



**HUDSON VALLEY
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Deliberate investing. Intentional value.

STANDPOINT

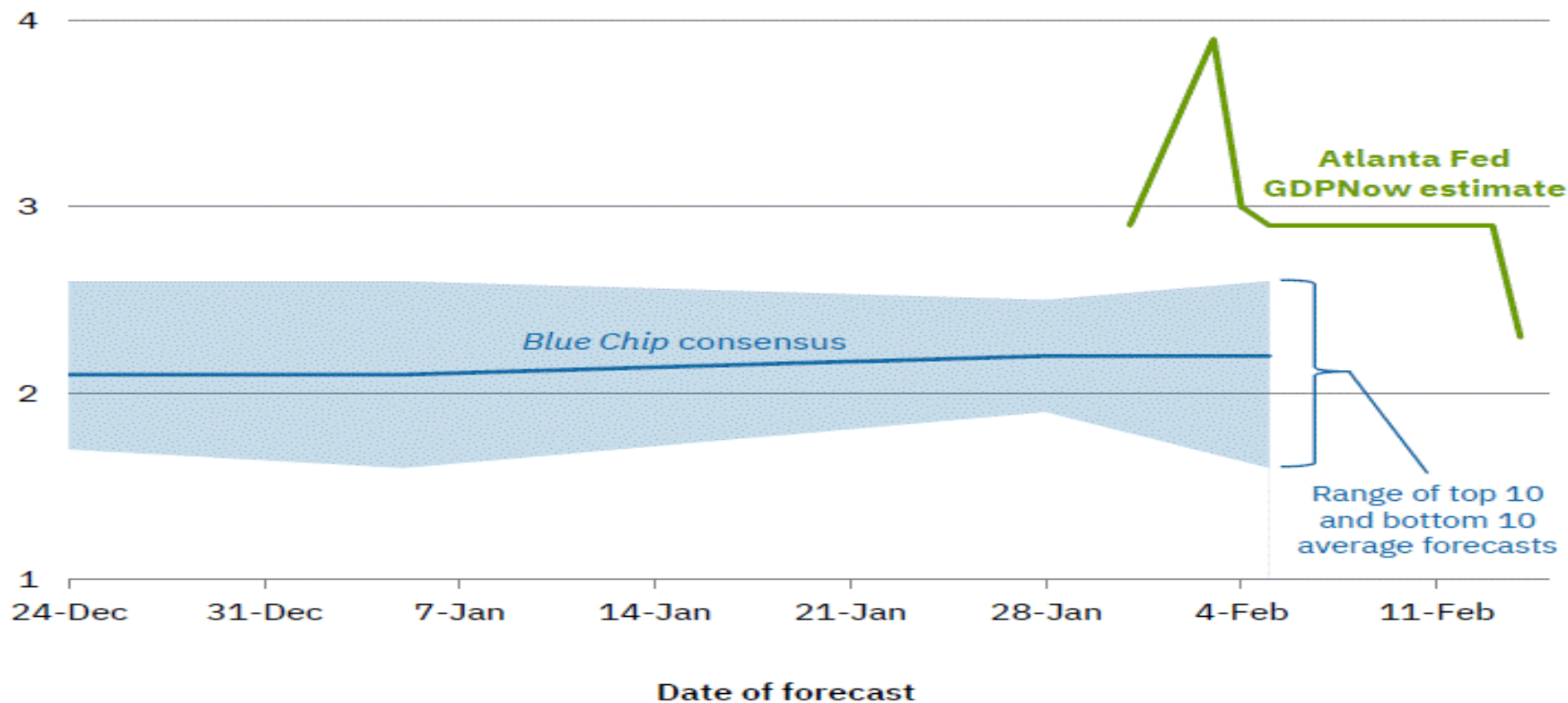
February 2025





Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1

Quarterly percent change (SAAR)

