

MONTHLY RESEARCH WEBINAR

STATE OF THE CONSUMER

Moderator:

John Eade

Argus President

March 5, 2025

■ **State of the Consumer**

- John Eade, Argus President
- Chris Graja, CFA, Senior Analyst
- John Staszak, CFA, Senior Analyst
- Taylor Conrad, Security Analyst
- Christine Dooley, Senior Analyst

■ **Argus Quick Notes**

- Investing in High-Yield Stocks
- What the Big Investors are Buying
- Investing in Pharma and MedTech
- Find these on the homepage of our website

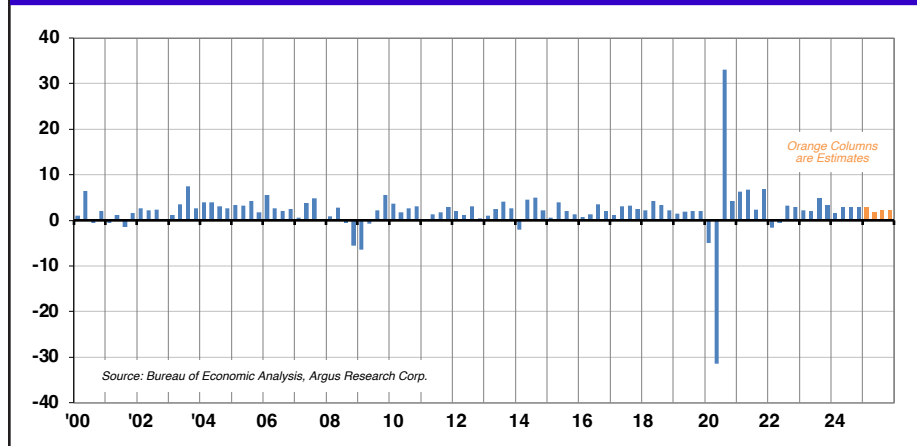
■ **Portfolio Update: the Argus Min Vol Model Portfolio**

- Value including High-Yield outperformed the market in 2022
- High-Yield is again rising in 2025 amid falling bond yields
- Given policy uncertainty, investors are rotating from growth to income
- High-Yield is attractive in any investment climate
- Find the Argus High-Yield MP on the homepage of our website

