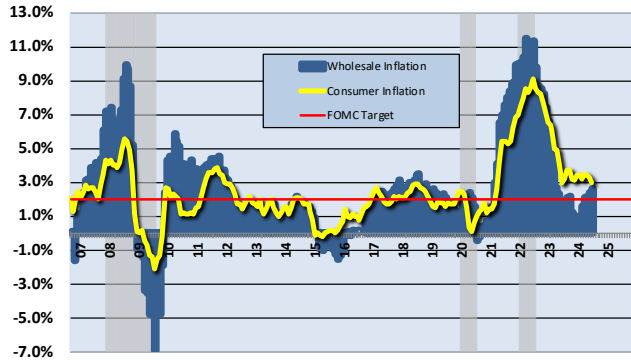




**INFLATION ENVIRONMENT**

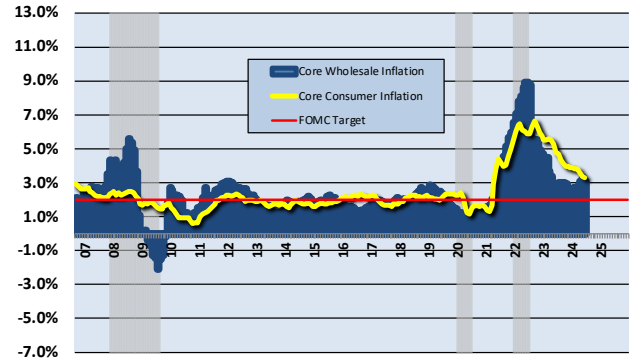
**INFLATION PROFILE**

WHOLESALE versus CONSUMER INFLATION, Monthly Year-over-Year



**CORE INFLATION PROFILE**

EXCLUDING FOOD & ENERGY COMMODITIES, Monthly Year-over-Year



	Annual Rates					Monthly Year-over-Year							
	2018	2019	2020	2021	2022	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Wholesale Inflation</b>													
Overall Wholesale Inflation	2.2%	2.2%	0.8%	9.8%	6.6%	0.9%	1.1%	1.0%	1.6%	1.9%	2.2%	2.4%	2.6%
Core Wholesale Inflation	2.2%	2.2%	1.1%	7.0%	4.7%	2.5%	2.7%	2.7%	2.8%	90.0%	3.2%	3.3%	3.1%
<b>Consumer Inflation</b>													
Overall Consumer Inflation	1.9%	1.9%	1.4%	7.0%	6.5%	3.1%	3.4%	3.1%	3.2%	3.5%	3.4%	3.3%	3.0%
Food	1.6%	1.6%	3.9%	6.3%	10.4%	2.9%	2.7%	2.6%	2.2%	2.2%	2.2%	2.1%	2.2%
- Food at Home	0.6%	0.6%	3.9%	6.5%	11.8%	1.7%	1.3%	1.2%	1.0%	1.2%	1.1%	1.0%	1.1%
- Food Away from Home	2.8%	2.8%	3.9%	6.0%	8.3%	5.3%	5.2%	5.1%	4.5%	4.2%	4.1%	4.0%	4.1%
Energy	-0.3%	-0.3%	-7.0%	29.3%	7.3%	-5.4%	-2.0%	-4.6%	-1.9%	2.1%	2.6%	3.7%	1.0%
- Gasoline	-2.1%	-2.1%	-15.2%	49.6%	-1.5%	-8.9%	-1.9%	-6.4%	-3.9%	1.3%	1.2%	2.2%	-2.5%
Core Consumer Inflation	2.2%	2.2%	1.6%	5.5%	5.7%	4.0%	3.9%	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%
- New Vehicles	-0.3%	-0.3%	2.0%	11.8%	5.9%	1.3%	1.0%	0.7%	0.4%	-0.1%	-0.4%	-0.8%	-0.9%
- Used Vehicles	1.4%	1.4%	10.0%	37.3%	-8.8%	-3.8%	-1.3%	-3.5%	-1.8%	-2.2%	-6.9%	-9.3%	-10.1%
- Apparel	-0.1%	-0.1%	-3.9%	5.8%	2.9%	1.1%	1.0%	0.1%	0.0%	0.4%	1.3%	0.8%	0.8%
- Medical care	-0.5%	-0.5%	-2.5%	0.4%	3.2%	5.0%	4.7%	3.0%	2.9%	2.5%	2.5%	3.1%	3.1%

INFLATION REPORT AND CUSSTRATEGY

**(July 2024)** ... U.S. consumer prices are increasing at a 3.0% annualized pace in June - while core consumer inflation, which excludes commodity-driven food and energy prices, increased 3.3%. Overall inflation has been impacted by a 2.2% increase in food costs, fueled by a 4.1% increase in prices for food eaten away from home and 1.1% increase in grocery prices. Also impacting consumer inflation is a 1.0% increase in energy prices, which included a -2.5% decrease in gasoline prices.

