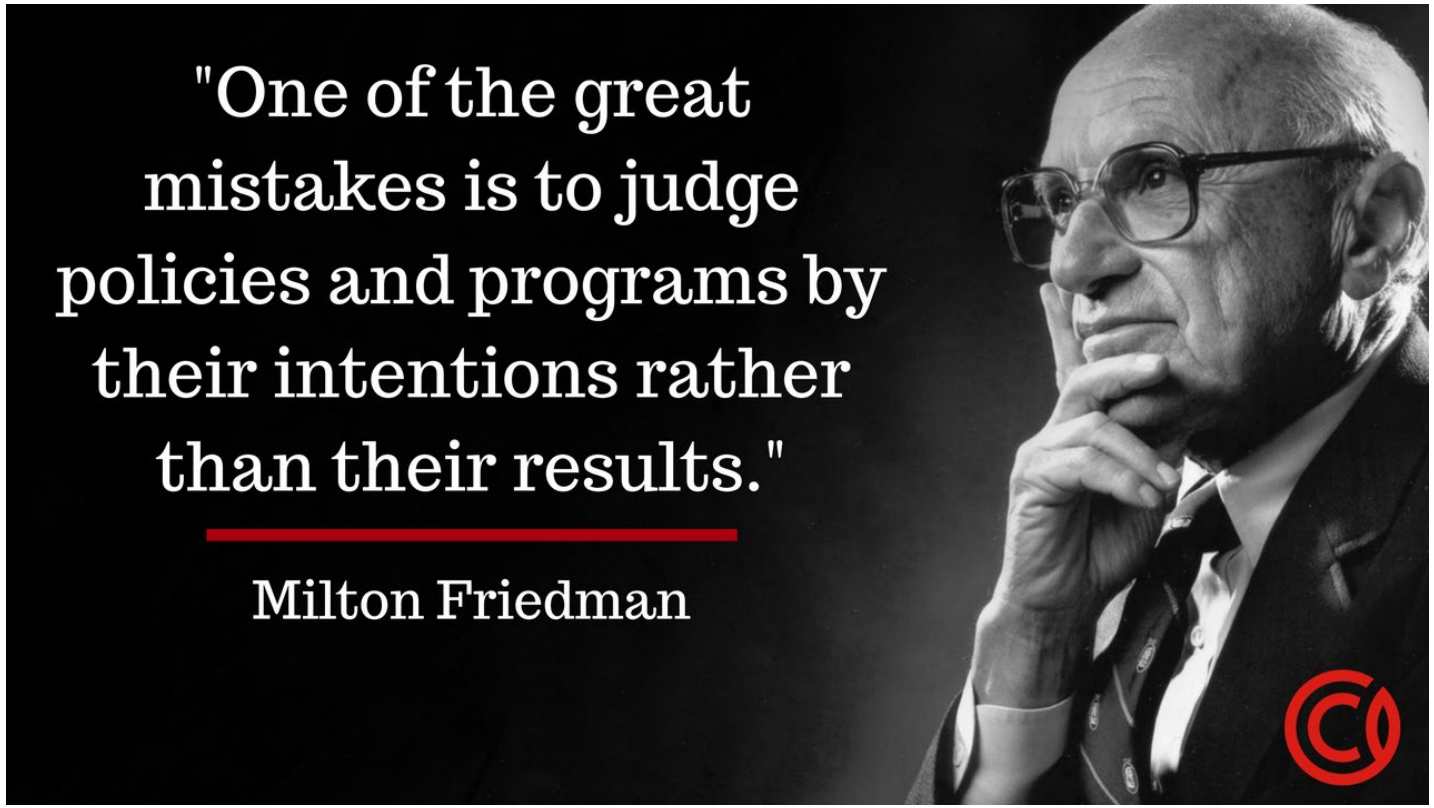
What Next?

KSCPA Webinar

Chris Kuehl – Armada CI



“Blue Wave” –Now What

- **Questions**
  - Did Democrats Win or Did Republicans Lose? 65% reported that they voted against somebody rather than for someone
  - What were the dominant issues? – INFLATION, jobs, technology fears
  - How patient will voters be?
- **What SHOULD the focus be?**
  - Inflation – specifically impact of tariffs/trade wars and oil
  - Workforce development – 47 million in four-year schools and less than 4 million in trade schools.
  - Infrastructure – US ranked D- by the American Society of Civil Engineers
  - Trade – over 20% of GDP connected to exports – over 10 million jobs
- **What Focus Will Likely Be**
  - Political battles – Congress vs. POTUS
  - Preparing for 2028

The Thing About Inflation

- **Usually a disease of growth but not so much this time – Oil and Tariffs**
- **Four levels of Inflation**
  - Creeping – under 3.0%
  - Walking – between 3.0% and 10.0%
  - Galloping – over 10.0%
  - Hyper – 50.0% and above
- **Key Question – when do consumer behaviors change?**
  - Upper income
  - Middle income
  - Lower income
- **Stagflation – why is it dreaded**

Still the Biggest Issue

Bond Markets Move on:

1. Geopolitics
2. Deficits
3. Inflation

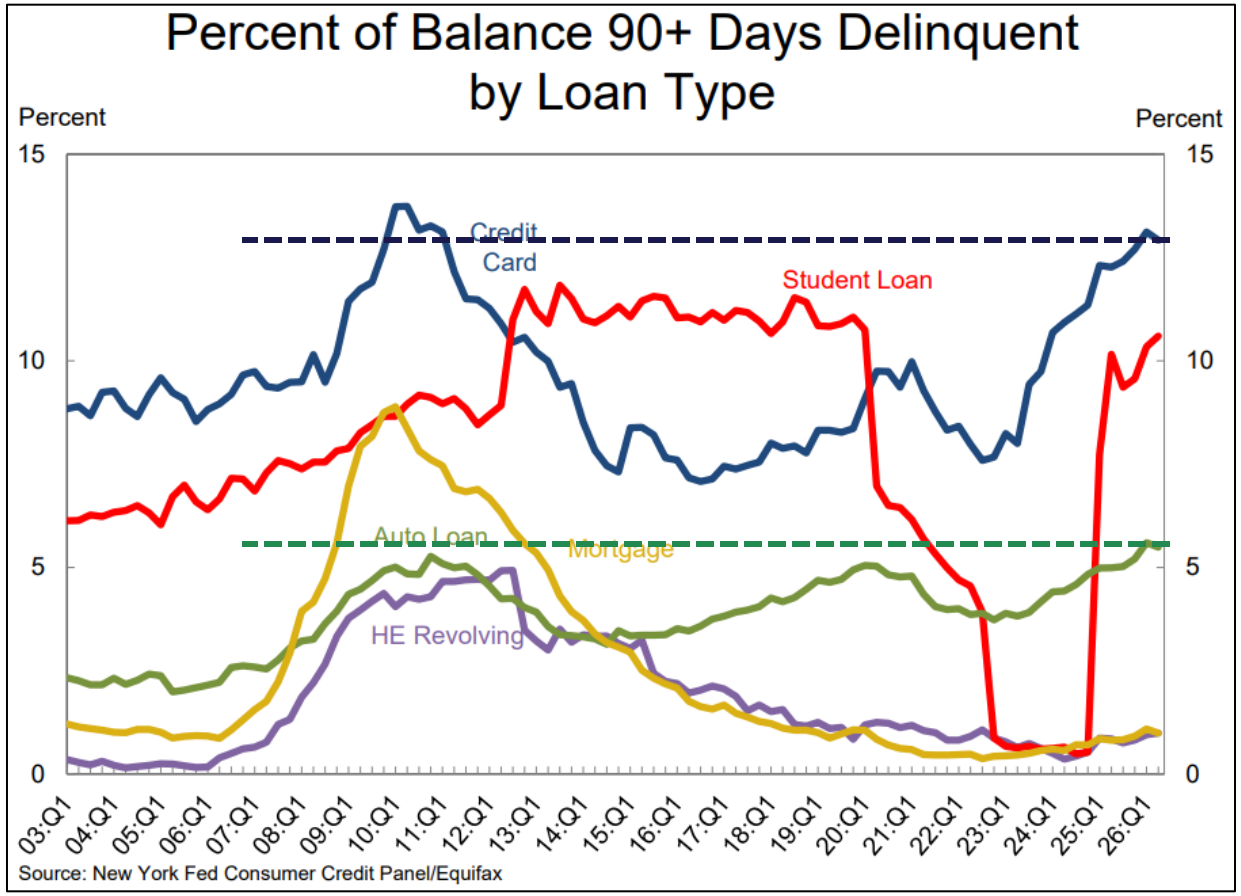
Given current conditions, analysts are looking the "Next Leg Up" – 5.25%-5.35%

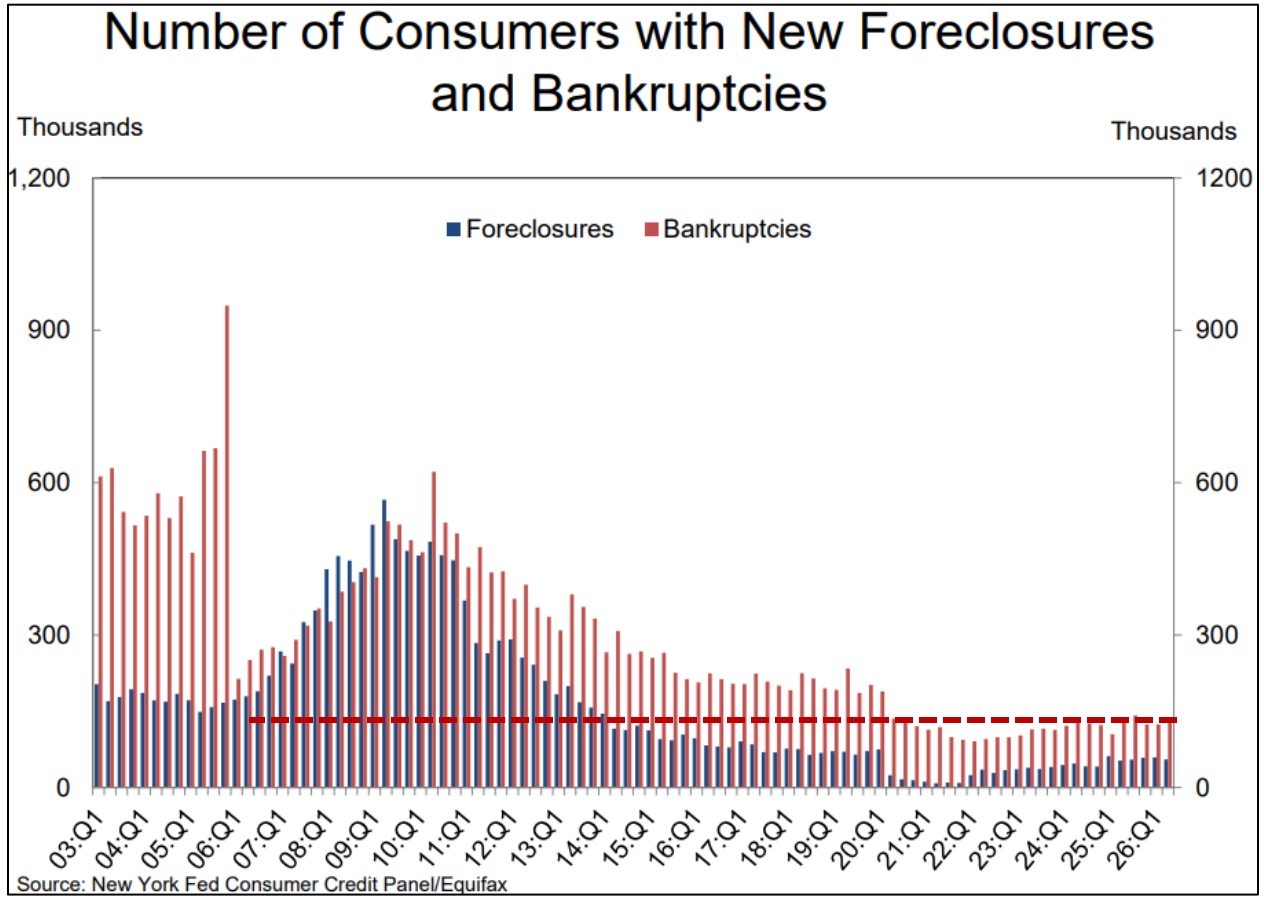


- **4% is reportedly a psychological threshold – but there is no magic historically with 4%.**
- **Historically still reasonable – but compared to the past decade, still higher than expectations. 3.5% is the broader "pop" figure.**