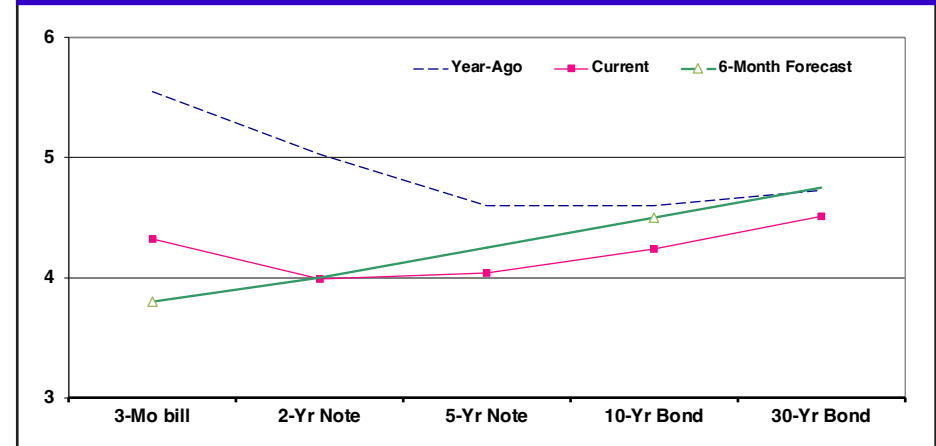
MACRO FORECASTS



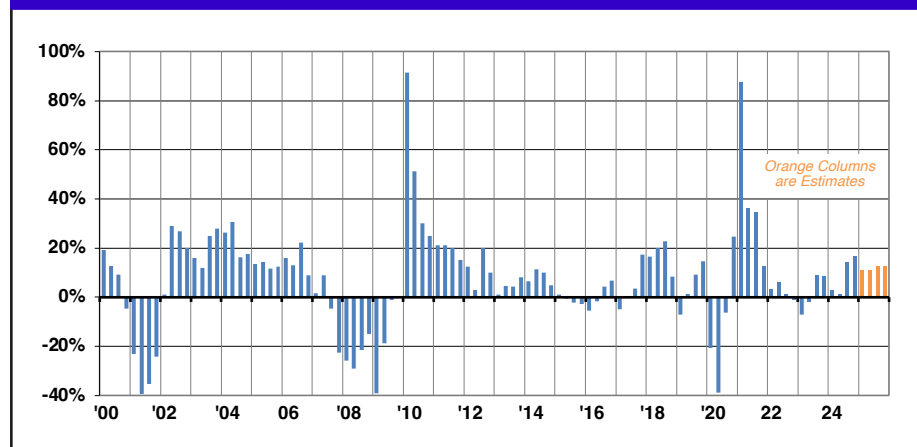
REAL GDP W/FORECASTS (%)



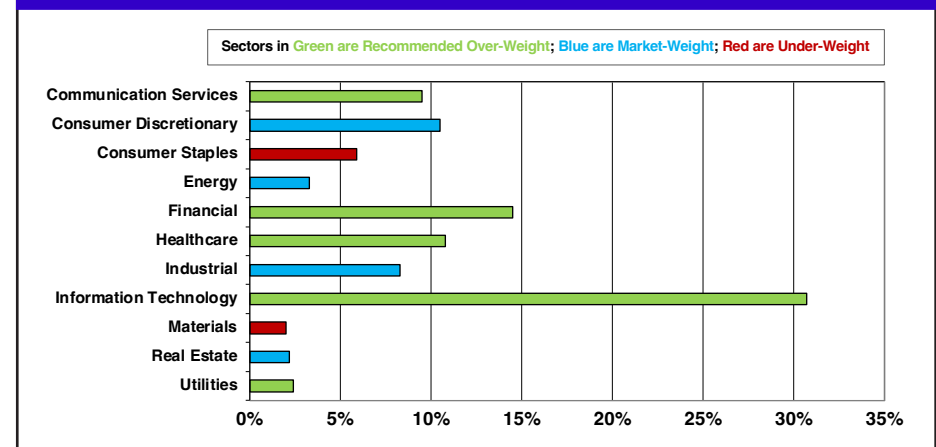
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH



MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500

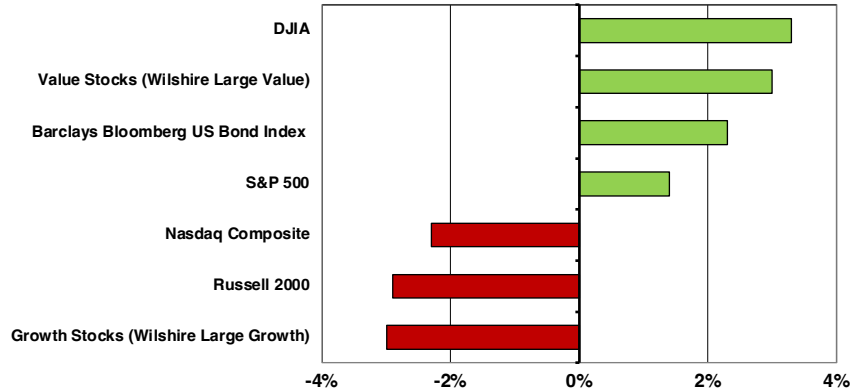


MARKET PERFORMANCE

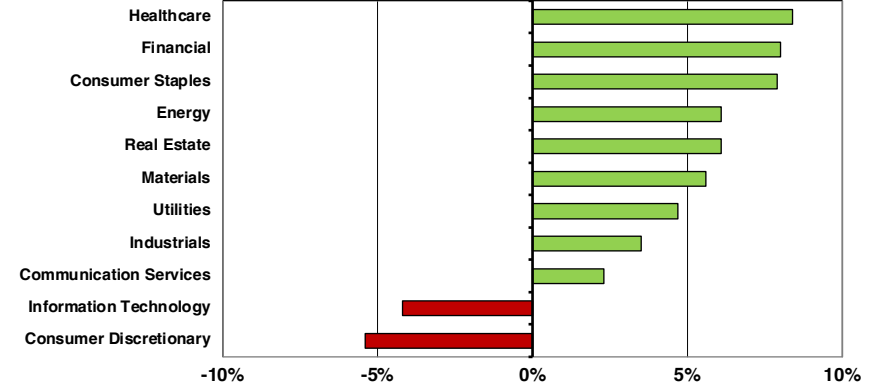
DATA AS OF FEBRUARY 28, 2025



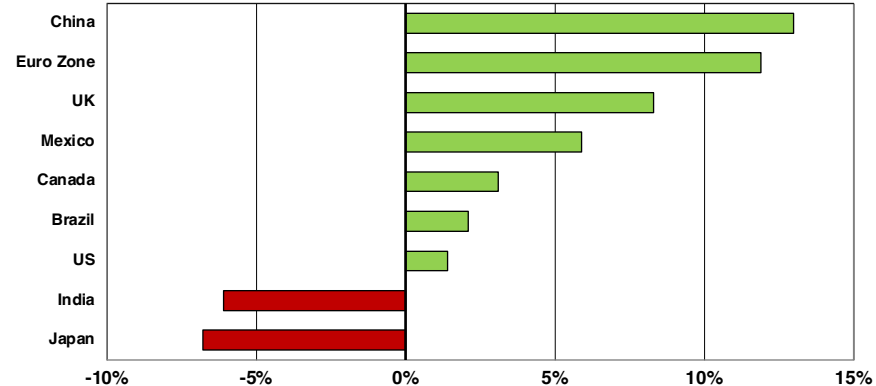
MAJOR INDEX



SECTOR

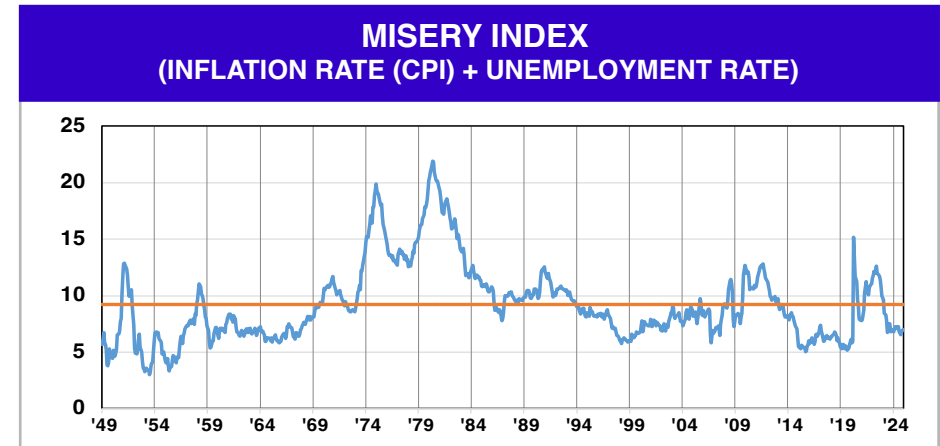


GLOBAL EQUITY MARKETS



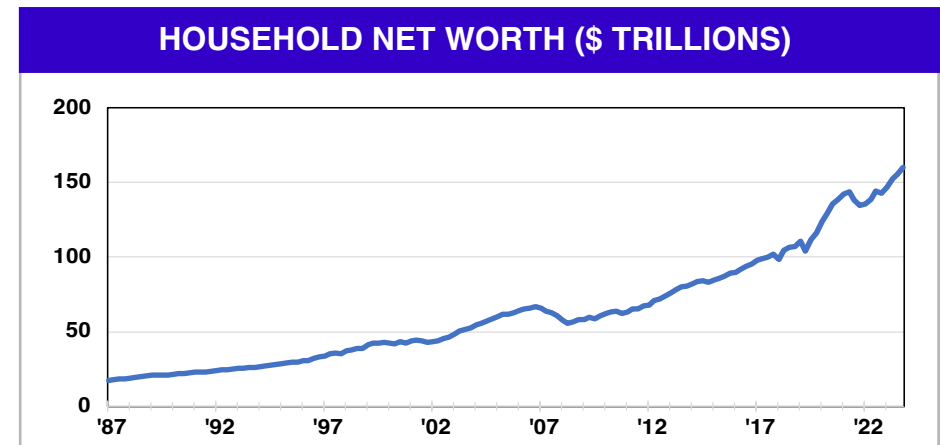
■ Not So Miserable

- Current Misery Index is below 7%
- 5-year average is 9.2%.
- Current level healthy by historical standards.
- We believe it would be a success if President Trump can keep Index below 7.0%



