Daily

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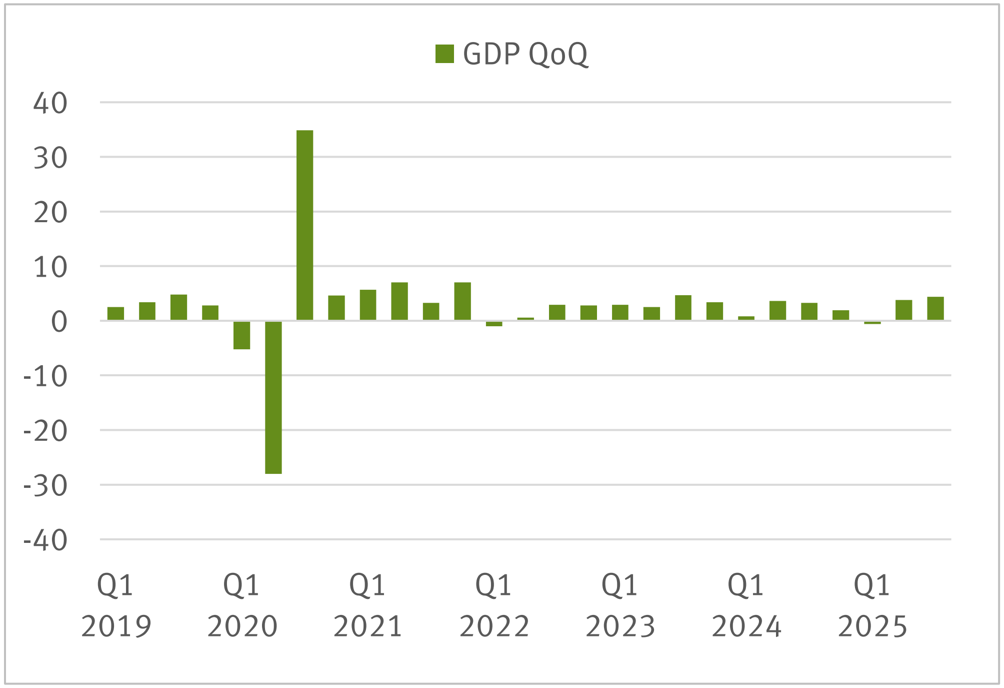
Lagging Indicators

GDP RISES 4.4% IN Q3, STRONGEST PACE IN TWO YEARS

GDP climbed 4.4% in the third quarter, marking the strongest quarterly pace since Q3 2023, and reflecting a still resilient consumer and still positive business investment.



GDP CQQQ Index (GDP U.S. Chained 2017 Dollars QoQ SAAR) GDP Bar Chart Quarterly

03-Feb-2026. QoQ = quarter over quarter

U.S. UNEMPLOYMENT RATE REMAINS HISTORICALLY LOW

The U.S. unemployment rate ticked down to 4.4% in December, the lowest level since September, and still well below what the Fed designates as full employment.

USURTOT Index (U-3 U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted) Unemployment and Wages Monthly
*The October unemployment rate data is not available due to the government shutdown

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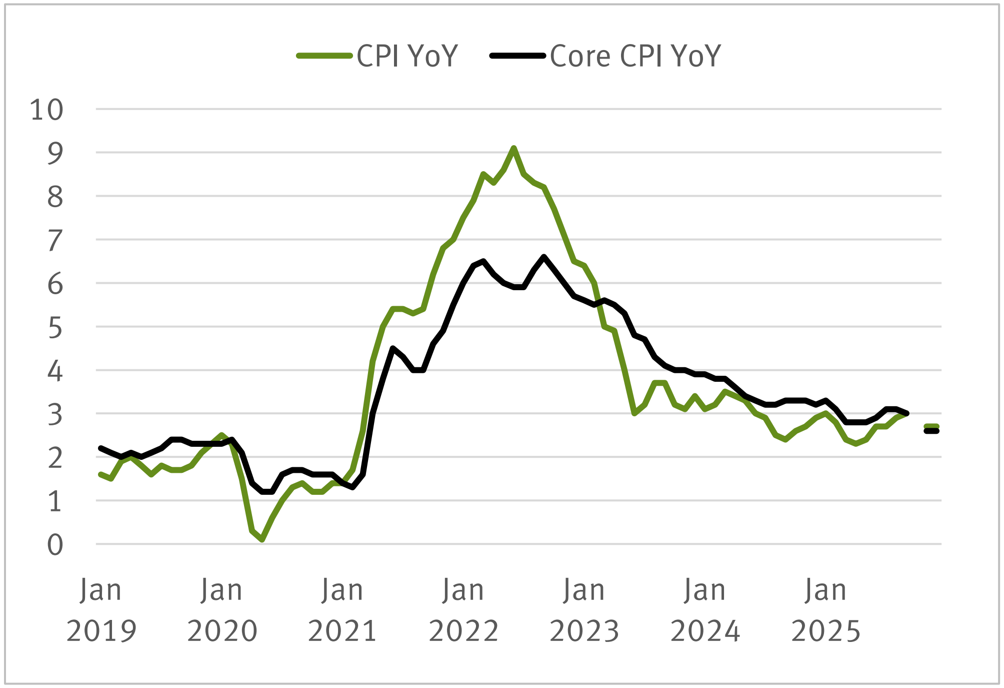
Lagging Indicators