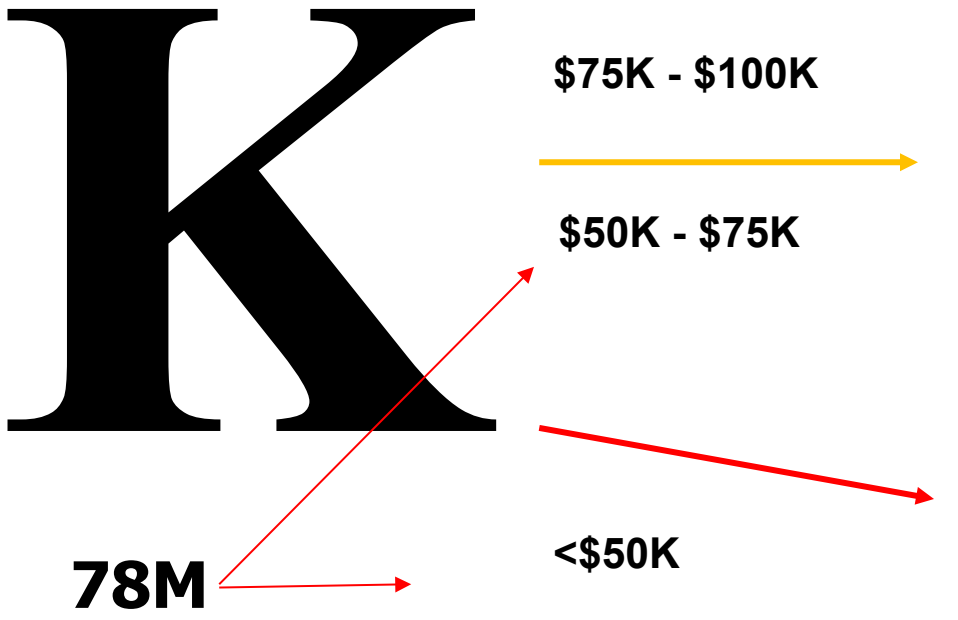


Consumer Debt Delinquency





The Rare, K Shaped Recovery: A Bifurcated Story Continues



- Upper Income Households doing very, very well
- Many companies in various sectors breaking historic profit and revenue thresholds

- Middle segments are the question
- 55% Living Check-to-check

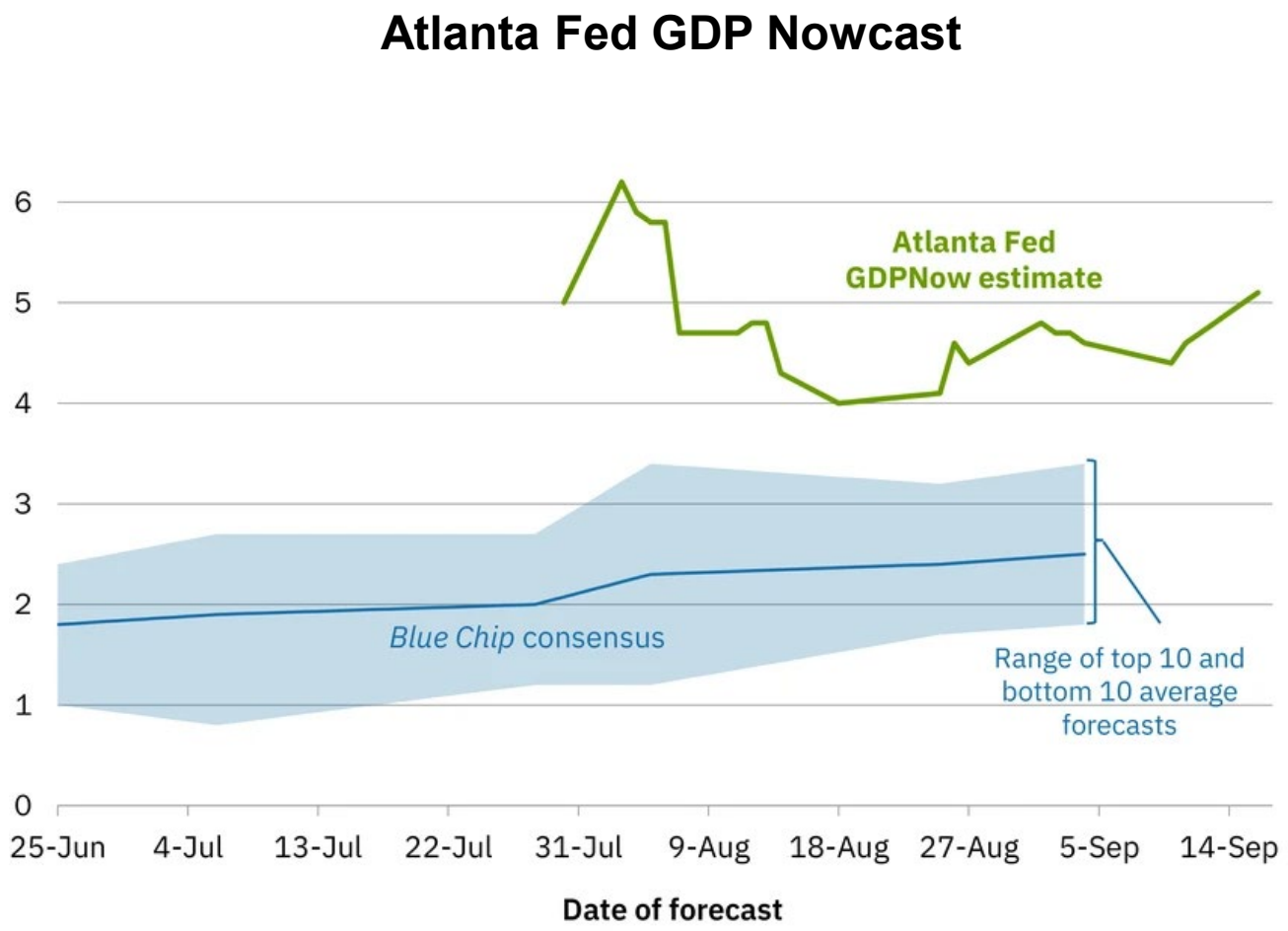
- Lower income sectors have always struggled, but are finding it more difficult under the weight of inflation
- 85% are living check-to-check

Current: Q3 GDP Rockets Forward

- Q3 data is currently showing GDP trending at 5.1%, behind Blue-Chip expectations of 2.5%.

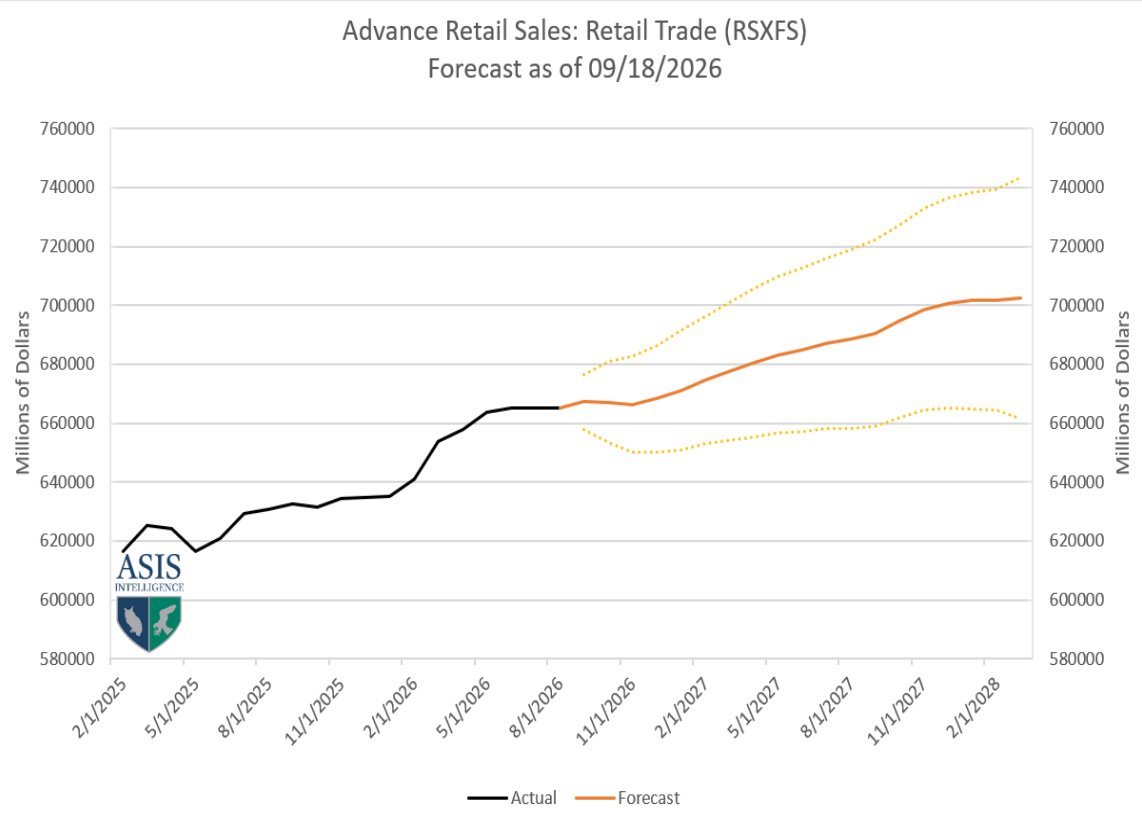
- Current composition of GDP (as a percent of GDP growth):

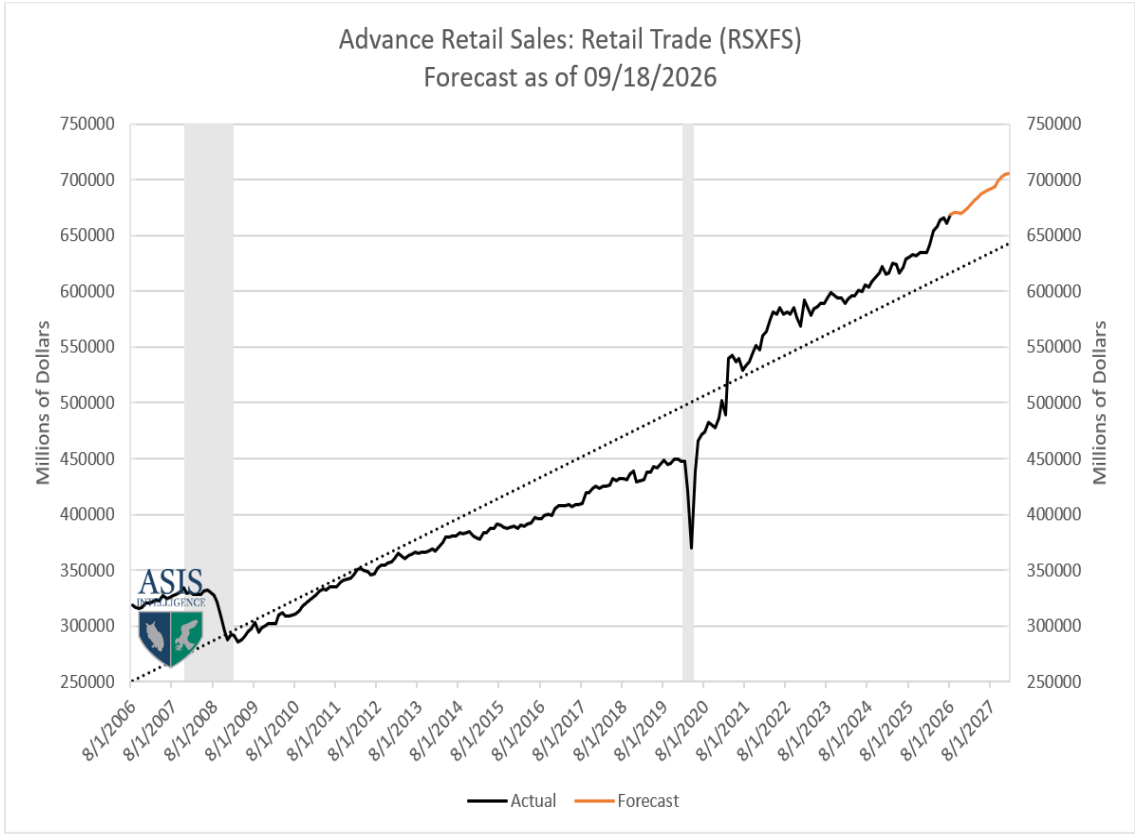
1.	Consumer spending		41.0%
	• Services	72.8%	
	• Goods	27.6%	
2.	Nonresidential fixed investment		23.4%
	• Equipment		15.9%
	• Intellectual Property		6.2%
	• Structures		1.3%
3.	Inventory building activity		33.2%
4.	Residential		-1.4%
5.	Government		2.5%
	• Federal	2.6%	
	• State and Local	4.9%	
6.	Net exports		-23.2%