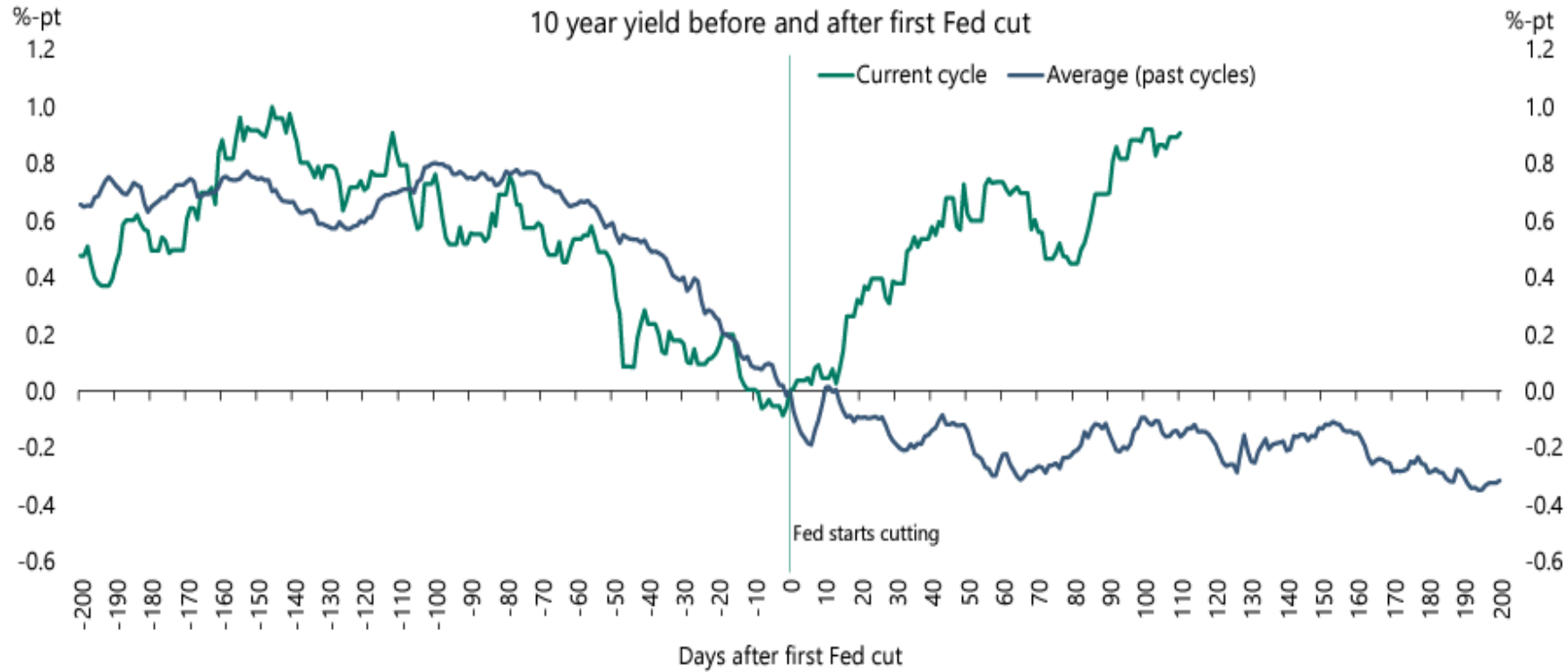


Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.



Very unusual behavior in long rates after the Fed started cutting in September 2024



Source: Bloomberg, Apollo Chief Economist



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Term premiums driving 10s over the last month