INFLATION COOLS IN DECEMBER, BUT REMAINS ELEVATED

The Consumer Price Index (CPI) rose 0.3% in December and 2.7% over the past 12 months. Excluding food and energy, the core CPI rose 0.2% and 2.6% annually, matching November's rise.

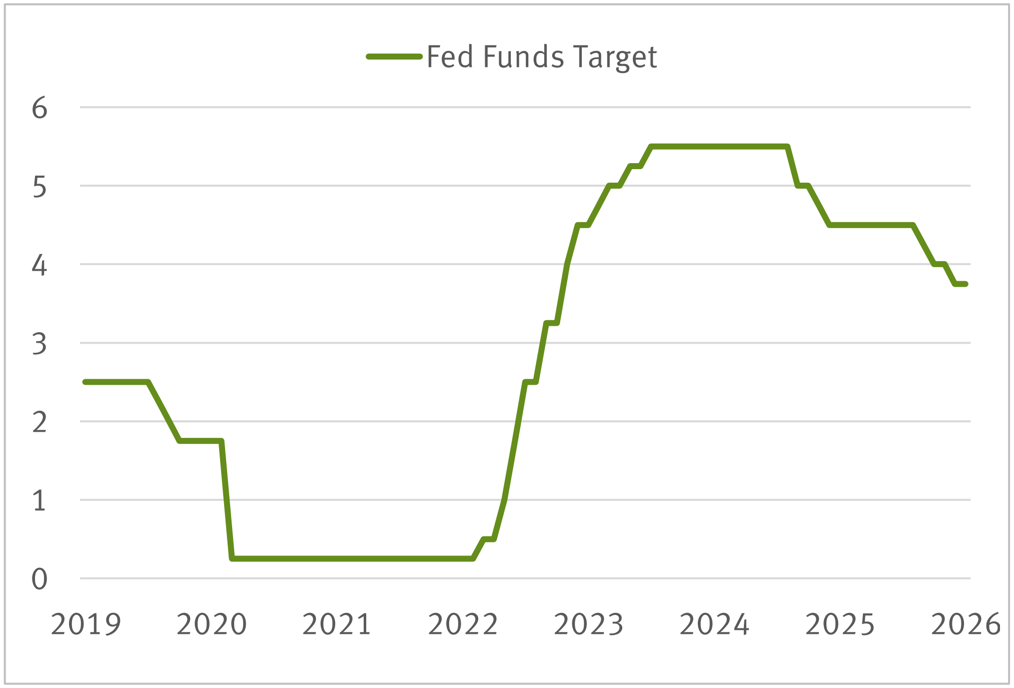


CPI YOY Index (U.S. Consumer Price Index) Monthly

*The October CPI data is not available due to the government shutdown
03-Feb-2026. YoY = year over year

FEDERAL RESERVE LEAVES RATES ON HOLD, AS EXPECTED

As expected in January, the Federal Reserve held rates steady in a range of 3.50% to 3.75% after 75 basis points in rate cuts over four months.



