

MONTHLY RESEARCH WEBINAR

CONSUMER ECONOMY: OPPORTUNITIES IN A MIXED ENVIRONMENT

Moderator:

Jim Kelleher, CFA

Director of Research

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■ **Consumer Economy: Opportunities in a Mixed Environment**

- Jim Kelleher, CFA, Director of Research
- John Eade, Argus President
- Chris Graja, CFA, Director of Economic Research & Senior Analyst
- Taylor Conrad, Analyst

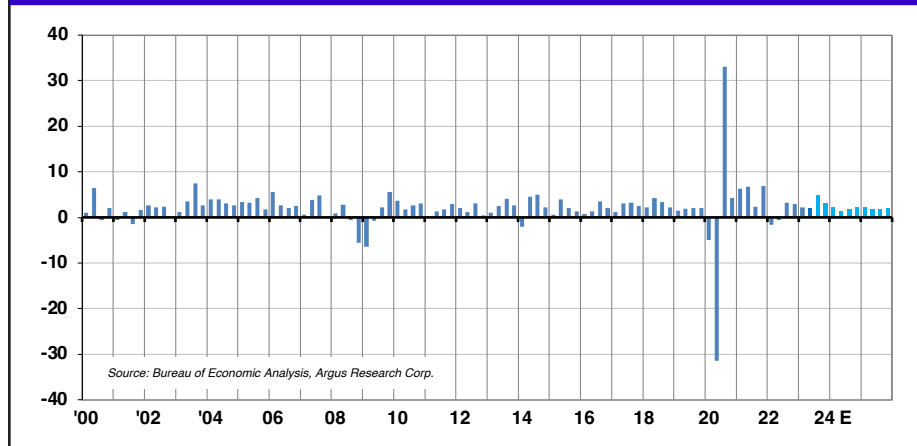
■ **Argus Quick Notes**

- Investing in Small- and Mid-Cap Stocks
- Shooting Stars and Falling Angels 1Q24
- Value in Global Names
- Investing in Health
- Find these on the homepage of our website

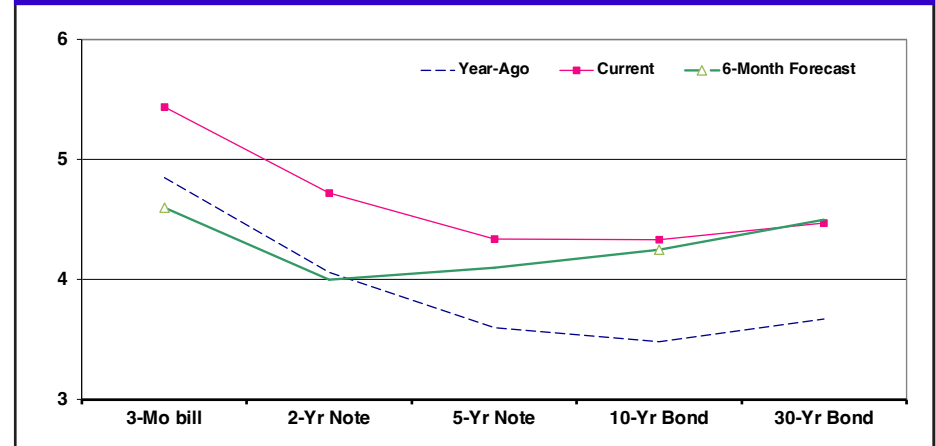
■ **Portfolio Update: the Argus Mid-Cap Model Portfolio**

- Small- and Mid-Cap (SMID) has underperformed Large Caps
- Well-positioned for positive returns in intermediate term
- Domestic focus minimizes geo-political disruptions
- Lower per-share prices attract bargain-hunting investors
- Find the Argus Mid-Cap MP on the homepage of our website

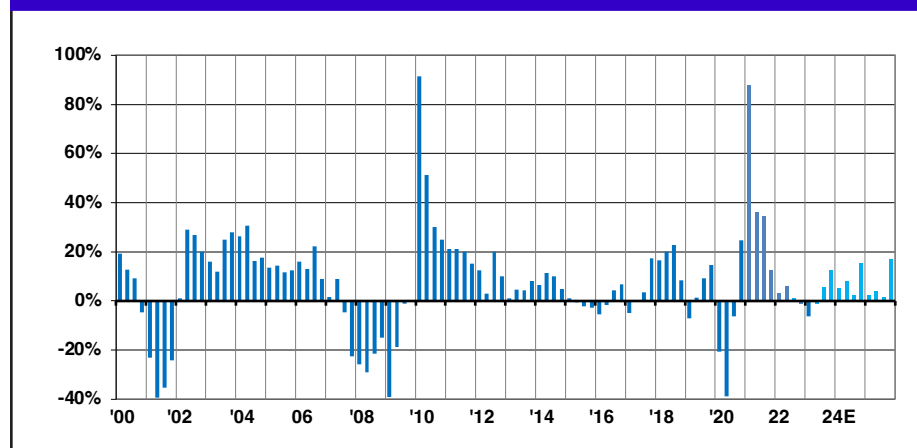
REAL GDP W/FORECASTS (%)