SRC: Atlanta Federal Reserve

Retail Spending Forecast Remains Strong





Source: Armada Forecasts

This Might be the Bigger Risk…

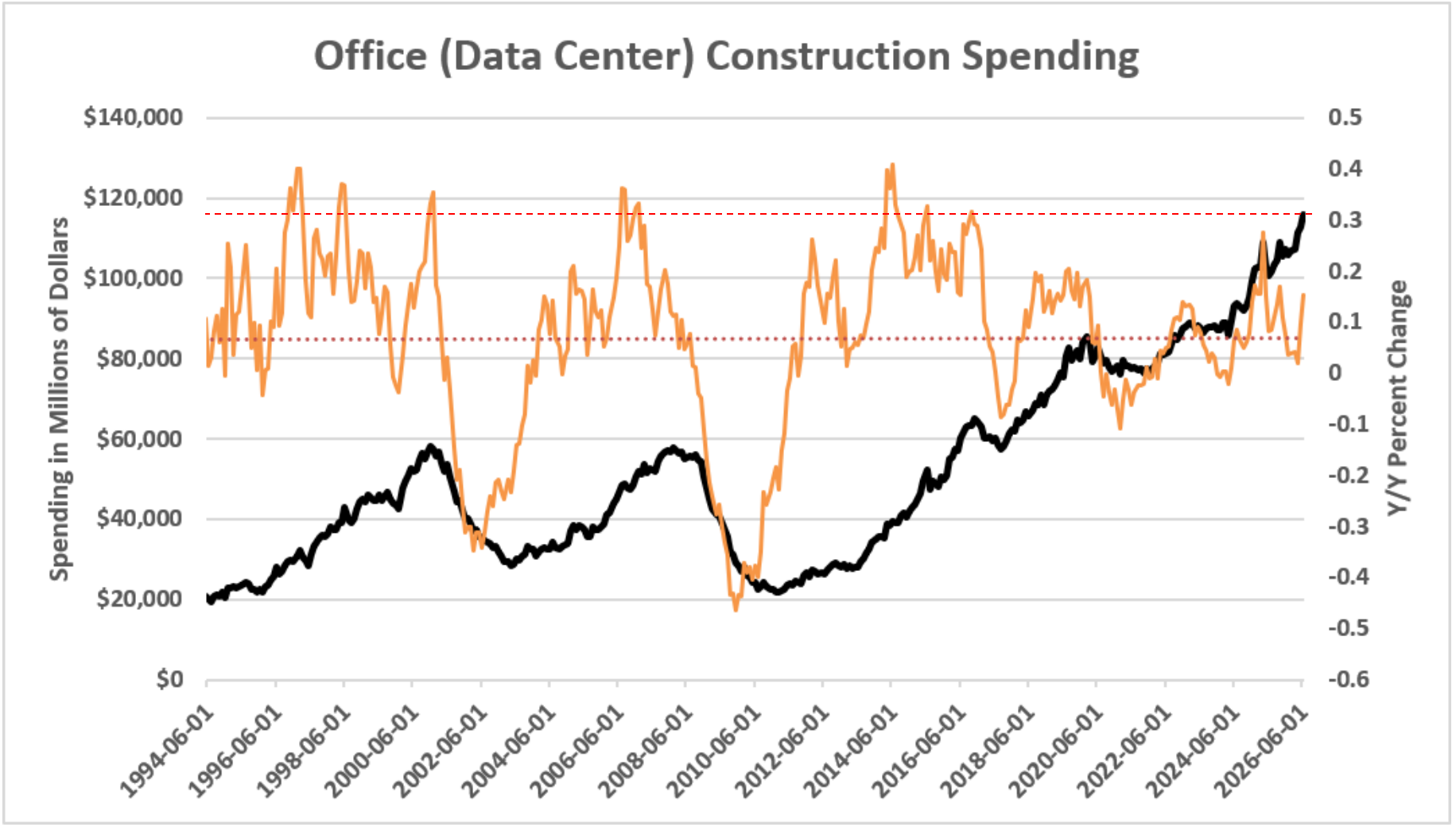
- **Small increases in demand can tighten supplies quickly.**
- **Just 13.4% overstocked (down from 65% in 2023)**
- **80.0% are considered to be understocked**
- **The supply chain shock from the conflict in the Middle East will have a material impact on product availability, and some stockpiling has been noted as firms that got caught short try to rebuild inventories.**

Inventory to Sales Ratio (ISR) Analysis

	Sector	May Sales (Millions)	9/12/09 - 09/12/19 10-YR Average	May-26	ISR Percent Above/Below Pre-pandemic	Nov-19	Percent Change
	Total Business		**1.34**	**1.31**	**-2.2%**	**1.43**	**-8%**
1	Automotive		2.49	1.45	**-41.8%**	**2.07**	**-30%**
2	Retail		1.43	1.26	**-11.9%**	**1.44**	**-13%**
3	Merchant Wholesalers		1.29	1.19	**-7.8%**	**1.34**	**-11%**
4	Manufacturing		1.35	1.50	**11.1%**	**1.51**	**-1%**
1	Household Appliances/Electronics Wholesalers	112,194	1.10	0.87	**-20.9%**	**1.14**	**-24%**
2	Drugs Wholesalers	108,738	1.09	0.92	**-15.6%**	**1.13**	**-19%**
3	General Merchandise (ie. Walmart)	79,033	1.43	1.24	**-13.3%**	**1.32**	**-6%**
4	Hardware, Plumbing, Heating Wholesalers	22,664	2.32	2.05	**-11.6%**	**2.09**	**-2%**
5	Chemical Wholesalers	14,629	1.17	1.04	**-11.1%**	**1.23**	**-15%**
6	Apparel Stores	27,692	2.39	2.13	**-10.9%**	**2.40**	**-11%**
7	Durable Goods Wholesalers	400,263	1.59	1.46	**-8.2%**	**1.68**	**-13%**
8	Paper Wholesalers (ie. National Paper)	8,123	1.09	1.01	**-7.3%**	**1.06**	**-5%**
9	Furniture Wholesalers	10,636	1.71	1.60	**-6.4%**	**1.72**	**-7%**
10	Commerical Equipment Wholesalers	64,890	1.09	1.03	**-5.5%**	**1.18**	**-13%**
11	Computer Wholesale Distributors	34,850	0.79	0.75	**-5.1%**	**0.86**	**-13%**
12	Food and Beverage Stores	85,536	0.78	0.75	**-3.8%**	**0.80**	**-6%**
13	Furniture, Appliance Stores (i.e NFM)	19,300	1.63	1.60	**-1.8%**	**1.55**	**3%**
14	Machinery Wholesalers (ie. John Deere, Vermeer)	60,059	2.60	2.61	**0.4%**	**2.82**	**-7%**
15	Grocery Wholesalers	81,775	0.68	0.72	**5.9%**	**0.71**	**1%**
16	Department Stores (ie. Nordstrom's)	10,697	1.90	2.05	**7.9%**	**2.04**	**0%**
17	Lumber and Construction Material Wholesalers	18,193	1.49	1.69	**13.4%**	**1.54**	**10%**
18	Building Material Stores (ie. Home Depot)	36,260	1.85	2.10	**13.5%**	**1.85**	**14%**
19	Alcohol Wholesale Distributors	15,381	1.31	1.61	**22.9%**	**1.40**	**15%**

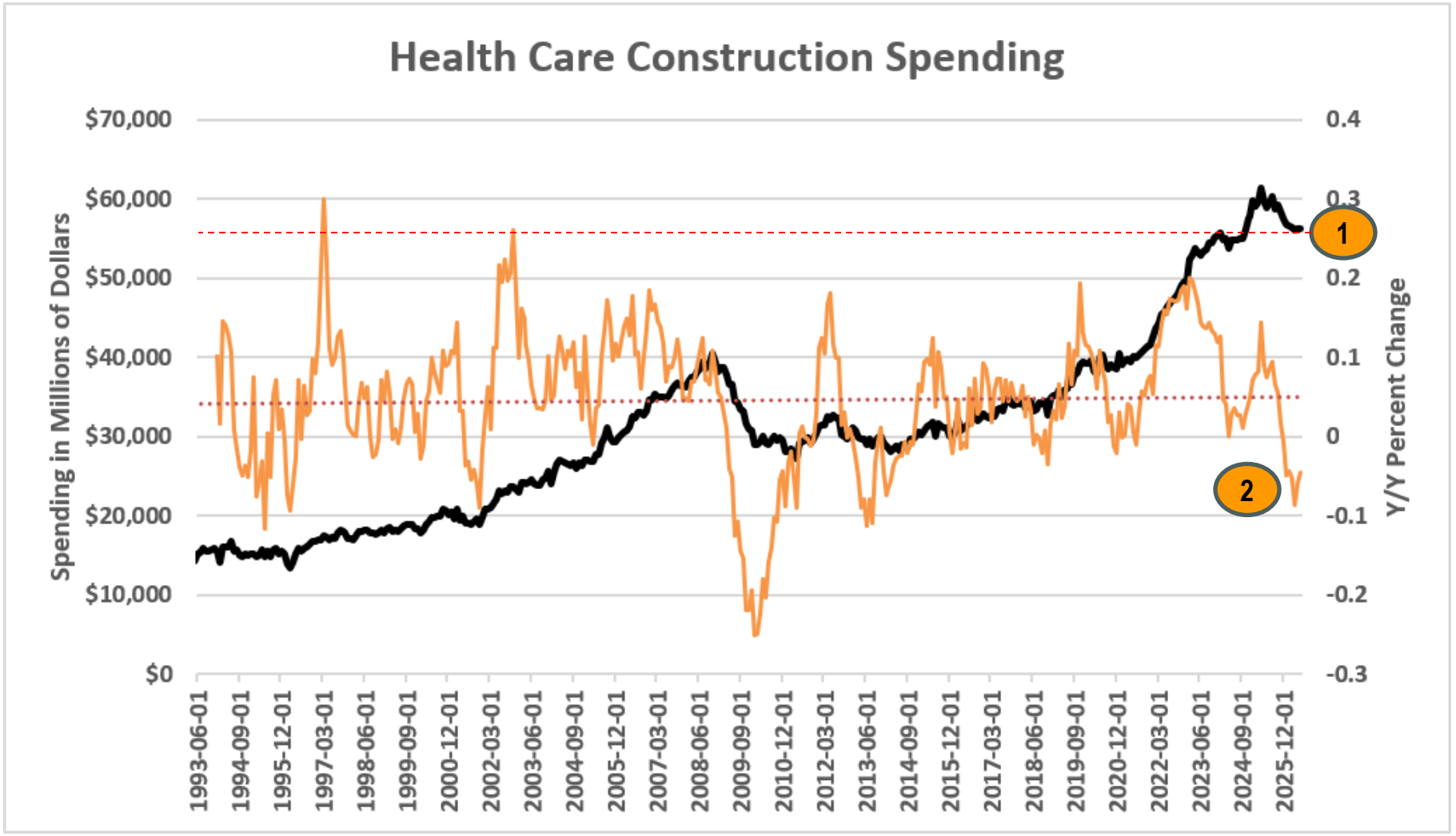
Construction Spending: Office / Data Centers

- All-time highs for spending, despite drag from traditional data center market.
- Without the drag from the traditional office construction market, the sector would be breaking Y/Y percent change records as well. Growth rate above-long term average.
- And this would be impacted by moratoriums.