Source: Renaissance Macro Research, Macrobond

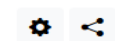


US Treasuries Yield Curve

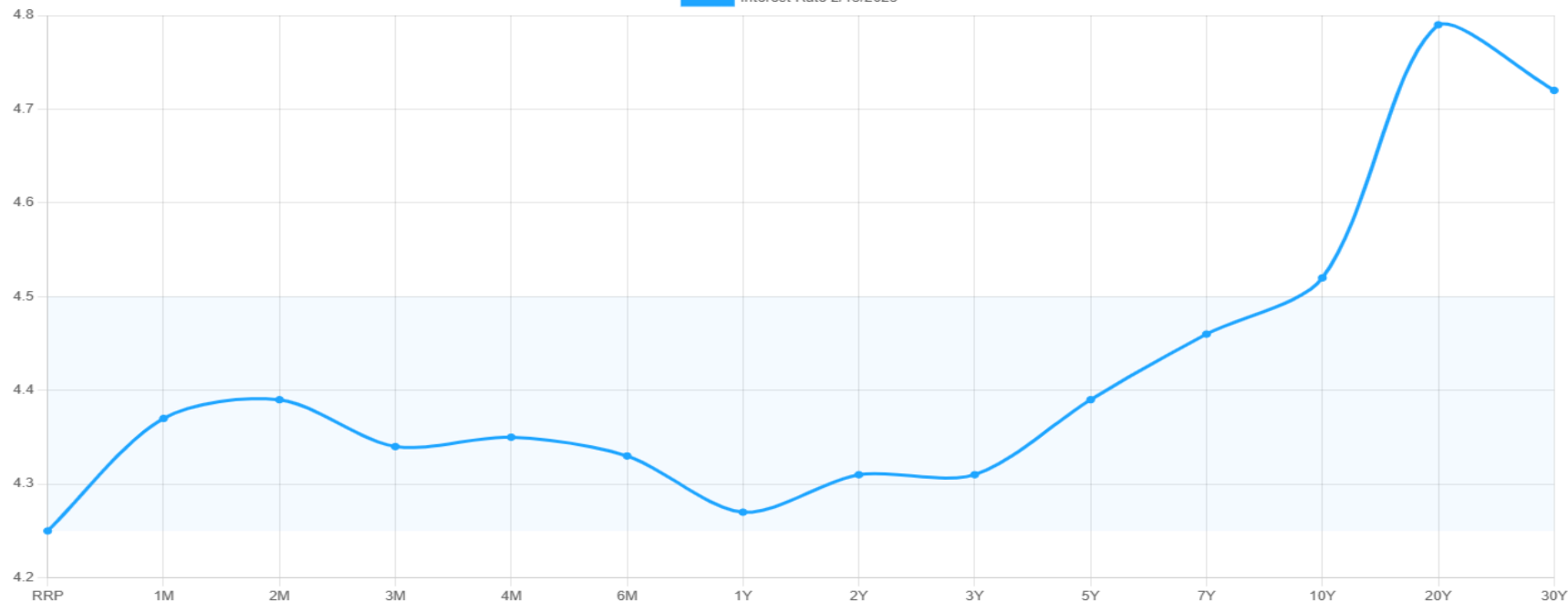
A charting app for interest rates and macroeconomic indicators