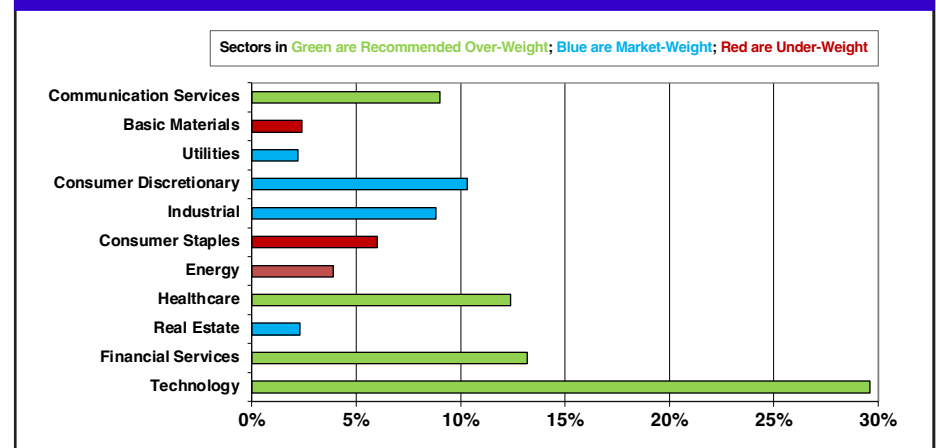
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH

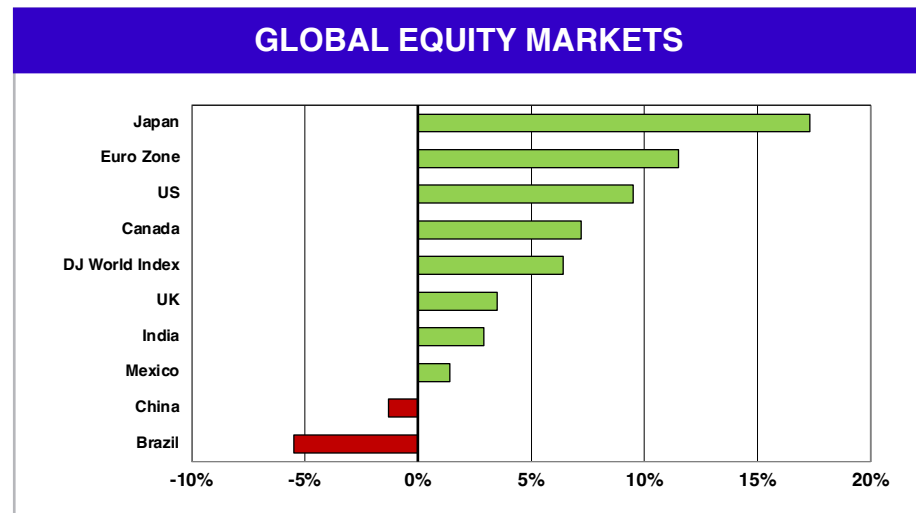
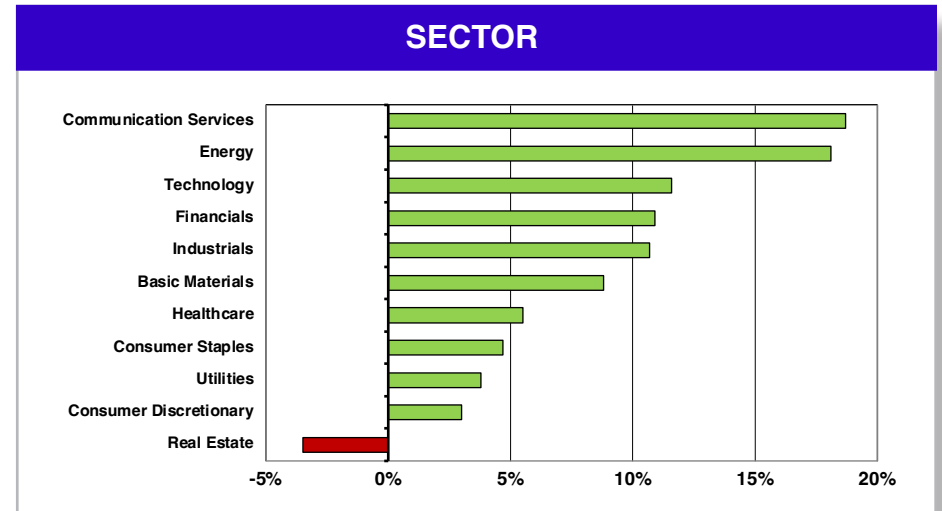
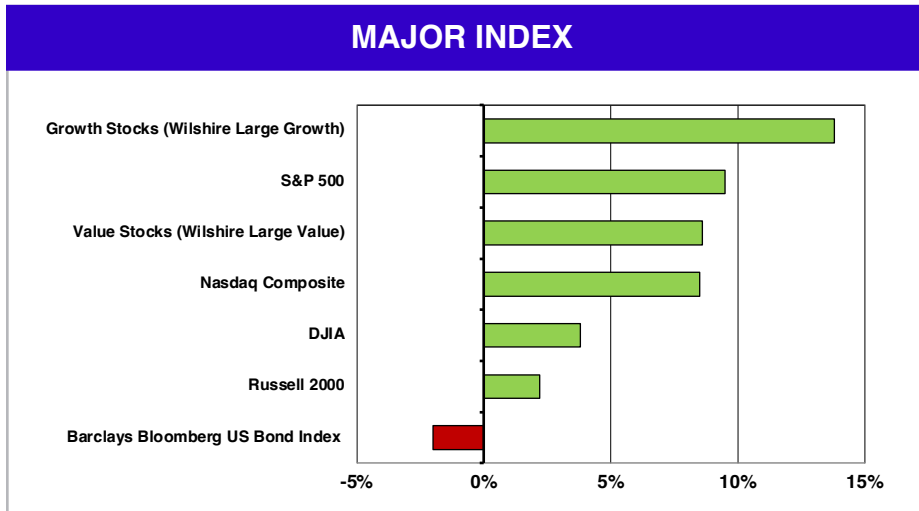


MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



MARKET PERFORMANCE

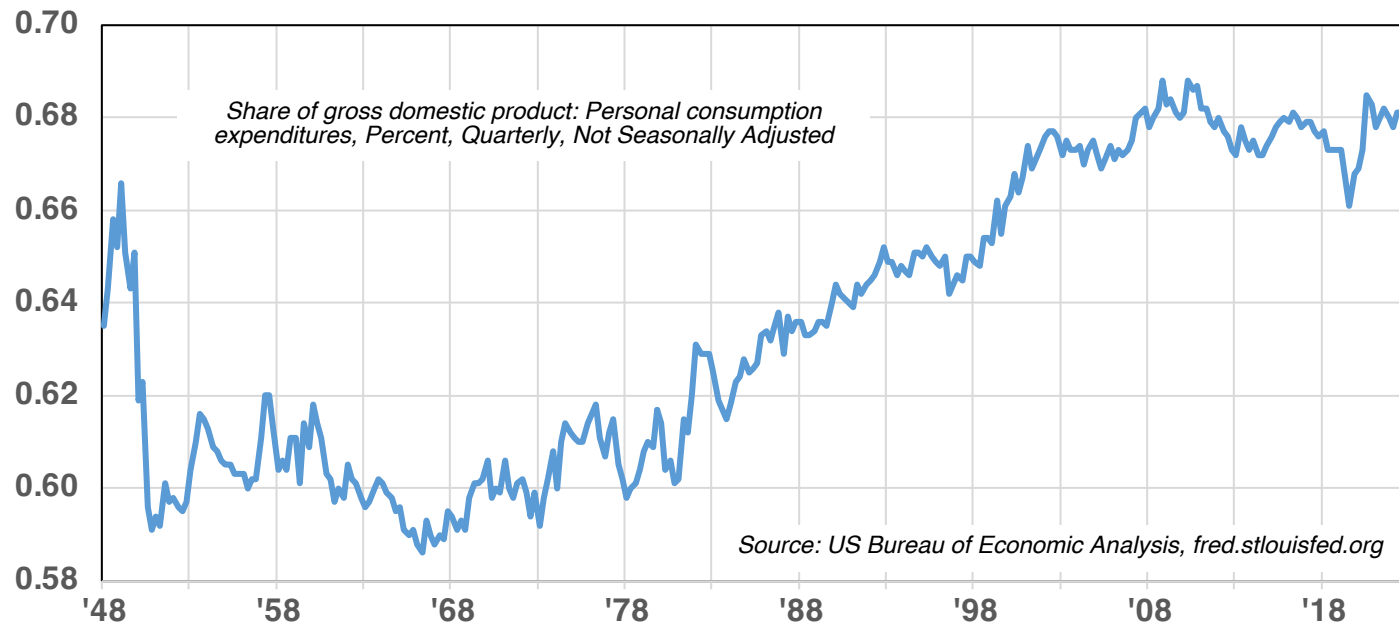
DATA AS MARCH 28, 2024



■ Consumers are (Mostly) In Good Shape

- The job market is very healthy
- The inflation rate is easing, but high price levels still hurt
- March Average Hourly Earnings: +4.1% YoY
- Feb CPI: +3.2%
- Feb Real Average Hourly Earnings (reported): +1.1%
- March implied with CPI Nowcast of 3.4% =+0.7%