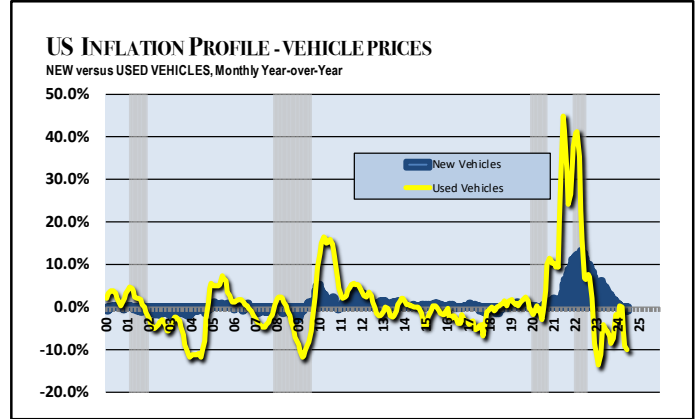
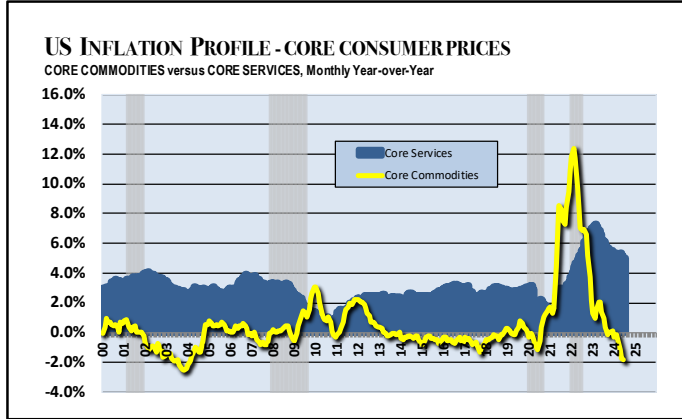
Wholesale inflation increased at a 2.6% annualized pace. This is not a welcome trend - if it were to happen further - in that producers' higher prices would have to be passed on to the consumers during a period of time that real economic growth barely exists. Still, it continues to adversely impact producers' earnings and future hiring and advances in manufacturing. This endangers future growth potential as well.

**Strategically...** A certain level of inflation is needed in a growing economy to increase the value of goods and services produced - contributing to the nation's GDP growth profile. However, the nation's GDP is being significantly diluted by the prevailing inflation rate thus resulting in a net growth rate that is insufficient to create a sustained pace of recovery needed to put the country on a strong path.

We continue to note that the FOMC will be closely monitoring the pace of consumer inflation and retain a strong stance regarding how to position their overnight benchmark rate. This would keep upward trend on cash and short-term yields but most likely will not impact consumer loan rates.