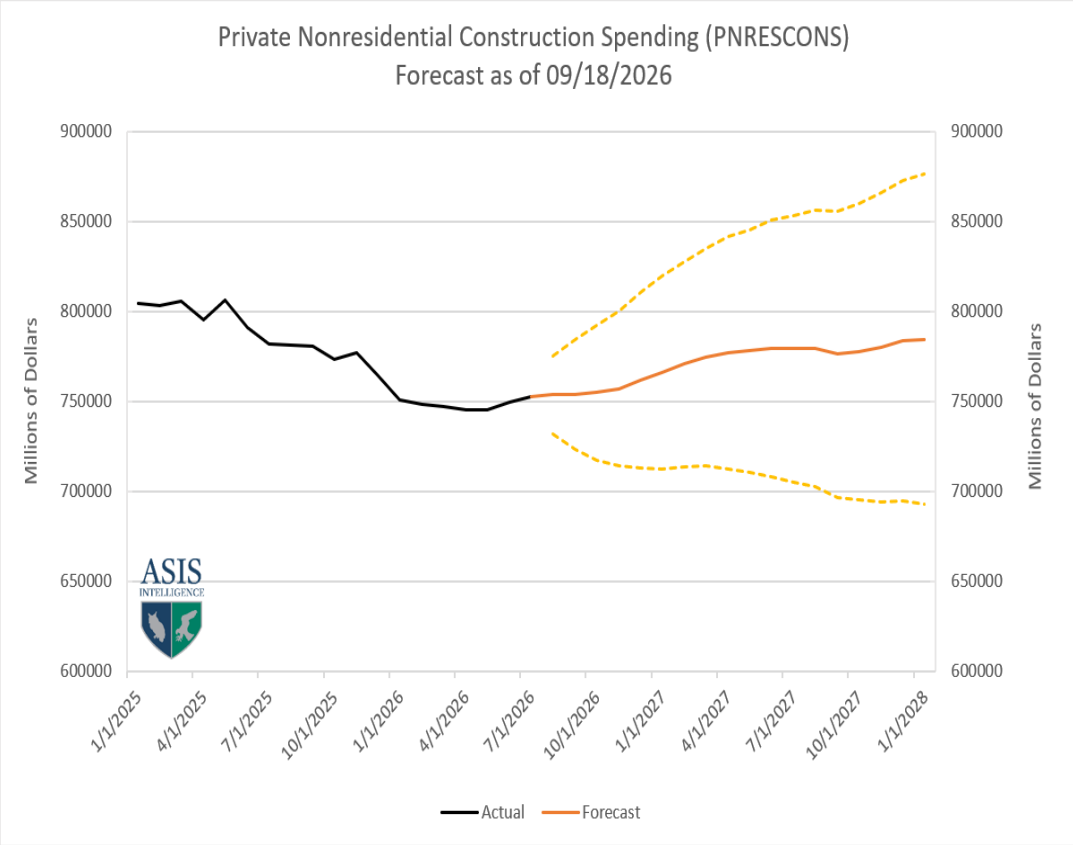


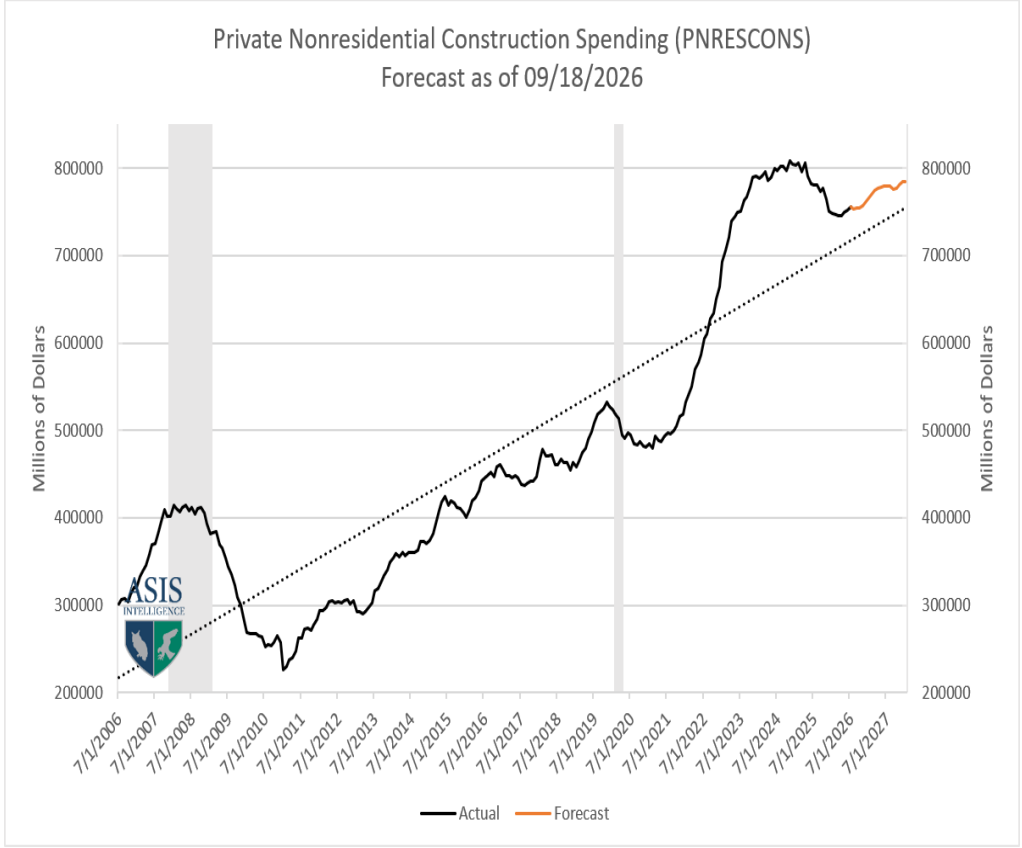
Construction Spending: Health Care

- 5th lowest Y/Y percent change since 1993.
- But non-inflation adjusted, spending is still elevated.
- Industry leaders are just having to make adjustments as new starts become sluggish.

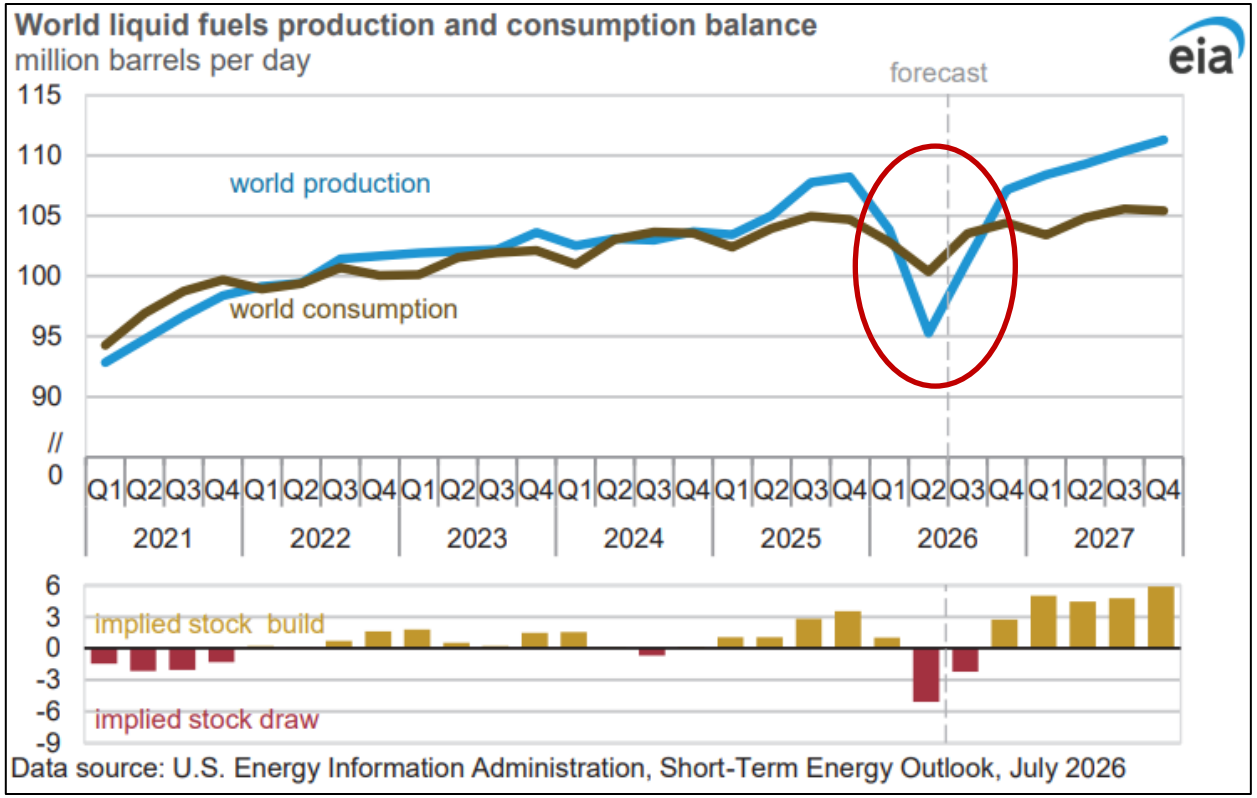


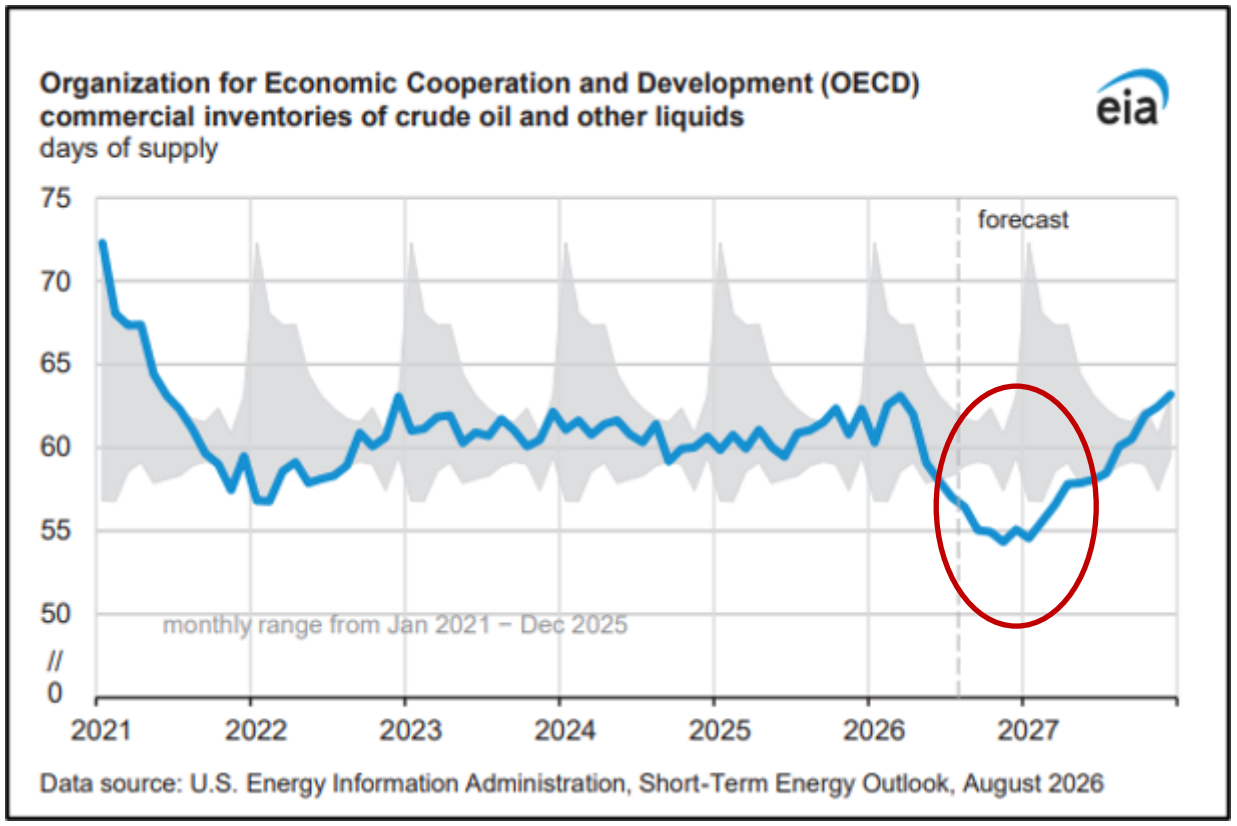
Nonresidential Construction Forecast





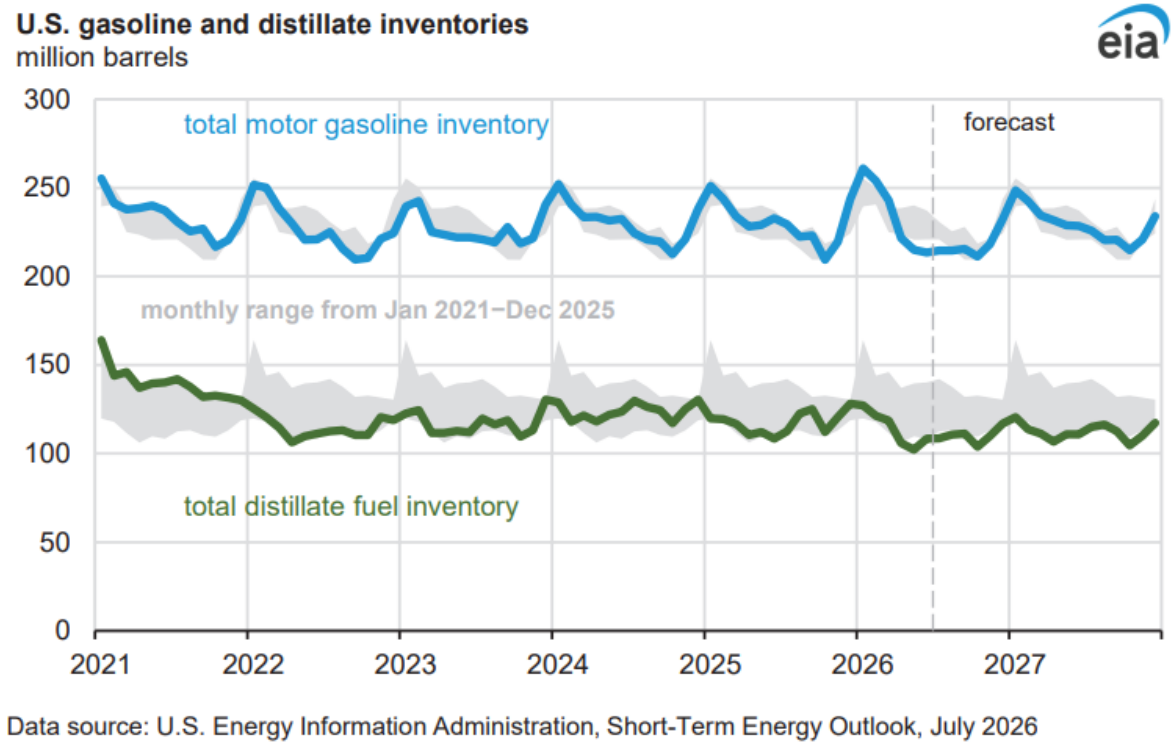
Problems are Mounting. Duration is Still the Key. Maybe the Worst Hasn't Hit Yet.