◀ 2/13/2025 ▶ ↻

Fed Funds Target Range CPI



Interest Rate 2/13/2025



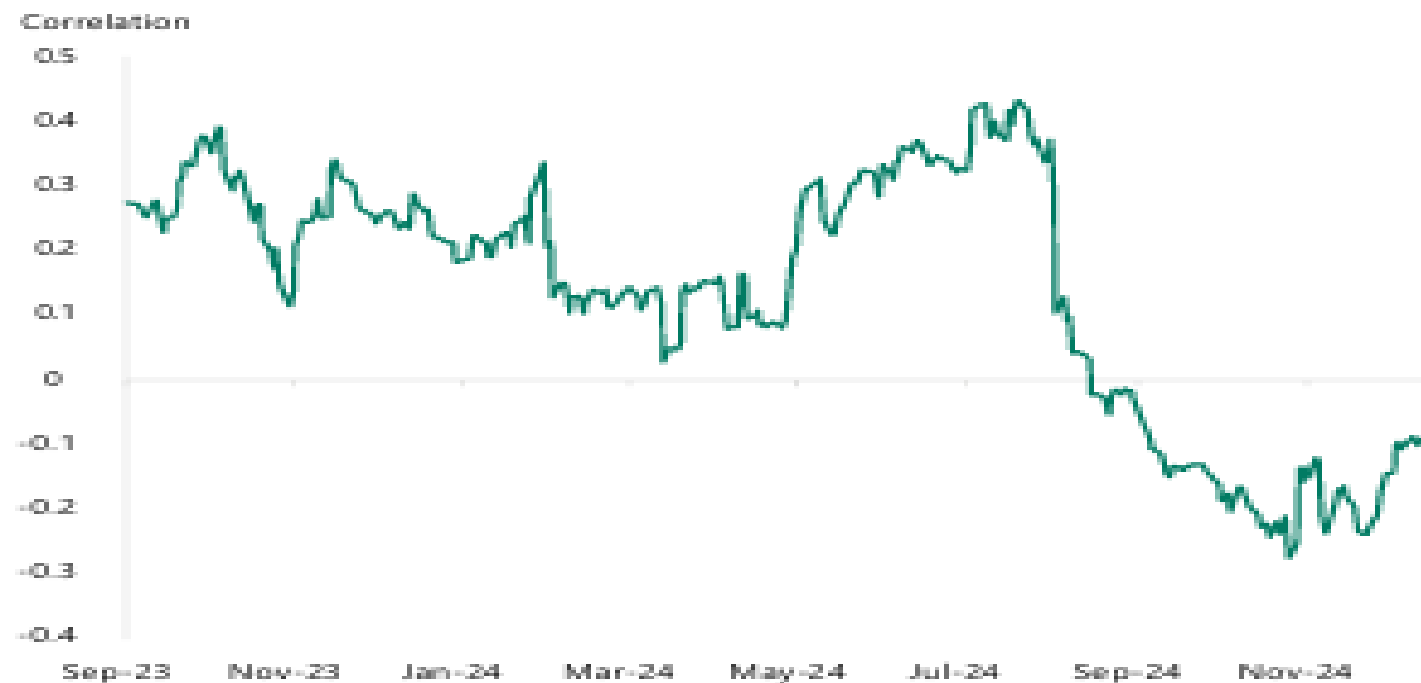
Source: Federal Reserve



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Exhibit 7: The correlation between stocks and bonds has reverted to its usual inverse relationship



Data as of December 2024.
Source: Bloomberg



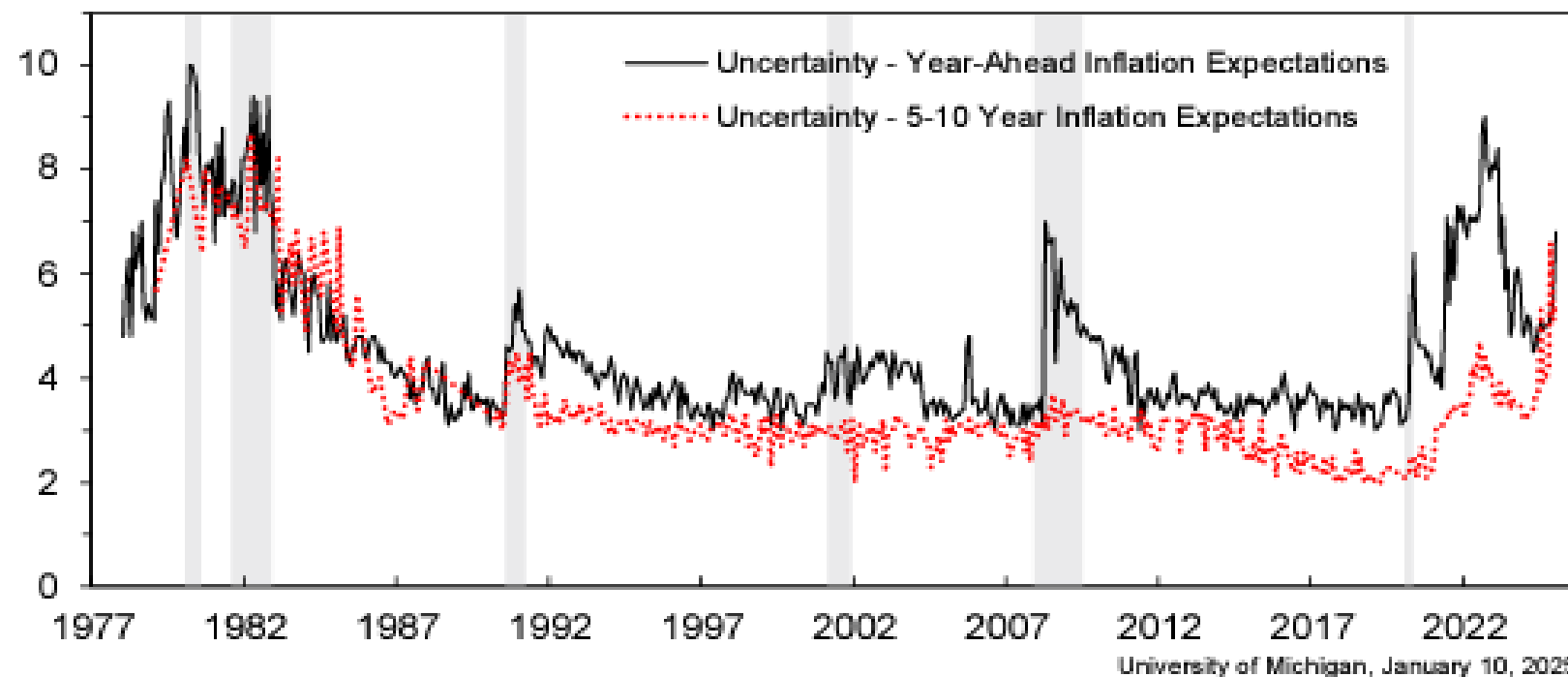
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Consumers Express Rising Uncertainty Over Path of Inflation