## CONSUMER PRICE INFLATION



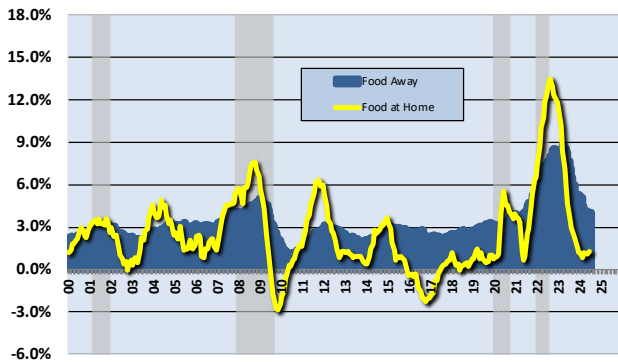
	Annual Rates					Monthly Year-over-Year							
	2018	2019	2020	2021	2022	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>OVERALL CONSUMER INFLATION</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.4%</b>	<b>7.0%</b>	<b>6.5%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.0%</b>
Food Prices	10.4%	1.6%	1.8%	3.9%	10.4%	2.9%	2.7%	2.6%	2.2%	2.2%	2.2%	2.1%	2.2%
Energy Prices	7.3%	-0.3%	3.4%	-7.0%	7.3%	-5.4%	-2.0%	-4.6%	-1.9%	2.1%	2.6%	3.7%	1.0%
Core Consumer Prices	2.2%	2.2%	1.6%	5.5%	5.7%	4.0%	3.9%	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%
<b>CORE COMMODITIES</b>	<b>0.1%</b>	<b>0.1%</b>	<b>1.7%</b>	<b>10.7%</b>	<b>2.1%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>-0.3%</b>	<b>-0.3%</b>	<b>-0.7%</b>	<b>-1.3%</b>	<b>-1.5%</b>	<b>-1.8%</b>
Household furnishing	0.9%	0.3%	2.9%	40.0%	7.3%	-0.3%	-0.9%	-1.3%	-2.3%	-2.7%	-2.8%	-2.5%	-2.5%
Furniture and bedding	1.7%	1.2%	2.2%	13.8%	4.7%	-3.1%	-4.3%	-2.9%	-3.7%	-3.8%	-3.8%	-3.7%	-4.6%
Appliances	4.7%	0.2%	6.2%	6.0%	1.1%	-3.5%	-4.0%	-3.9%	-5.2%	-6.3%	-5.6%	-4.9%	-3.6%
Tools	1.1%	0.9%	3.7%	7.2%	10.6%	2.8%	0.9%	-0.8%	-3.0%	-3.7%	-4.1%	-3.3%	-1.3%
Housekeeping supplies	10.0%	0.4%	4.9%	2.1%	11.6%	3.1%	2.8%	1.8%	1.3%	0.1%	-0.5%	-0.1%	0.0%
Apparel	-0.1%	-1.2%	-3.9%	5.8%	2.9%	1.1%	1.0%	0.1%	0.0%	0.4%	1.3%	0.8%	0.8%
Men's and boy's	1.7%	-1.9%	-3.2%	7.8%	2.2%	2.8%	1.3%	1.7%	2.7%	1.0%	2.2%	2.6%	0.8%
Women's and girl's	-1.3%	-2.2%	-5.9%	4.4%	4.1%	0.1%	0.6%	-1.0%	-1.5%	-0.1%	1.3%	0.2%	0.8%
Jewelry	-2.1%	0.1%	1.1%	7.2%	5.0%	1.7%	2.2%	0.6%	-3.8%	-3.3%	-1.0%	-1.0%	2.5%
Transportation	0.5%	-0.1%	5.0%	21.8%	-0.9%	-0.9%	0.0%	-0.8%	-0.3%	-0.8%	-2.7%	-3.9%	-4.2%
New vehicles	-0.3%	0.1%	2.0%	11.8%	5.9%	30.0%	1.0%	0.7%	0.4%	-0.1%	-0.4%	-0.8%	-0.9%