FDTR Index (Federal Funds Target Rate – Upper Bound) Fed Funds Target/Effective Daily

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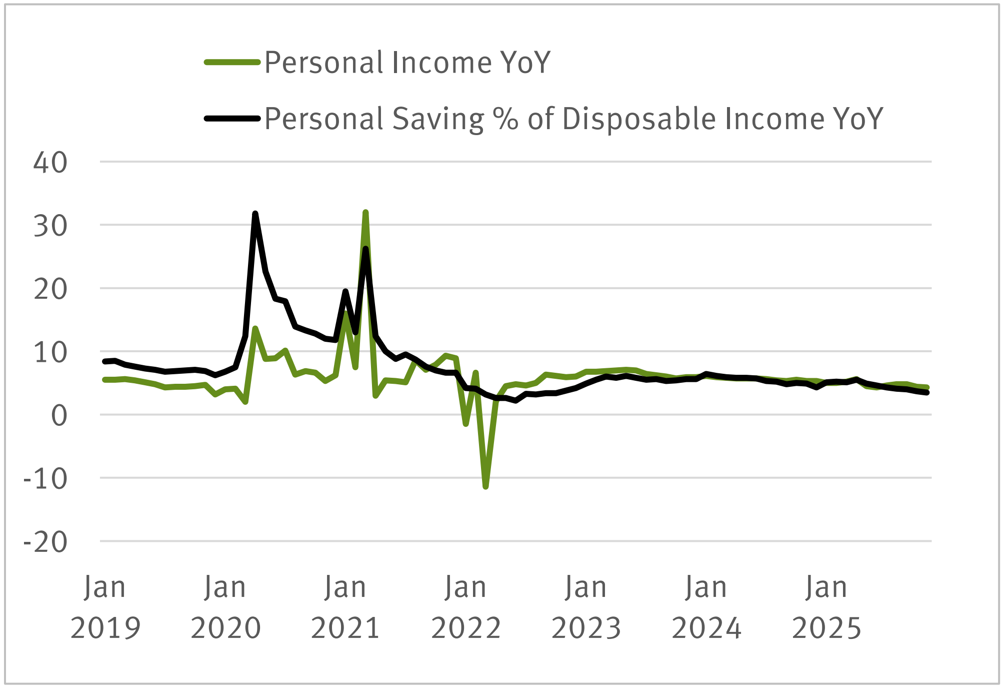
Coincident Indicators

INCOME AND SAVINGS DOWN FROM PEAK

Personal income rose 4.3% in November. Personal savings as a percent of disposable income increased 3.5%, down from the 3.7% gain in October and marking the weakest pace in three years.



PITLYOY Index (U.S. Personal Income YoY SA) Personal Income/Saving Daily

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U.S. INDUSTRIAL PRODUCTION IMPROVES

Industrial production rose 2.0% in December from a year prior, the weakest annual pace in three months. In 2025, production rose an average 1.3%, a marked improvement from a 0.7% decline in 2024.

IP YOY Index (U.S. Industrial Production YOY SA) Industrial Production Daily

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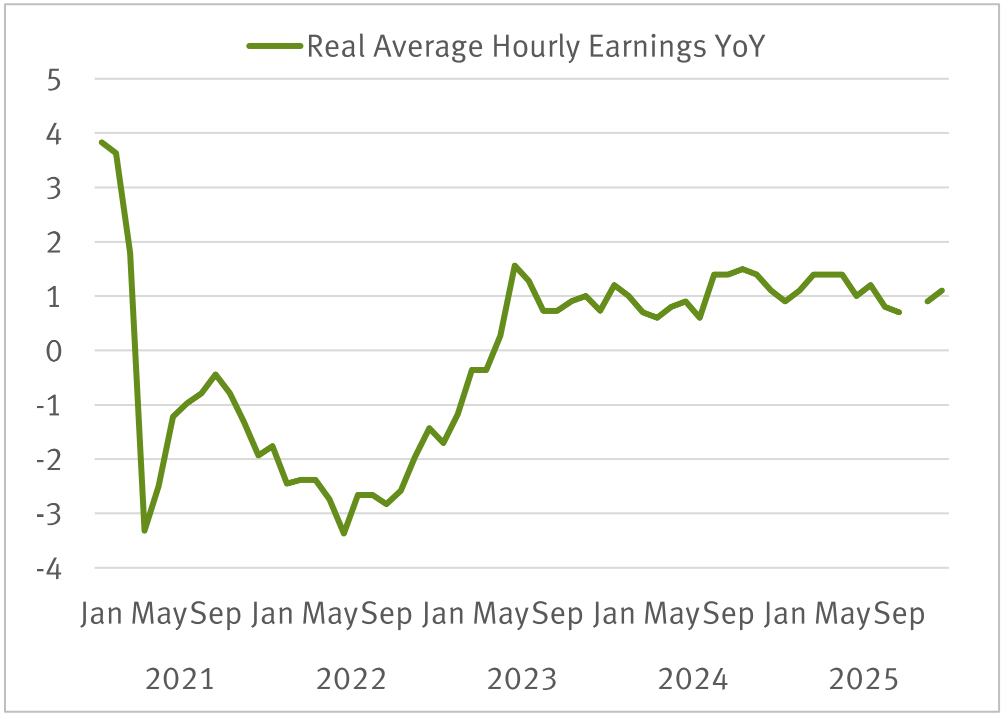
Coincident Indicators