■ Wealthiest 1/3 of Households

- About 55% of consumer spending
- Doing fine
- Well employed
- Growing wealth
- Insulation from inflation



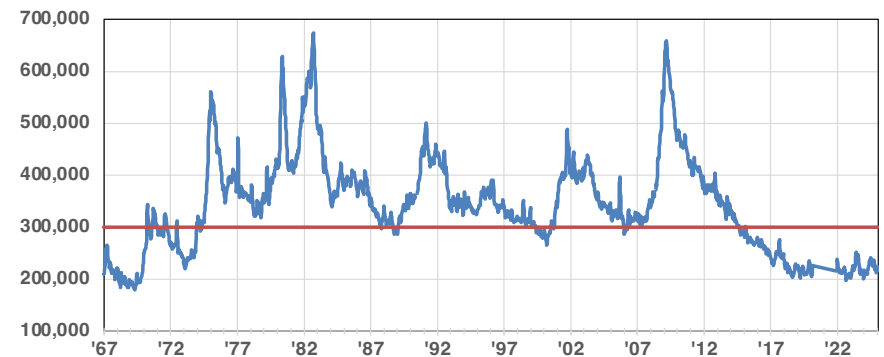
■ Middle 1/3 of Households

- About 30% of consumer spending
- Hanging in
- Solid employment status
- Face challenges to build wealth
- Vulnerable to services inflation

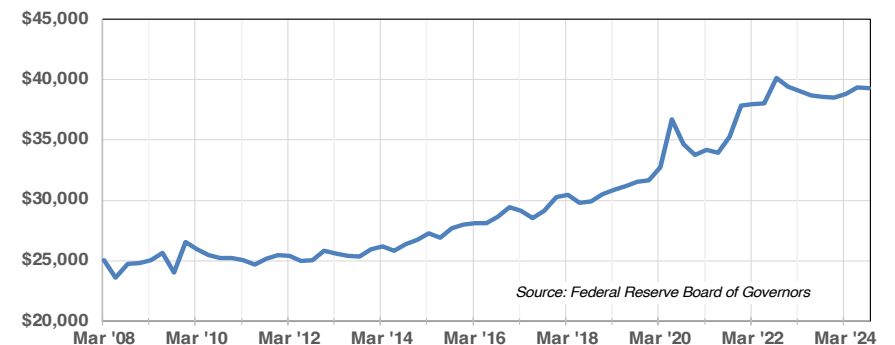
■ Low-Income, 1/3 of Households

- About 15% of consumer spending
- Struggling
- Vulnerable employment status
- Net worth may be negative
- Still pressured by price levels