Used vehicles	1.4%	-0.7%	10.0%	37.3%	-8.8%	-3.8%	-1.3%	-3.5%	-1.8%	-2.2%	-6.9%	-9.3%	-10.1%
Motor vehicle parts	2.2%	1.8%	0.4%	11.3%	9.9%	-1.5%	-1.2%	-0.8%	-0.5%	-0.8%	-1.5%	-1.1%	-1.0%
Medical care	-0.5%	2.5%	-2.5%	0.4%	3.2%	5.0%	4.7%	3.0%	2.9%	2.5%	2.5%	3.1%	3.1%
Medicinal drugs	-0.6%	2.5%	-2.1%	0.2%	2.8%	5.0%	4.1%	3.4%	2.9%	2.5%	2.6%	3.4%	3.3%
Recreational	-1.3%	-0.9%	-0.2%	3.3%	4.1%	-0.6%	-1.2%	-0.6%	-1.3%	-1.9%	-2.2%	-2.3%	-1.6%
Video and audio	-11.0%	-9.7%	-0.8%	-0.1%	-7.5%	-5.5%	-6.5%	-5.8%	-3.6%	-3.9%	-5.0%	-4.4%	-4.0%
Pets and pet products	2.2%	3.1%	-1.8%	2.7%	12.6%	2.7%	3.1%	2.9%	1.7%	1.3%	-0.5%	-1.5%	-0.2%
Sporting goods	2.5%	0.1%	2.5%	6.3%	3.5%	-1.8%	-2.5%	-1.1%	-1.8%	-2.2%	-1.1%	-0.3%	-0.8%
Educational and communications	-3.3%	-6.0%	-2.5%	0.2%	-10.1%	-7.9%	-7.2%	-6.6%	-5.6%	-6.2%	-6.0%	-7.4%	-7.7%
Books and supplies	1.0%	-2.0%	0.7%	-0.4%	5.4%	-4.8%	-3.6%	-4.0%	-3.5%	-3.0%	-0.8%	-0.6%	-1.1%
Information technology	-4.6%	-7.3%	-3.3%	0.3%	-11.8%	-8.3%	-7.6%	-6.9%	-5.9%	-6.6%	-6.6%	8.1%	-8.5%
<b>CORE SERVICES</b>	<b>2.9%</b>	<b>3.0%</b>	<b>1.6%</b>	<b>3.7%</b>	<b>7.0%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.1%</b>
Shelter	3.2%	3.2%	1.8%	4.1%	7.5%	6.5%	6.2%	6.0%	5.7%	5.7%	5.5%	5.4%	5.2%
Rent and lodging	3.2%	3.3%	1.9%	4.2%	7.6%	6.5%	6.2%	6.1%	5.8%	5.7%	5.6%	5.3%	5.2%
Water, sewer, trash	4.5%	2.2%	3.6%	3.5%	4.9%	5.4%	5.2%	5.5%	5.3%	5.3%	5.3%	4.8%	4.6%
Household operations	6.8%	3.5%	4.1%	9.4%	3.7%	5.6%	5.2%	-4.9%	9.9%	10.9%	4.7%	4.8%	4.9%
Other services	4.5%	5.1%	2.8%	2.5%	4.1%	-0.9%	-0.5%	0.6%	1.1%	2.1%	2.7%	3.1%	3.3%
Medical care services	2.8%	0.6%	-3.5%	4.2%	14.6%	10.1%	9.7%	9.5%	9.9%	10.7%	11.2%	10.5%	9.5%
Transportation services	0.5%	2.0%	2.3%	1.7%	2.4%	1.4%	1.3%	1.3%	1.5%	1.4%	1.6%	2.0%	2.3%
Education and communications	4.3%	1.8%	2.9%	4.3%	5.5%	6.1%	6.4%	6.8%	5.1%	5.4%	4.9%	4.1%	4.8%