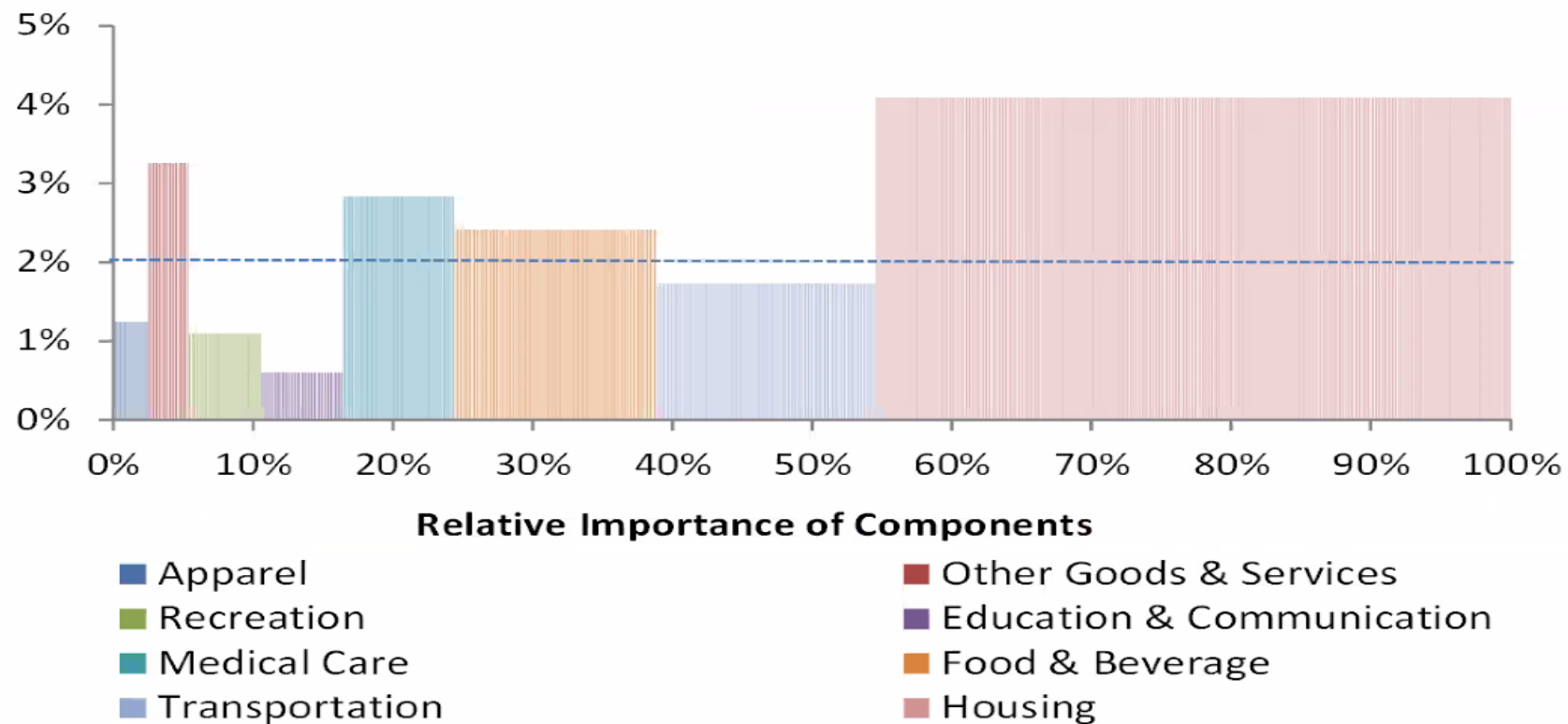
Uncertainty Estimated by 75th Percentile – 25th Percentile of Expectations