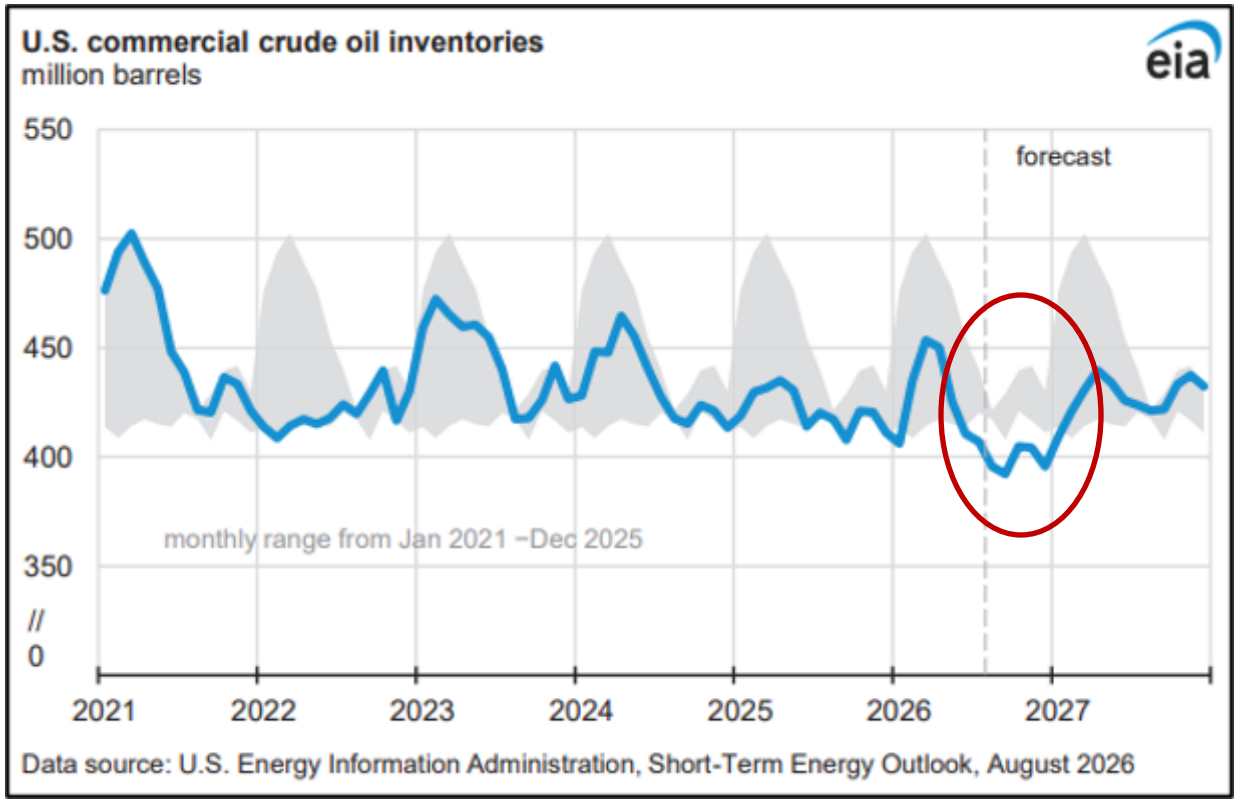




- **Exxon CEO: "the market has not yet experienced the full ramifications of the supply shortfall".**
- **IEA largest emergency oil release in history, across 32 nations.**

Refined Fuel Supply is OK, Diesel is Tight. Commercial Crude is the Story.





All Talking Diesel…

U.S. On-Highway Diesel Fuel Prices*(dollars per gallon) full history XLS

	08/31/26	09/07/26	09/14/26	Change from 2 year ago	Change from year ago	Change from week ago
U.S.	5.599	5.967	6.285	↑ 2.759	↑ 2.546	↑ 0.318
East Coast (PADD1)	5.448	5.744	6.158	↑ 2.573	↑ 2.410	↑ 0.414
New England (PADD1A)	5.736	5.990	6.202	↑ 2.384	↑ 2.241	↑ 0.212
Central Atlantic (PADD1B)	5.838	6.051	6.312	↑ 2.502	↑ 2.392	↑ 0.261
Lower Atlantic (PADD1C)	5.276	5.605	6.096	↑ 2.617	↑ 2.433	↑ 0.491
Midwest (PADD2)	5.571	5.946	6.250	↑ 2.769	↑ 2.540	↑ 0.304
Gulf Coast (PADD3)	5.360	5.754	6.027	↑ 2.855	↑ 2.638	↑ 0.273
Rocky Mountain (PADD4)	5.555	5.805	6.066	↑ 2.478	↑ 2.344	↑ 0.261
West Coast (PADD5)	6.497	6.987	7.250	↑ 3.006	↑ 2.727	↑ 0.263
West Coast less California	5.872	6.314	6.566	↑ 2.748	↑ 2.432	↑ 0.252
California	7.218	7.764	8.039	↑ 3.306	↑ 3.068	↑ 0.275

prices include all taxes

- **$6.60 is the new inflation-adjusted all-time high threshold.**
- **But $6.25 was estimated to be the point that we start losing trucking firms**
- **JB Hunt warned yesterday**

Global Maritime Situation Still in Disarray

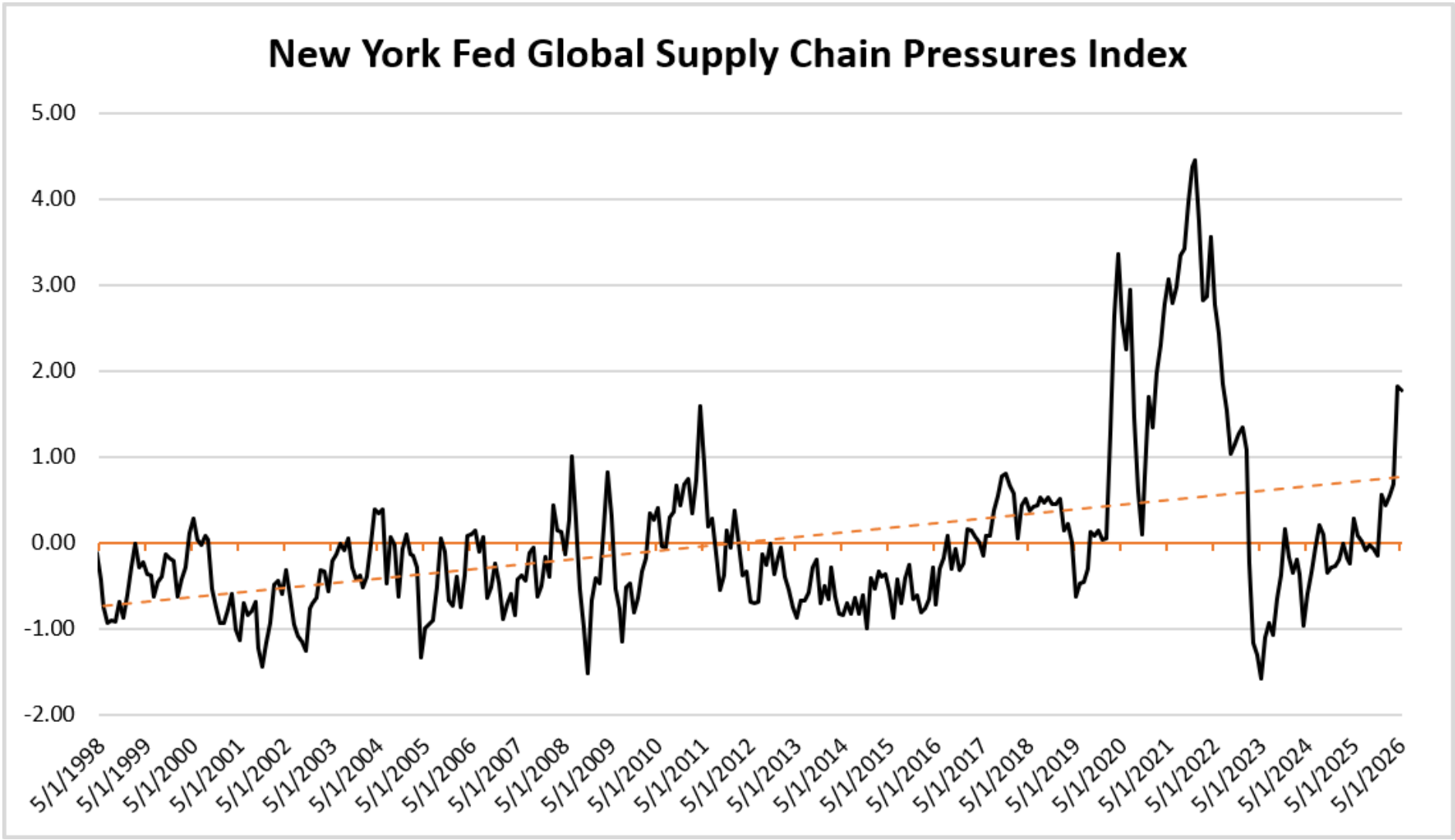
Route	Route code	20 Aug 2026	27 Aug 2026	3 Sept 2026	Weekly change (%)	Annual change (%)
Composite Index	WCI-COMPOSITE	$4,526	$4,473	$4,465	0%	112%
Shanghai - Rotterdam	WCI-SHA-RTM	$4,401	$4,287	$4,092 ▼	-5%	72%
Rotterdam - Shanghai	WCI-RTM-SHA	$591	$588	$594 ▲	1%	29%
Shanghai - Genoa	WCI-SHA-GOA	$4,955	$4,866	$4,368 ▼	-10%	65%
Shanghai - Los Angeles	WCI-SHA-LAX	$6,802	$6,818	$7,185 ▲	5%	185%
Los Angeles - Shanghai	WCI-LAX-SHA	$822	$822	$799 ▼	-3%	11%
Shanghai - New York	WCI-SHA-NYC	$9,507	$9,333	$9,587 ▲	3%	161%
New York - Rotterdam	WCI-NYC-RTM	$1,126	$1,126	$1,122	0%	34%
Rotterdam - New York	WCI-RTM-NYC	$3,039	$3,010	$3,052 ▲	1%	57%

Drewry EST 1970

Global Supply Chain Pressures Index

- **Current rate is 1.77, up sharply from -0.15 in November. Long term average is 0.01**

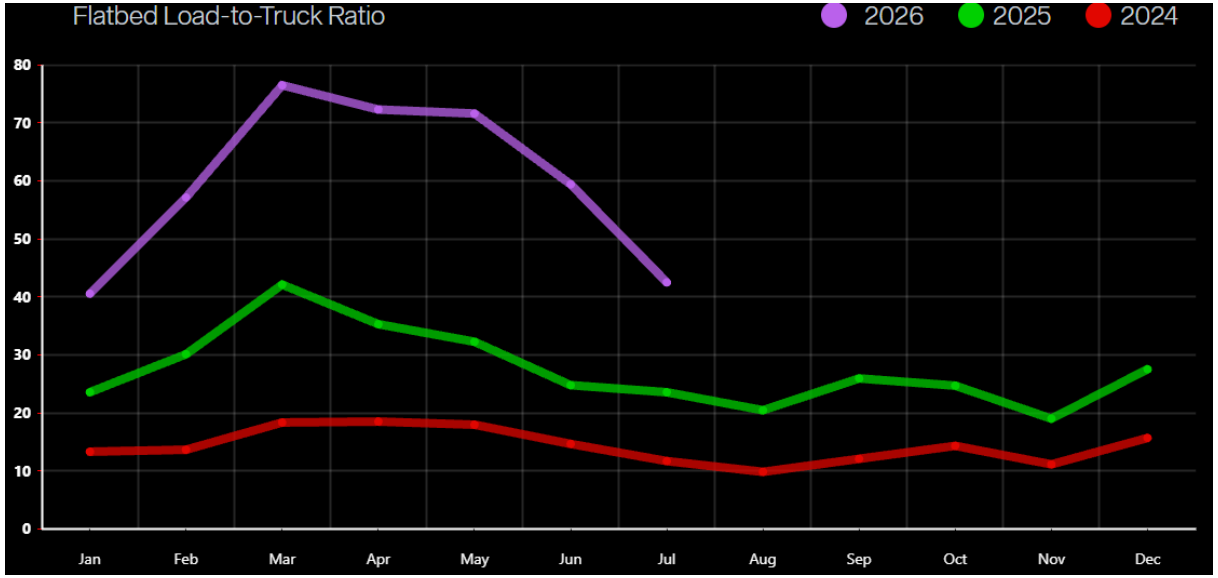
- **But new reports suggest congestion is building and ports are running out of fuel.**
  - Singapore is down to 30 days of bunker fuel
  - Many countries forcing one less day of production to conserve energy – those ripples are coming