INITIAL JOBLESS CLAIMS EX. COVID (4-WEEK AVERAGE)



AVERAGE CAR LOAN



- **The Consumer Discretionary sector accounts for 10.5% of the S&P 500**
- **Our Recommendation is Market-Weight**
- **Performance**
 - Sector down 5.4% YTD through February vs 1.2% gain for broad market

■ Delivering Value

- Walmart (WMT), Costco (COST), TJX (TJX), McDonalds (MCD)

■ Innovation

- Dicks Sporting Goods (DKS), Chipotle Mexican Grill (CMG)

■ Convenience

- Kroger (KR)

■ Shortage of Available Homes

- Home Depot (HD), Lowe's (LOW), Toll Brothers (TOL)

■ Confident Consumer

- Royal Caribbean Cruises (RCL), Norwegian Cruise Lines (NCLH), United Airlines (UAL)

■ The Consumer Staples sector accounts for 5.5% of the S&P 500

■ Our Recommendation is Under-Weight

■ Performance

- Sector up 7.6% YTD through February vs 1.2% gain for broad market

■ Macro Factors

- Inflation recovery, price normalization
 - » Though some commodities remain stubbornly high
 - » Some lasting consumer price consciousness
 - » Increased promotions and changes in pack sizes
- Possible impacts of tariffs
 - » Tariffs on imports of raw materials and export of finished goods

■ Trends

- Health-conscious foods
- Snacking
- GLP-1s

■ **The J. M. Smucker Company (SJM: BUY)**

- Valuation: \$12B market cap; 4.0% yield; P/E = 10.4
- Growth from key brands including Uncrustables
- Expected annual sales of \$1 billion in FY26, addressed capacity constraints
- Focus on convenience with Hostess acquisition

■ **The Coca-Cola Company (KO: BUY)**

- Valuation: \$307B market cap; 2.9% yield; P/E = 24.0
- Deployed AI in marketing, decreasing marketing expenses
- Innovation through experiences and limited edition

■ **DoorDash, Inc. (DASH: BUY)**

- Valuation: \$83B market cap; recent target price increase
- Evolving delivery services, now with an emphasis on groceries
- Focus on fixed cost management and top line growth

■ **Unilever plc (UL: BUY)**

- Valuation: \$140B market cap; 3.3% yield; P/E = 16.5
- Plans to separate Ice Cream business
- Growth Action Plan

■ **Procter & Gamble Co. (PG: BUY)**

- Valuation: \$405B market cap; 2.4% yield; P/E = 24.9
- Driving growth through new products like Dawn Powerwash
- Integrated strategy
- Increased the dividend for 68 consecutive years

■ **Church & Dwight Co., Inc. (CHD: BUY)**

- Valuation: \$27B market cap; 1.1% yield; P/E = 29.7
- Diversified portfolio with low private label exposure
- Innovation through new products and acquisitions

■ Equity Income

- GPC, LOW, MCD, PEP, PG, UL

■ Growth & Income

- CMG, DKS, LULU, TOL, COST, KR, PG

■ Growth/Innovation

- AMZN, RCL, COST

■ Institutional

- AMZN, AZO, BKNG, HD, COST, WMT

■ Dividend Growth

- MAR, TJX, TOL, COST

■ Sustainable

- AMZN, WMT

■ Min-Vol

- EBAY, TJX, CL, KO, KR, PG, TGT, WMT

■ High Yield/Value

- F, SJM, UL

* Note, Argus Model Portfolio Strategies may be licensed for direct money management by our clients using either an AUA or SMA Argus solution. Reach out directly to Argus for more authorization details.

DISCLAIMER



The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. Investing in any security or investment strategy discussed in this presentation may not be suitable for you and it is recommended that you consult an independent investment advisor. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus officers, employees, agents and/or affiliates may have positions in funds or stocks discussed in this presentation. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. Argus shall accept no liability for any loss arising from the use of this presentation or the materials contained in this presentation.