3-Month Moving Averages





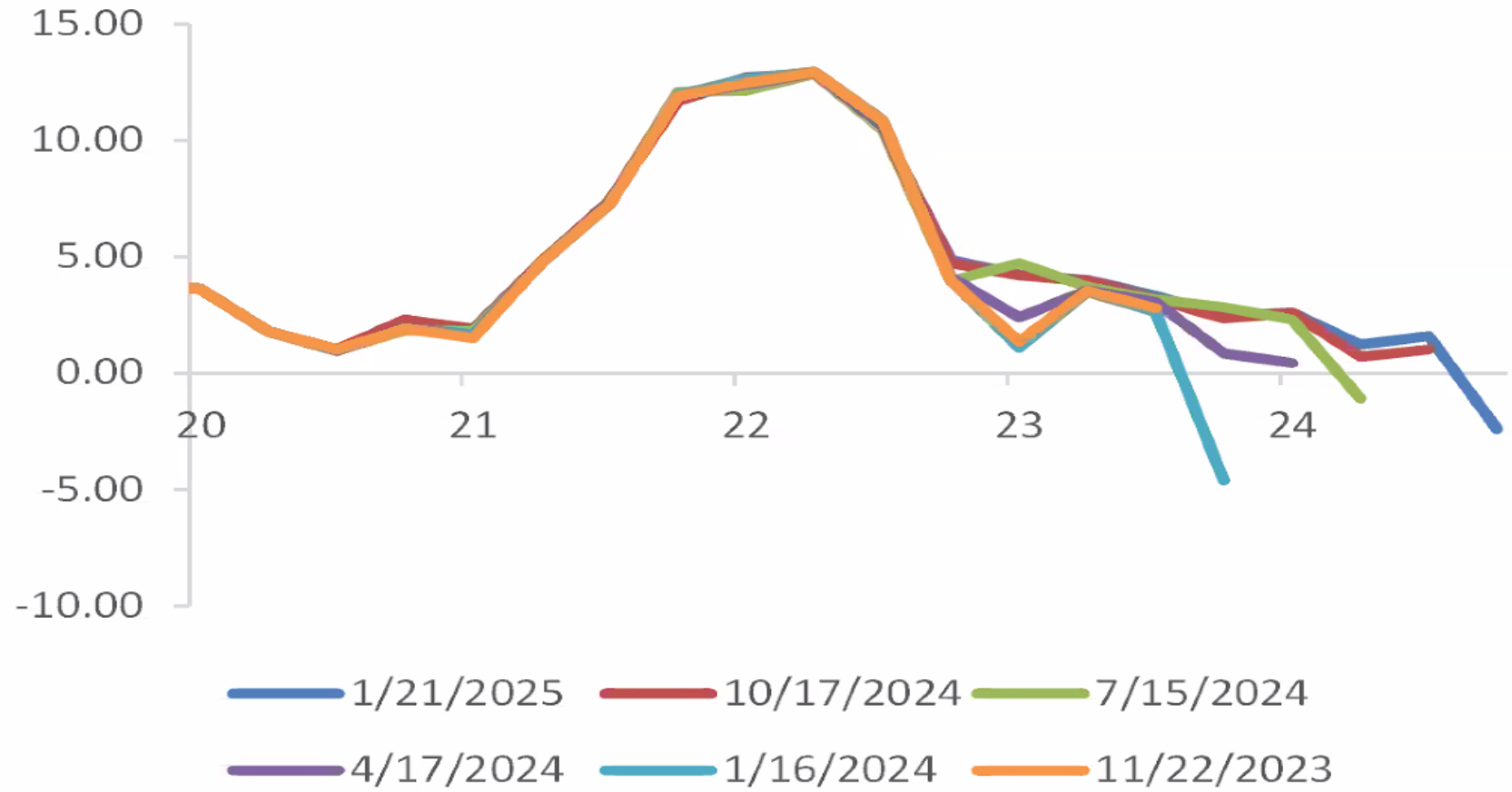
What's driving CPI? (% change, year-over-year)