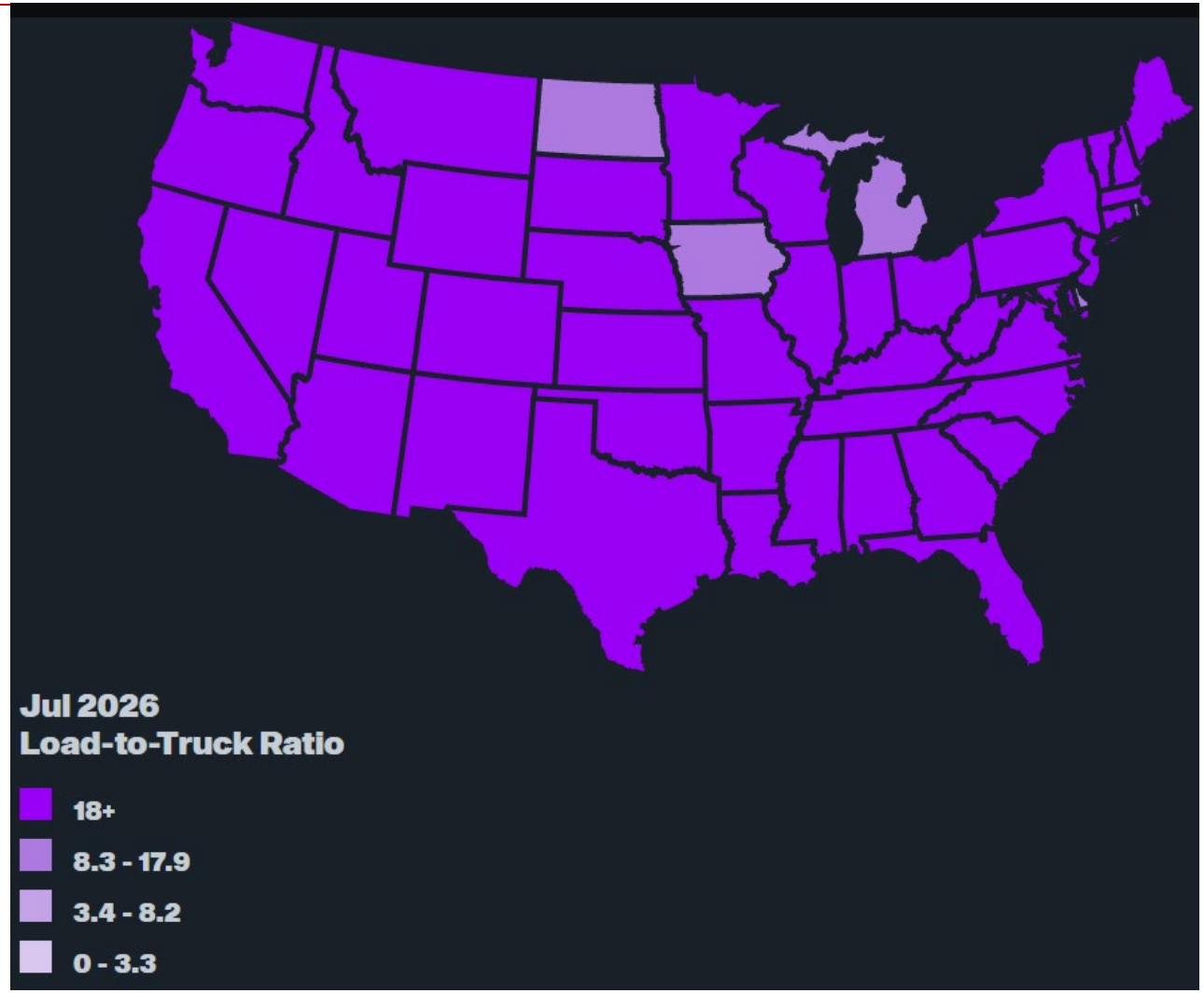


Source: New York Federal Reserve

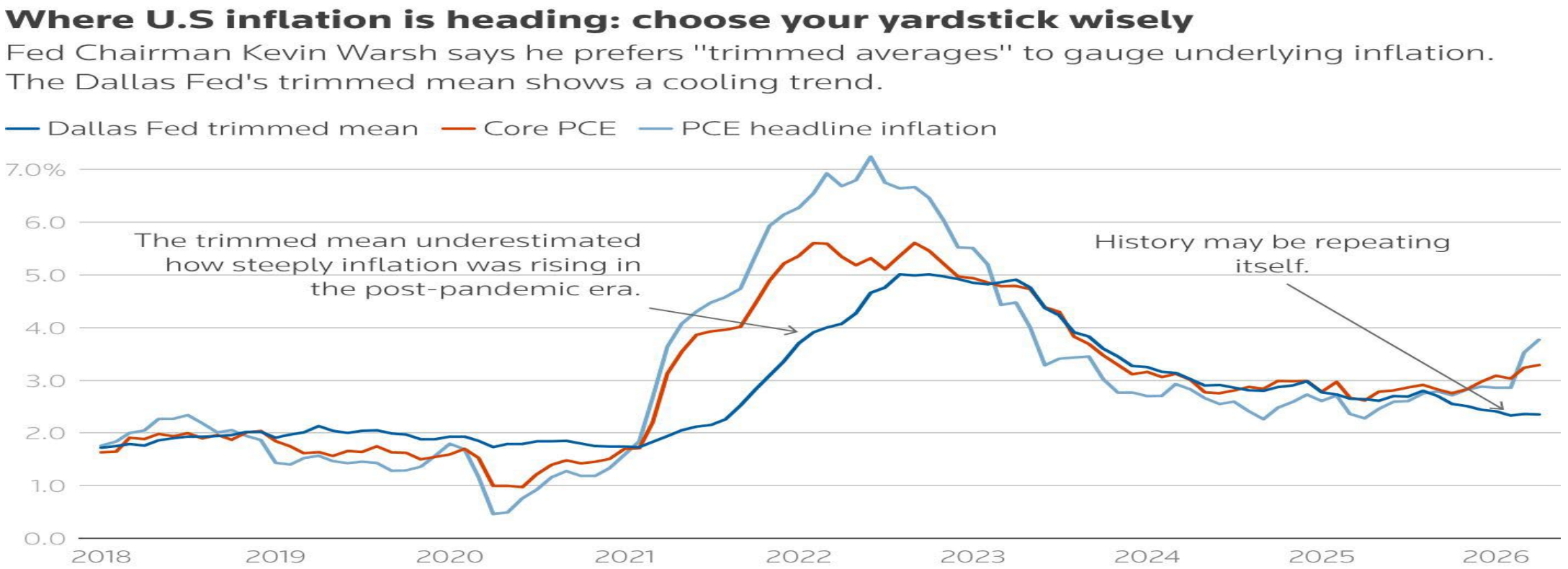
Supply Chain Pressures are Here!

- Flatbed LTR's have surged to more than 42.5 loads for every available truck.
- This is becoming a big factor for on-site costs for construction projects

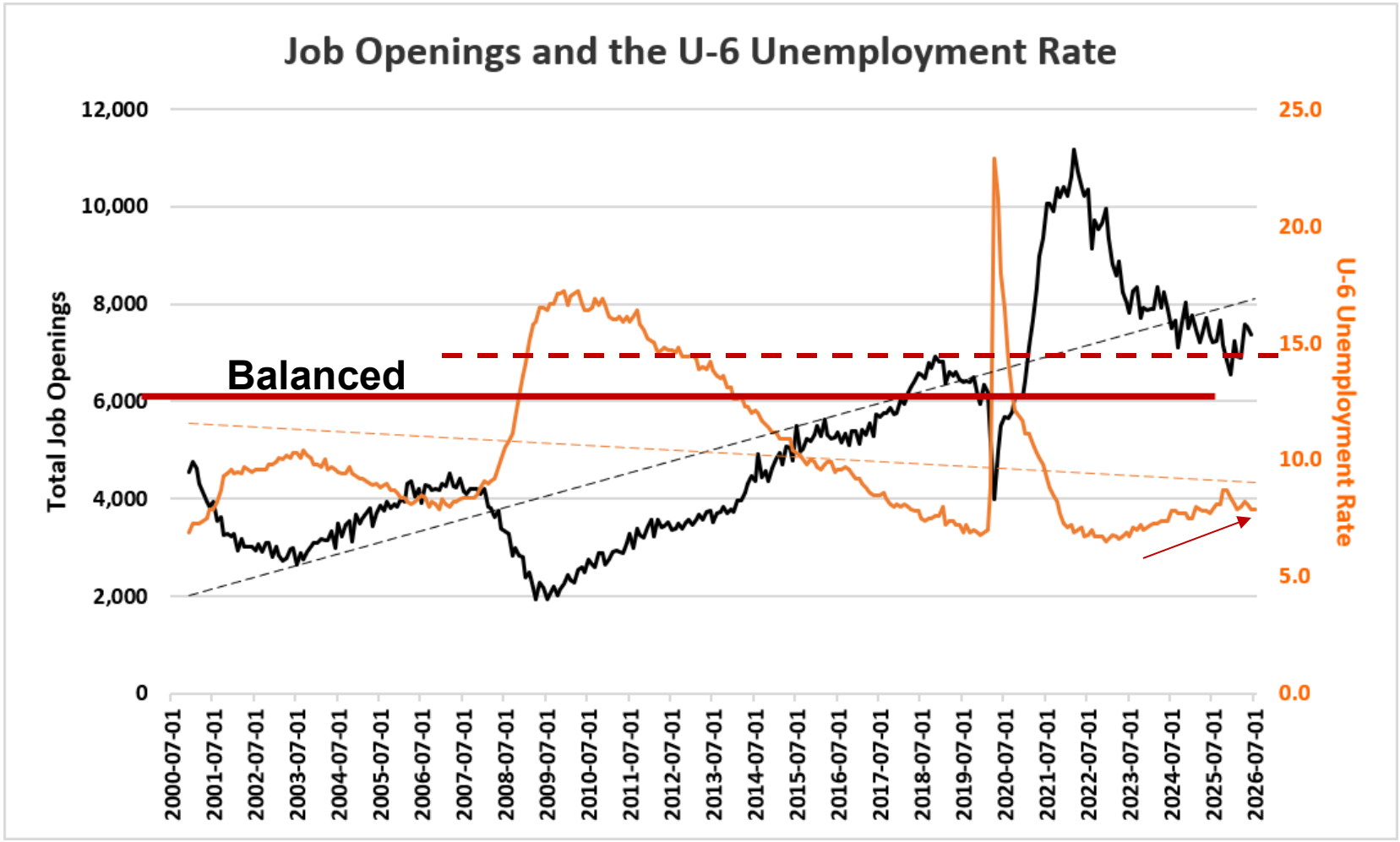




Where Are We Heading – Really?



Which Story to Believe?
The “K” is still the factor to watch.



1.4M Job buffer

Boomer Retirements?

U-6 rate has flattened, but still historically low at 7.9% (long-term average was 10.1%; but currently up from the 6.6% trough hit in 2023).

K

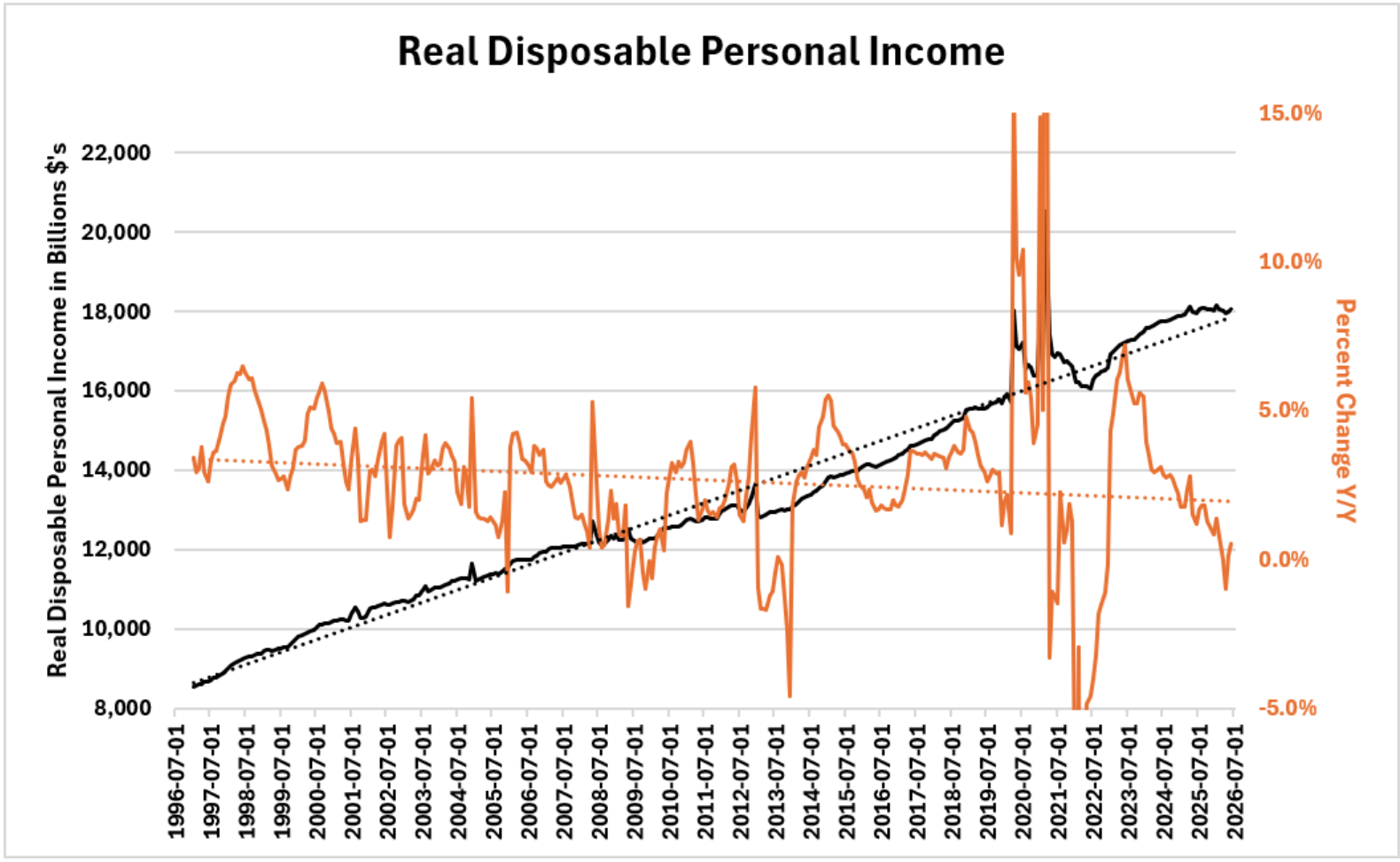
Source: Federal Reserve

For Now: Real Disposable Personal Income Weak

- **Inflation-adjusted disposable personal income is now 0.5%.**
- **This has a direct impact on discretionary spending. 2.5% is the trigger figure that spurs spending…**