## FOOD & ENERGY INFLATION

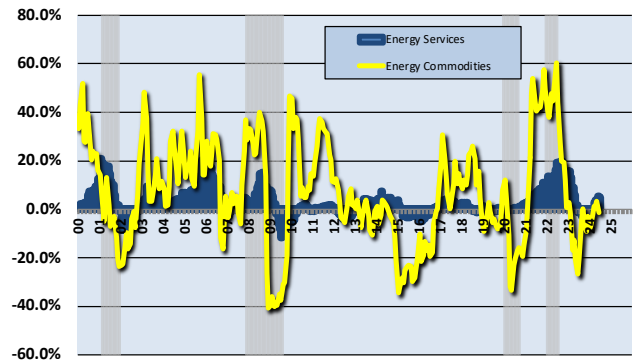
### US INFLATION PROFILE - FOOD PRICES

FOOD-AT HOME versus FOOD AWAY, Monthly Year-over-Year



### US INFLATION PROFILE - ENERGY PRICES

ENERGY COMMODITIES versus ENERGY SERVICES, Monthly Year-over-Year



	Annual Rates					Monthly Year-over-Year							
	2018	2019	2020	2021	2022	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>FOOD PRICES</b>	<b>10.4%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>3.9%</b>	<b>10.4%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.2%</b>
<b>Food at Home</b>	<b>11.8%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>3.9%</b>	<b>11.8%</b>	<b>1.7%</b>	<b>1.3%</b>	<b>1.2%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.1%</b>
Cereal and bakery	16.1%	1.7%	0.3%	3.2%	16.1%	3.4%	2.6%	1.5%	1.7%	0.2%	0.6%	0.7%	0.5%
Cereal	15.6%	0.2%	-0.3%	3.5%	15.6%	2.0%	0.4%	-0.6%	0.7%	-1.3%	0.6%	0.1%	-1.2%
Bakery	16.3%	2.4%	0.5%	3.0%	16.3%	4.1%	3.6%	2.5%	2.1%	0.9%	0.6%	1.0%	1.3%
Meats, poultry, fish and eggs	7.7%	-0.4%	2.3%	4.6%	7.7%	0.1%	-0.1%	-0.9%	-0.5%	1.3%	1.0%	2.4%	2.6%
Meats	4.5%	-0.9%	3.6%	5.2%	4.5%	3.6%	3.6%	3.5%	1.1%	3.4%	3.4%	3.6%	2.1%
Poultry	12.2%	-1.4%	1.7%	4.3%	12.2%	1.0%	1.2%	1.7%	0.2%	2.1%	0.9%	1.2%	0.3%
Fish	5.0%	3.2%	0.0%	5.0%	5.0%	-1.5%	-1.4%	-2.6%	-3.9%	-2.6%	-2.1%	-1.0%	-1.0%
Eggs	59.9%	-2.2%	-3.0%	-1.5%	59.9%	-22.3%	-23.8%	-28.6%	-17.0%	-6.8%	-9.0%	3.0%	10.2%
Dairy and related products	15.3%	-0.1%	2.4%	4.4%	15.3%	-1.4%	-1.3%	-1.1%	-1.8%	-1.9%	-1.3%	-1.0%	-0.1%
Milk	12.5%	-1.2%	5.1%	6.0%	12.5%	-2.4%	1.8%	-2.4%	-2.5%	-1.6%	-1.2%	-2.1%	-1.0%
Cheese	12.8%	-0.4%	3.1%	3.8%	12.8%	-2.6%	-3.3%	-2.1%	-2.8%	-3.1%	-3.3%	-3.4%	-2.1%
Ice Cream	15.0%	1.2%	0.0%	4.0%	15.0%	1.0%	2.8%	0.2%	-0.4%	-1.9%	1.9%	1.0%	2.1%
Fruits and vegetables	8.4%	1.6%	-1.3%	3.2%	8.4%	0.4%	-0.5%	1.1%	0.8%	2.0%	1.7%	0.6%	-0.5%
Fresh fruits	3.4%	-0.7%	-2.4%	1.4%	3.4%	-0.4%	3.6%	1.9%	0.2%	1.5%	0.5%	-0.2%	-1.7%
Fresh vegetables	9.8%	4.6%	-1.8%	4.2%	9.8%	-3.1%	-4.8%	-0.9%	1.3%	3.0%	2.3%	0.8%	-0.3%
Beverages (non-alcoholic)	12.6%	1.4%	1.0%	4.4%	12.6%	2.9%	2.6%	3.4%	2.3%	2.4%	2.3%	1.3%	1.5%
Juices and soda	12.2%	2.5%	1.9%	5.2%	12.2%	3.6%	3.6%	4.8%	3.4%	3.6%	3.3%	2.0%	2.1%
Coffee and tea	13.8%	-1.2%	-1.2%	2.4%	13.8%	1.0%	-1.6%	0.2%	-0.3%	-0.7%	-2.0%	-2.5%	-1.6%
Other food at home	13.9%	0.2%	0.3%	3.9%	13.9%	3.3%	2.8%	2.6%	2.3%	1.4%	1.4%	1.0%	1.6%
<b>Food Away from Home</b>	<b>8.3%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>3.9%</b>	<b>8.3%</b>	<b>5.3%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>4.5%</b>	<b>4.2%</b>	<b>4.1%</b>	<b>4.0%</b>	<b>4.1%</b>
Full service meals	8.2%	2.8%	3.3%	3.0%	8.2%	4.3%	4.5%	4.3%	3.8%	3.2%	3.4%	3.5%	3.9%
Limited service meals and snacks	6.6%	2.7%	3.0%	6.0%	6.6%	6.0%	5.9%	5.8%	5.2%	5.0%	4.8%	4.5%	4.3%
<b>ENERGY PRICES</b>	<b>7.3%</b>	<b>-0.3%</b>	<b>3.4%</b>	<b>-7.0%</b>	<b>7.3%</b>	<b>-5.4%</b>	<b>-2.0%</b>	<b>-4.6%</b>	<b>-1.9%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>3.7%</b>	<b>1.0%</b>
Energy commodities	0.4%	-1.8%	7.4%	-15.2%	0.4%	-9.8%	-2.9%	-6.9%	-4.2%	0.9%	1.1%	2.2%	-2.2%
Fuel Oil	26.0%	1.9%	4.6%	-20.0%	26.0%	-24.8%	-14.7%	-10.5%	-4.3%	-3.1%	-0.5%	3.6%	0.8%
Gasoline	-1.5%	-2.1%	7.9%	-15.6%	-1.5%	-8.9%	-1.9%	-6.4%	-3.9%	1.3%	1.2%	2.2%	-2.5%
Energy services	15.6%	1.4%	-1.2%	2.6%	15.6%	-0.1%	-1.1%	-2.0%	0.5%	3.1%	3.6%	4.7%	4.3%
Electricity	14.3%	1.1%	-0.4%	2.2%	14.3%	3.4%	3.3%	3.8%	3.6%	5.0%	5.1%	5.9%	4.4%
Gas utility	19.3%	2.3%	3.5%	4.1%	19.3%	-10.4%	-13.8%	-17.8%	-8.8%	-3.2%	-1.9%	0.2%	3.7%