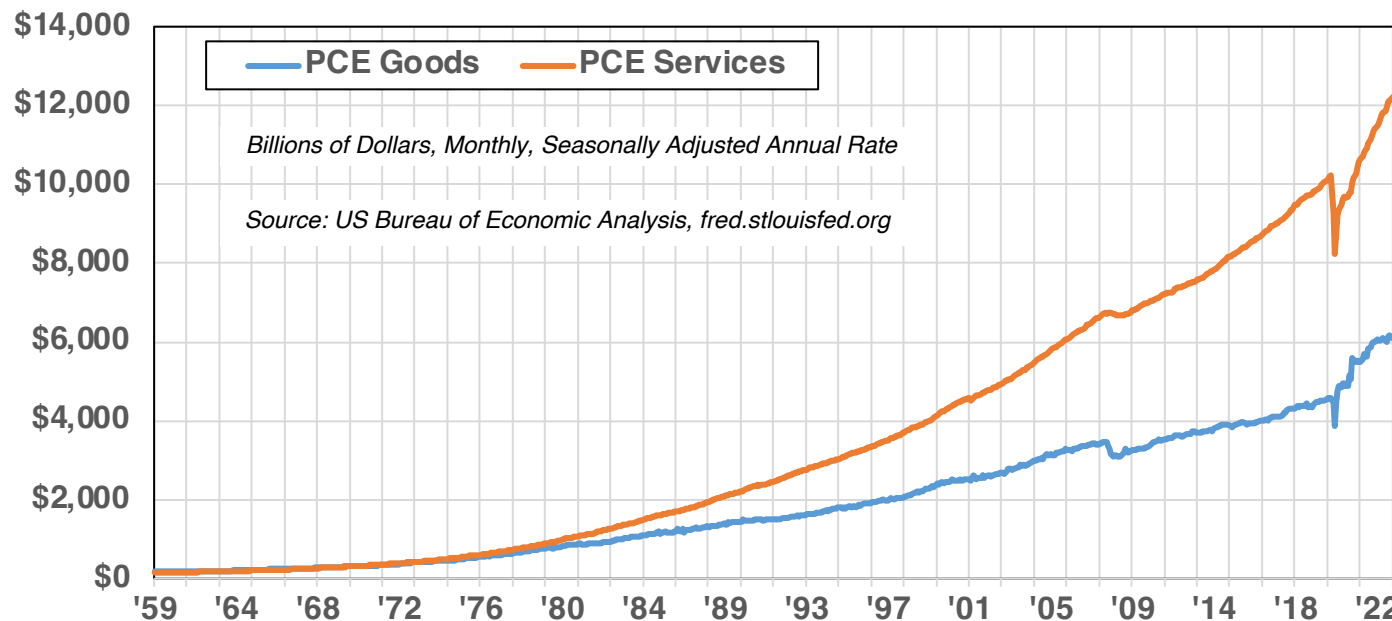
Share of GDP: Personal Consumption Expenditures



■ We expect Retail Sales to Grow about 2.0% in 2024

- Personal Consumption Expenditures: +4.9% YoY in Feb.
- But...
- Feb. PCE Goods +0.8%
 - » PCE Nondurables: +1.6%
 - » PCE Durables: -0.4%
- PCE Services: +6.9%

Personal Consumption Expenditures: Goods Vs. Services (\$B)



■ Catalysts for Retail Stocks:

- Ability to offer bargains to (very) value-conscious shoppers
- Ability to drive store traffic or unit volume with innovative products
- Efficient inventory management – an area where Big Data and AI can help
- Financial strength to invest in technology and boost dividends

- **Walmart (WMT)**
 - Target Price \$67

- **Costco (COST)**
 - Target Price \$805

- **Target (TGT)**
 - Target Price \$200

- **TJX (TJX)**
 - Target Price \$115

- **Dick's Sporting Goods (DKS)**
 - Target Price \$240

■ Inflationary pressures

- Consumers trade down or purchase less
- Consumers are reluctant to pay more for the same or less

■ Major consumer staples companies have raised prices significantly over the past few years

- Many have seen volume decline as a result
- We are starting to see prices level out with increased promotions

■ High growth categories

- Health food
- Snacking

- **Coca-Cola Company (HSY)**
 - Target price: \$70

- **Hershey Company (HSY)**
 - Target price: \$240

- **J. M. Smucker Company (SJM)**
 - Target price: \$150

- **Kellanova (K)**
 - Target price: \$67

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