2021:	3.7%
2022:	-5.2%
2023:	5.1%
2024:	2.7%
2025:	1.7%
2026 (June):	0.5%

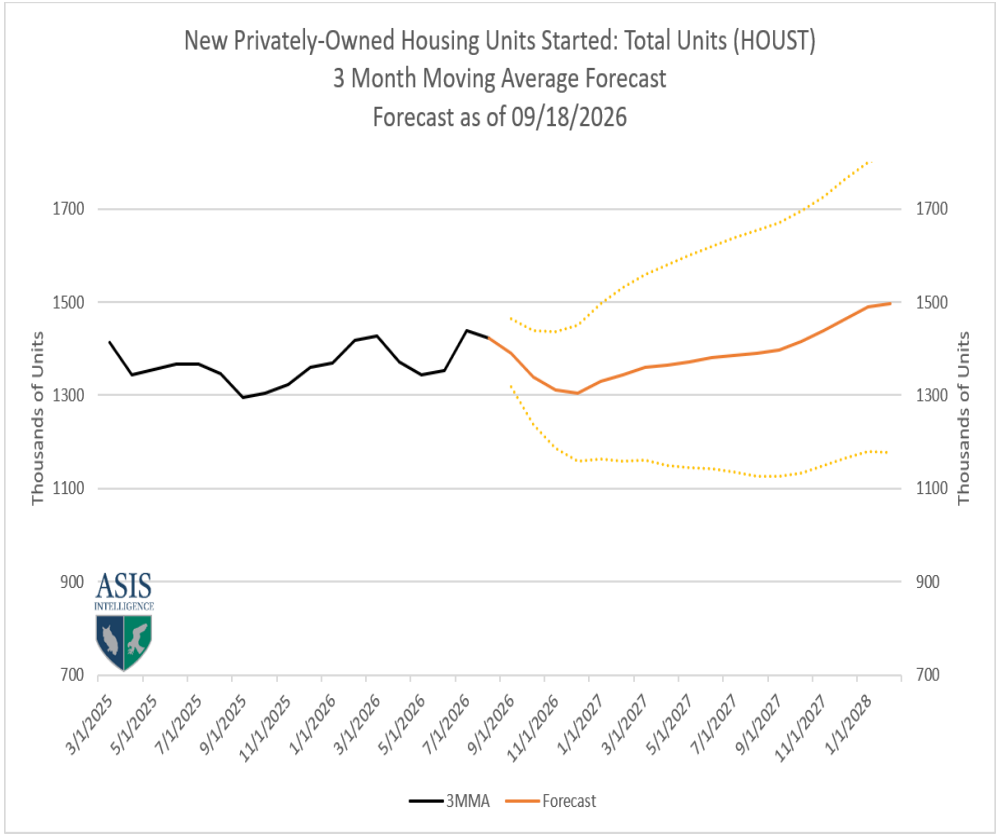
2019: 3.1%

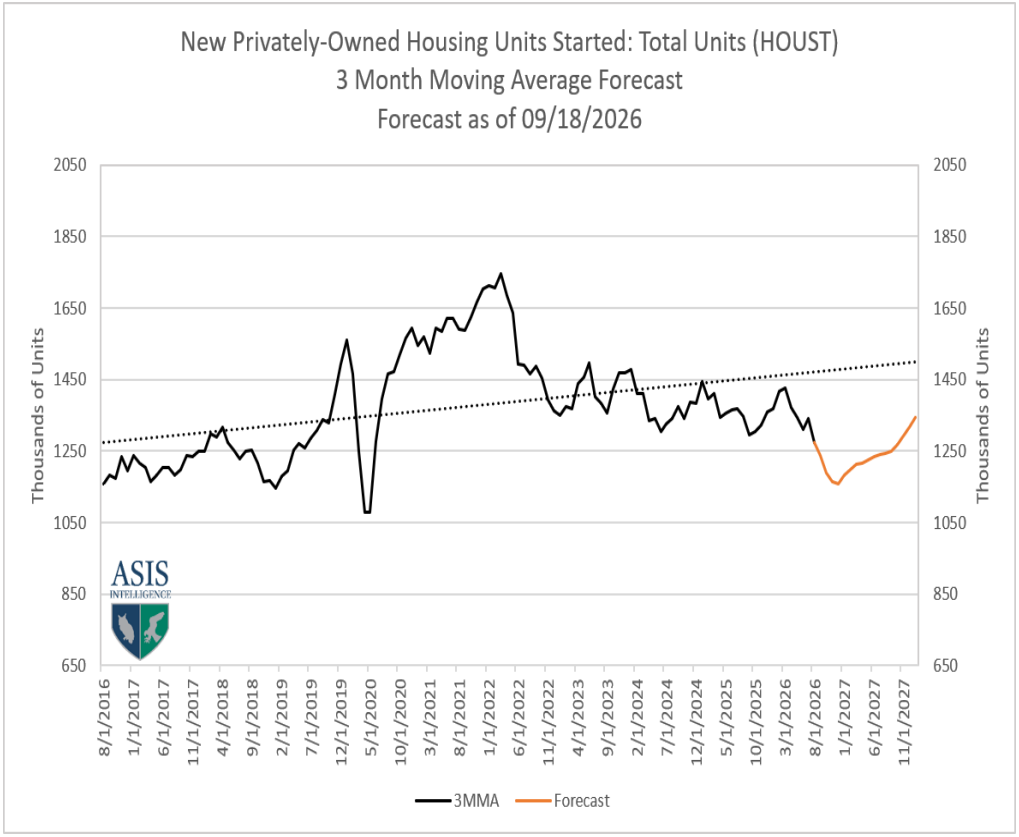


Decade Averages: 1960s: 4.6% 1970s: 3.5% 1980s: 3.2% 1990s: 3.0% 2000s: 2.6% 2010s: 2.4% 2020s: 2.0%