Source: REMEC

Big revisions in the new tenant rents series

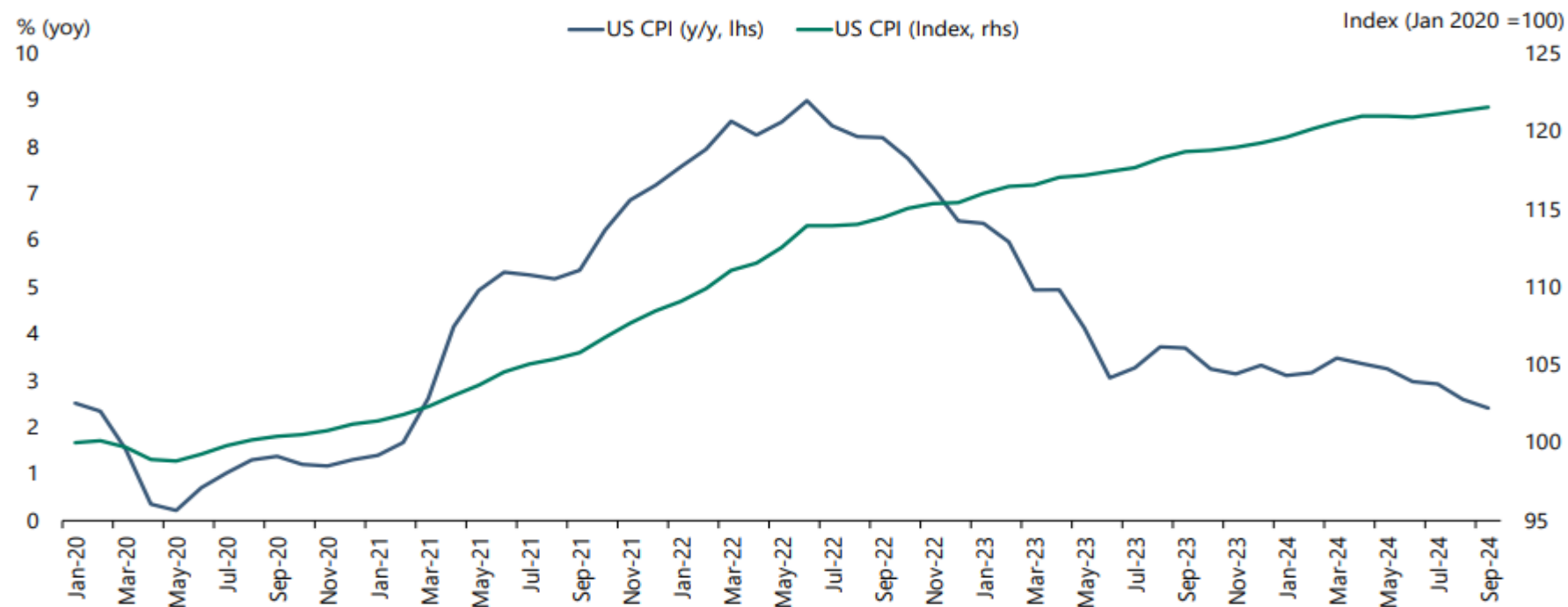
New Tenant Rent Index (Y/Y % change)



Source: RENMAC



Year-over-year inflation is close to 2%, but the price level today is 22% higher than in January 2020



Source: Bureau of Labor Statistics, Bloomberg, Apollo Chief Economist

Source: Bureau of Labor Statistics; Bloomberg; Apollo Chief Economist



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U.S. CRUDE OIL PRODUCTION



CHART CREATED BY CME GROUP ECONOMICS
SOURCE: BLOOMBERG PROFESSIONAL, EIA (DOETCRUD)