REAL EARNINGS TICK HIGHER IN FINAL MONTH OF 2025

Real average hourly earnings increased 1.1% in December on an annual basis, an improvement from the 0.9% gain in November and marking the strongest pace since July.



REALYRAW Index (U.S. Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Average Earnings Daily

*The October real average hourly earnings data is not available due to the government shutdown
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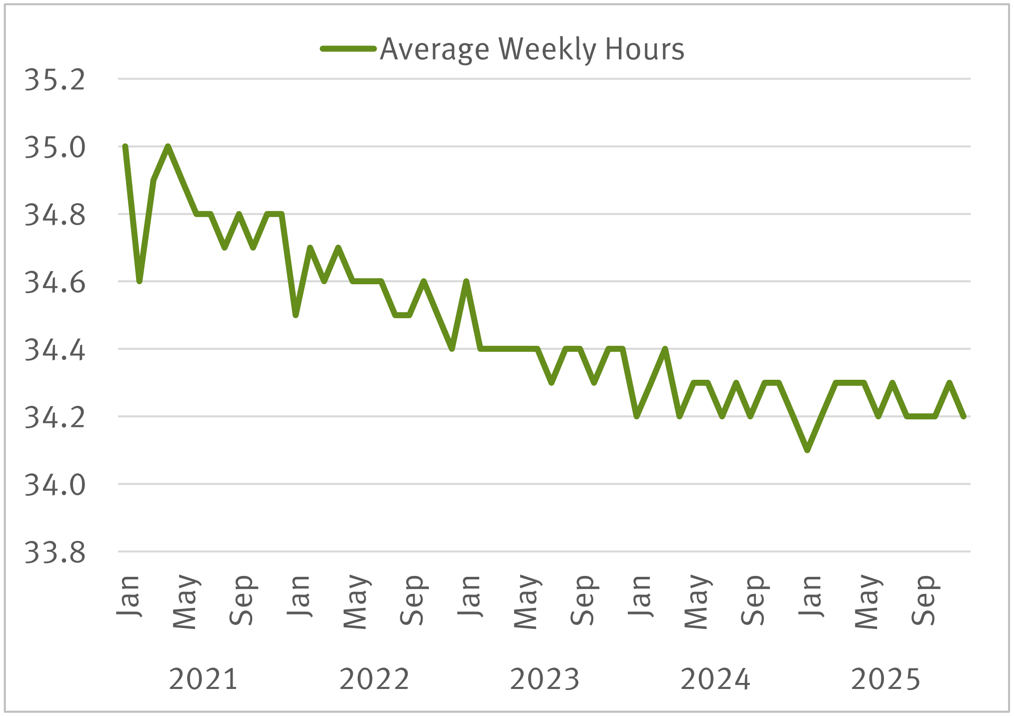
WEEKLY HOURS TICK LOWER IN DECEMBER

Average weekly hours slipped from 34.3 to 34.2 hours in December, a two-month low. Over the past 12 months, the average workweek was unchanged.



AWH TOTL Index (U.S. Average Weekly Hours All Employees Total Private SA) Average Weekly Hours Monthly

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The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The ISM Manufacturing Index is a composite diffusion index created to monitor employment, production inventories, new orders, and supplier deliveries in national manufacturing based on surveys of more than 300 manufacturing firms by the Institute of Supply Management.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST. 0226.8761134.1