SRC: BEA; DSPIC96

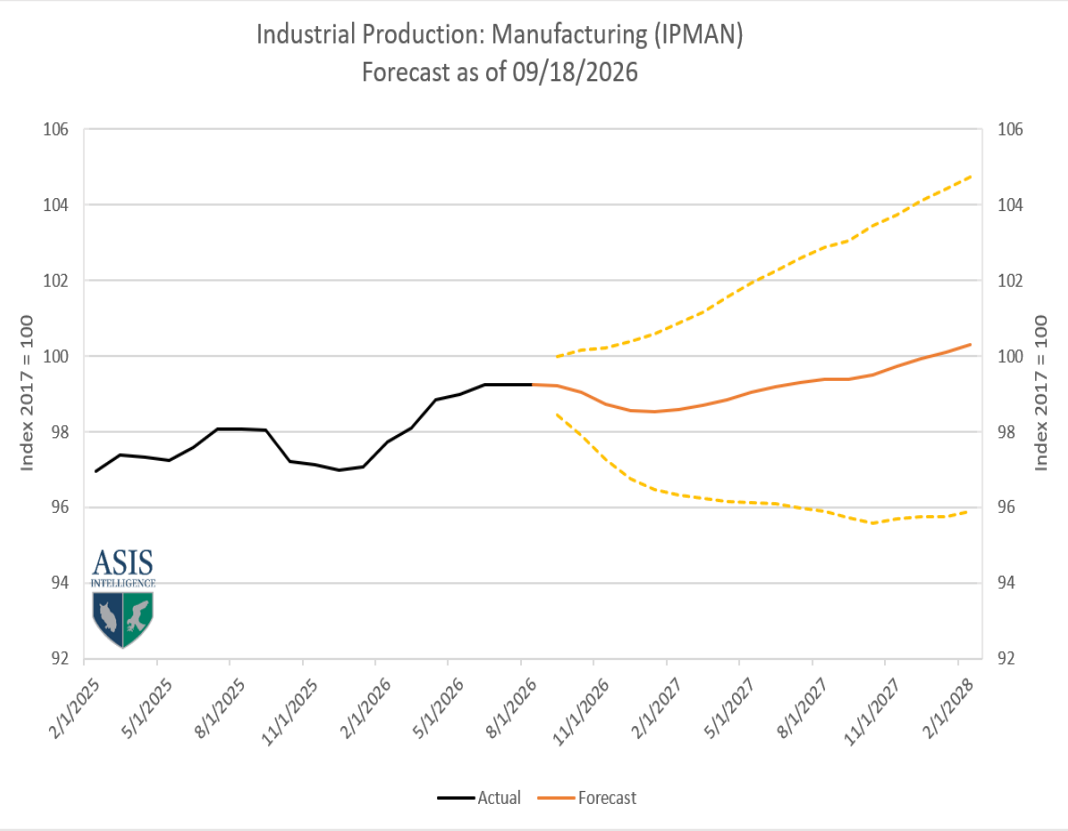
Residential Construction Forecast

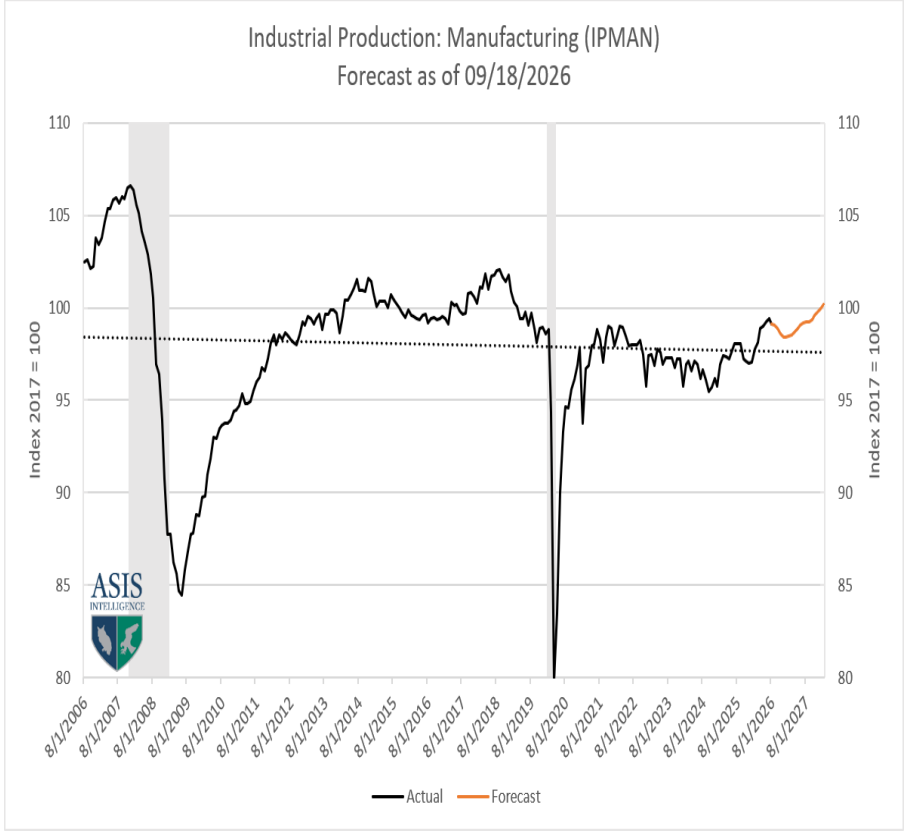




Source: Armada Forecasts

Manufacturing Production Forecast

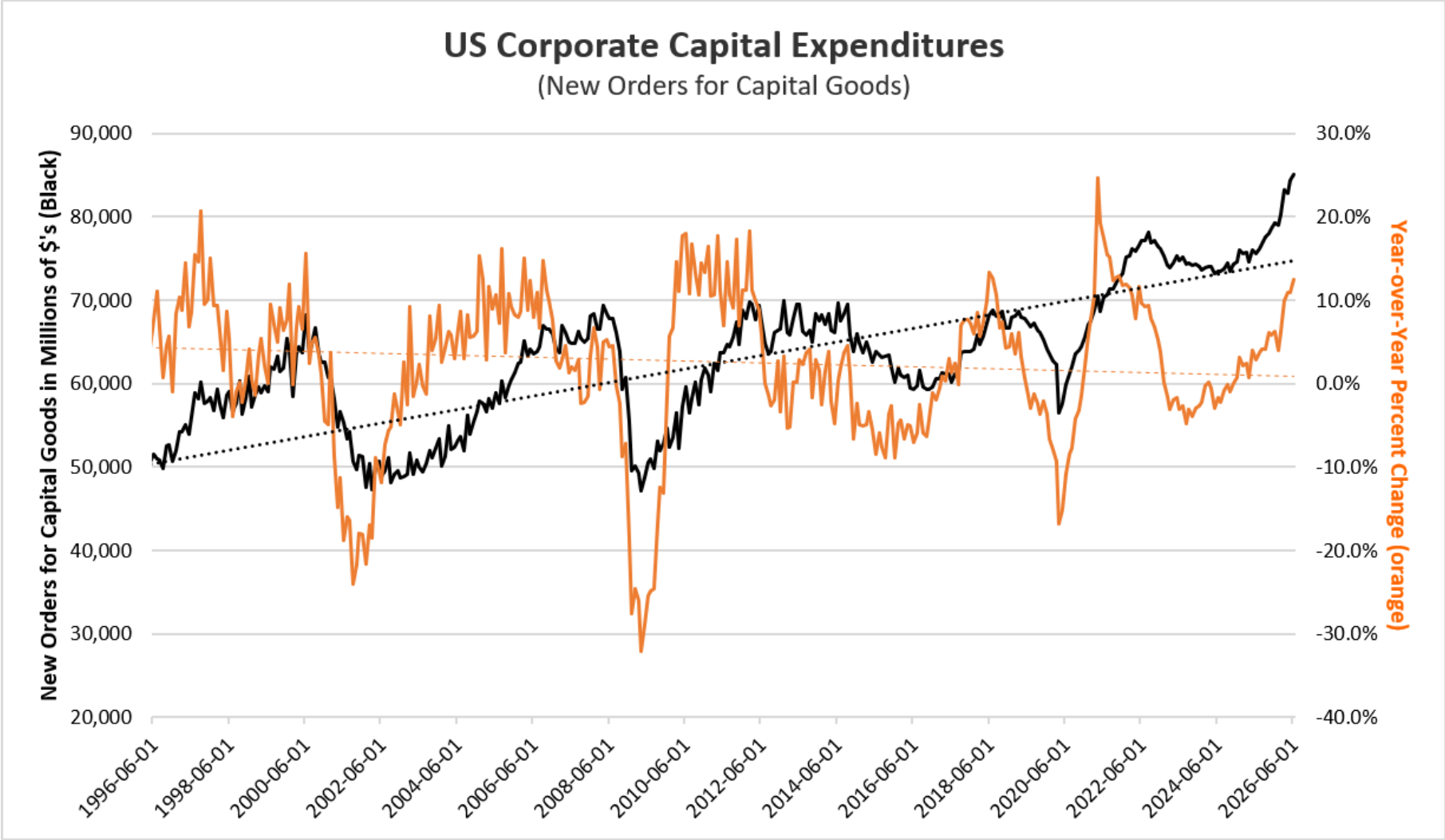




Source: Armada Forecasts

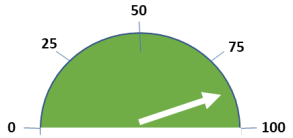
3. Corporate Spending Increases...a Surge!

- Data center related spending was ~$50B of $84B in spending. Non data center spending was in traditional machinery, industrial equipment.
- Inflation is playing a role here, stripping out the impact of inflation, the current growth rate is still 6.3% (against the average rate of 1% annually over the 37 years of data available).

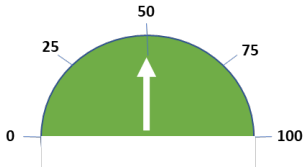


Gauge Definitions

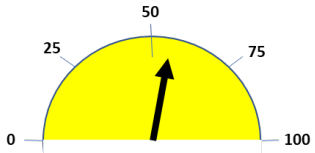
The Gauge measures show two dimensions. First, green, yellow, red for a general growth indicator and then the “speed” of growth or contraction based on the position of the line indicator on the gauge.



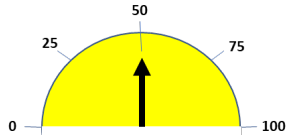
- **Rapid Growth**
  - The fastest level of growth forecasted, outlook clearly positive



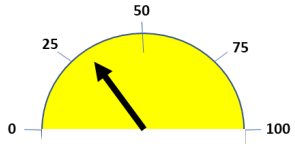
- **Modest Growth**
  - Growth is evident, outlook generally still upbeat



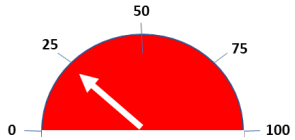
- **Modest Stalling**
  - Growth rate is stalling, outlook modestly optimistic



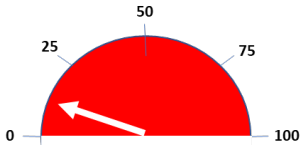
- **Flat**
  - Growth stalled, outlook uncertain



- **Modest Slowing**
  - Growth beginning to slow, outlook pessimistic

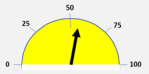
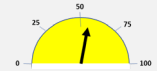
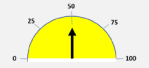
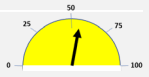
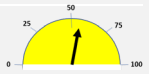
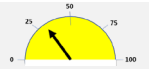
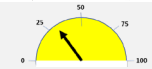
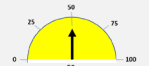
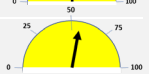
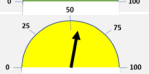
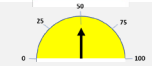
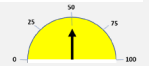
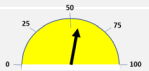
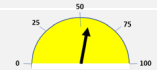
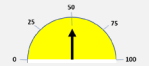
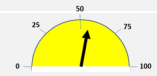
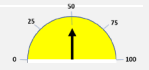
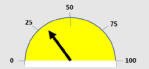
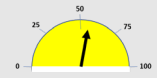
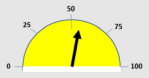
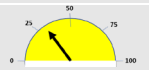
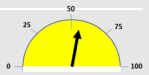


- **Contracting**
  - Moderate contraction (mild recession), outlook modestly negative

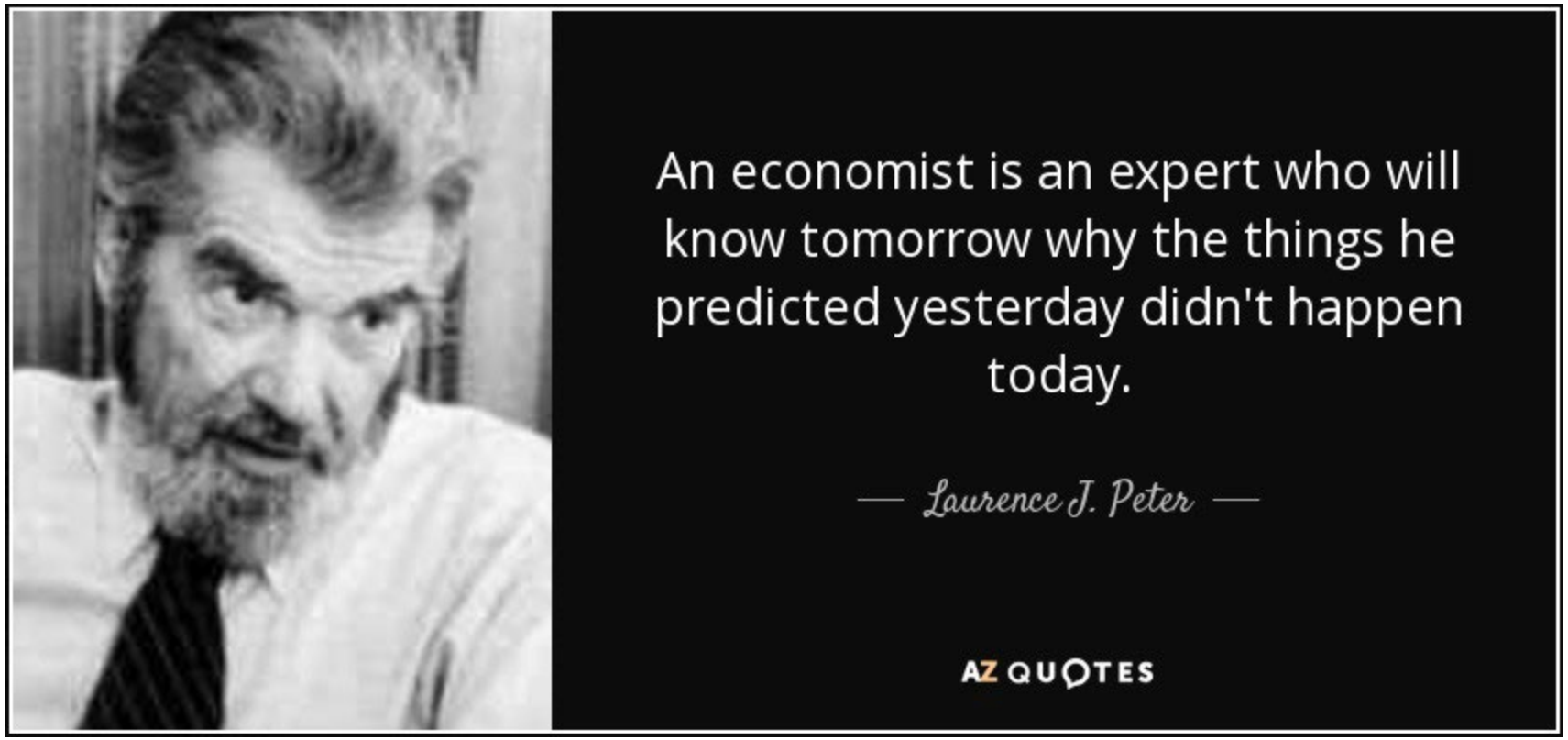


- **Sharp Contraction**
  - Significant deceleration (deep recession), outlook negative

National Forecast

	2026	2027	2028
Project Growth Potential			
• Overall			
• Data centers			
• Power Gen			
• Manufacturing			
• Health Care			
• Distribution/Logistics			
• Commercial			
• Education			
Residential			
• Single Family			
• Multi-Family			

So Very True!!

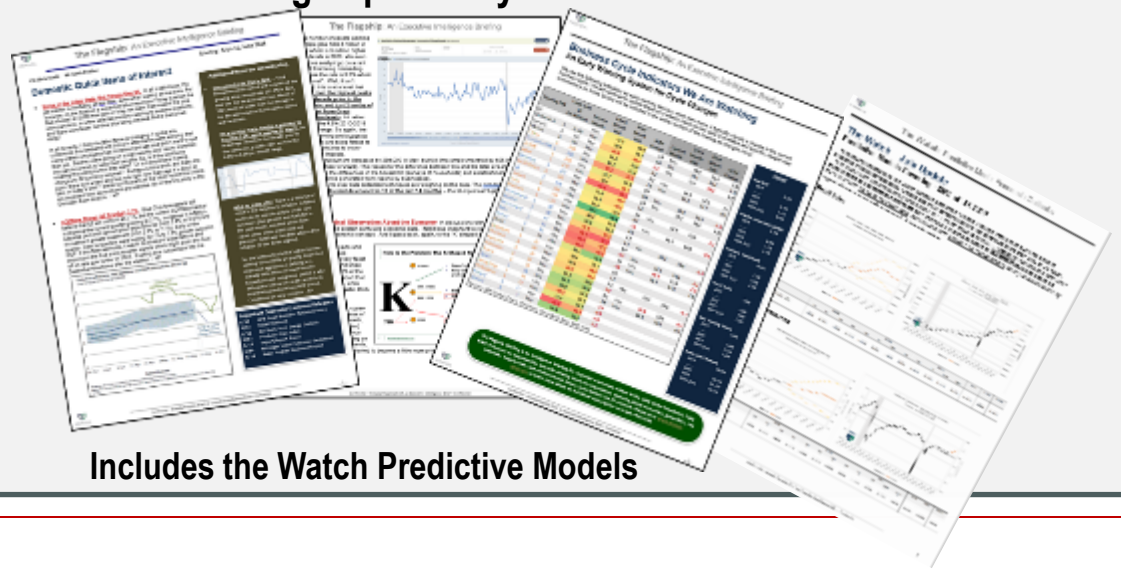

An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.
— Laurence J. Peter —
AZ QUOTES

Questions?

- **Check out the ASIS: Dazzle and Amaze Your Friends. $7 a month – about the cost of a Caramel Macchiato**

Armada Strategic Intelligence System (ASIS)

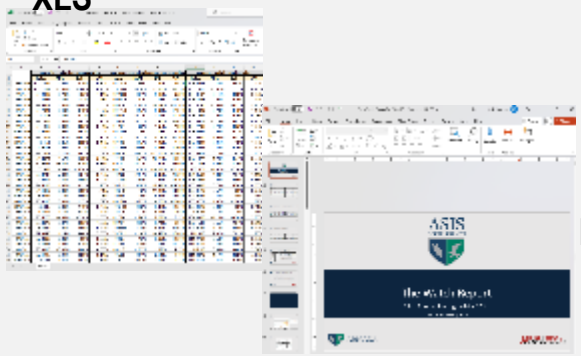
The Flagship – 3 Days a Week.



Includes the Watch Predictive Models

The Watch – Once a Month.

XLS



PPT

Inside the Executive Suite – Once a Week.