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Firms can add hours before bodies



Source: Federal Reserve



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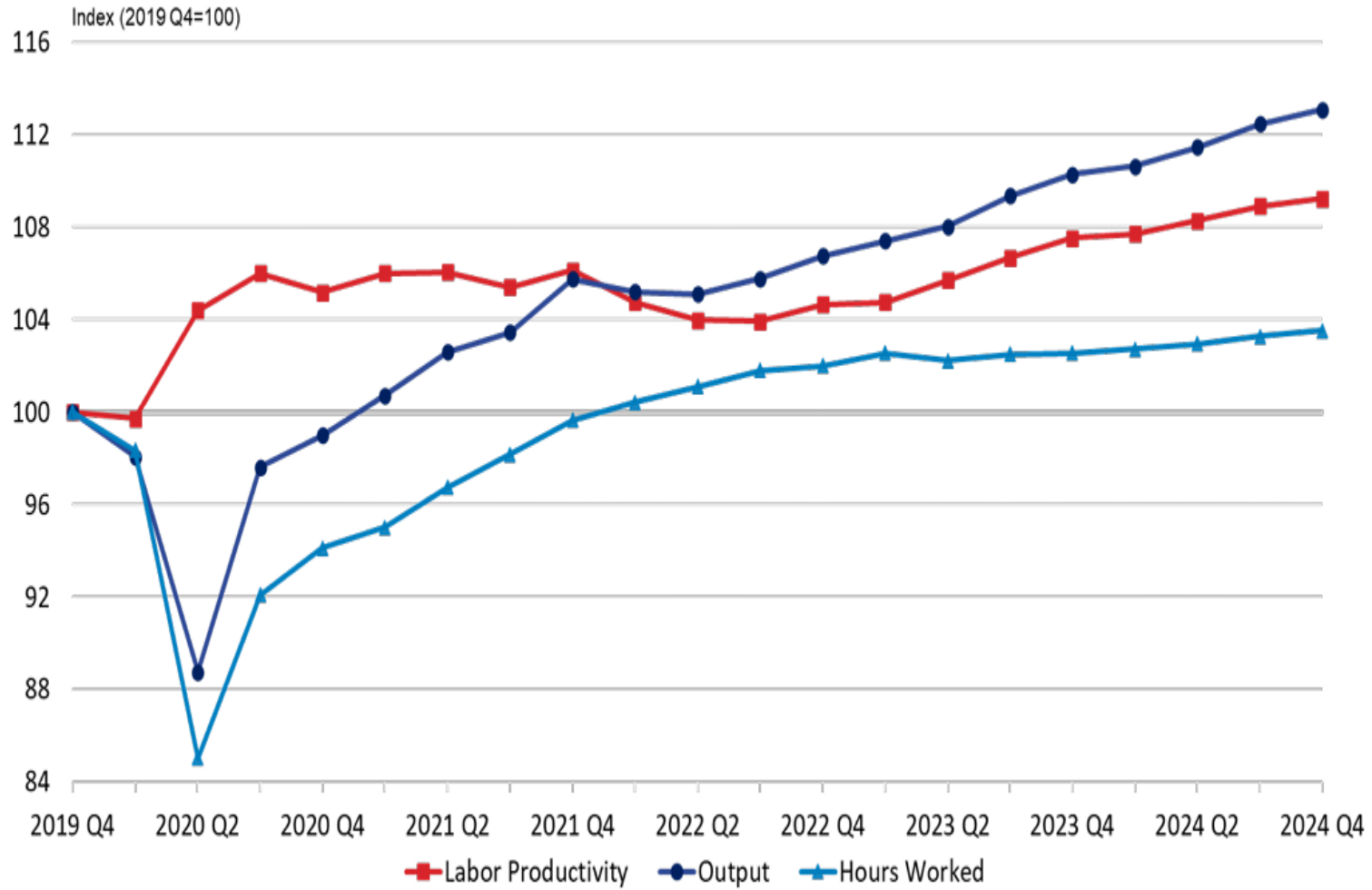


Labor demand remains soft

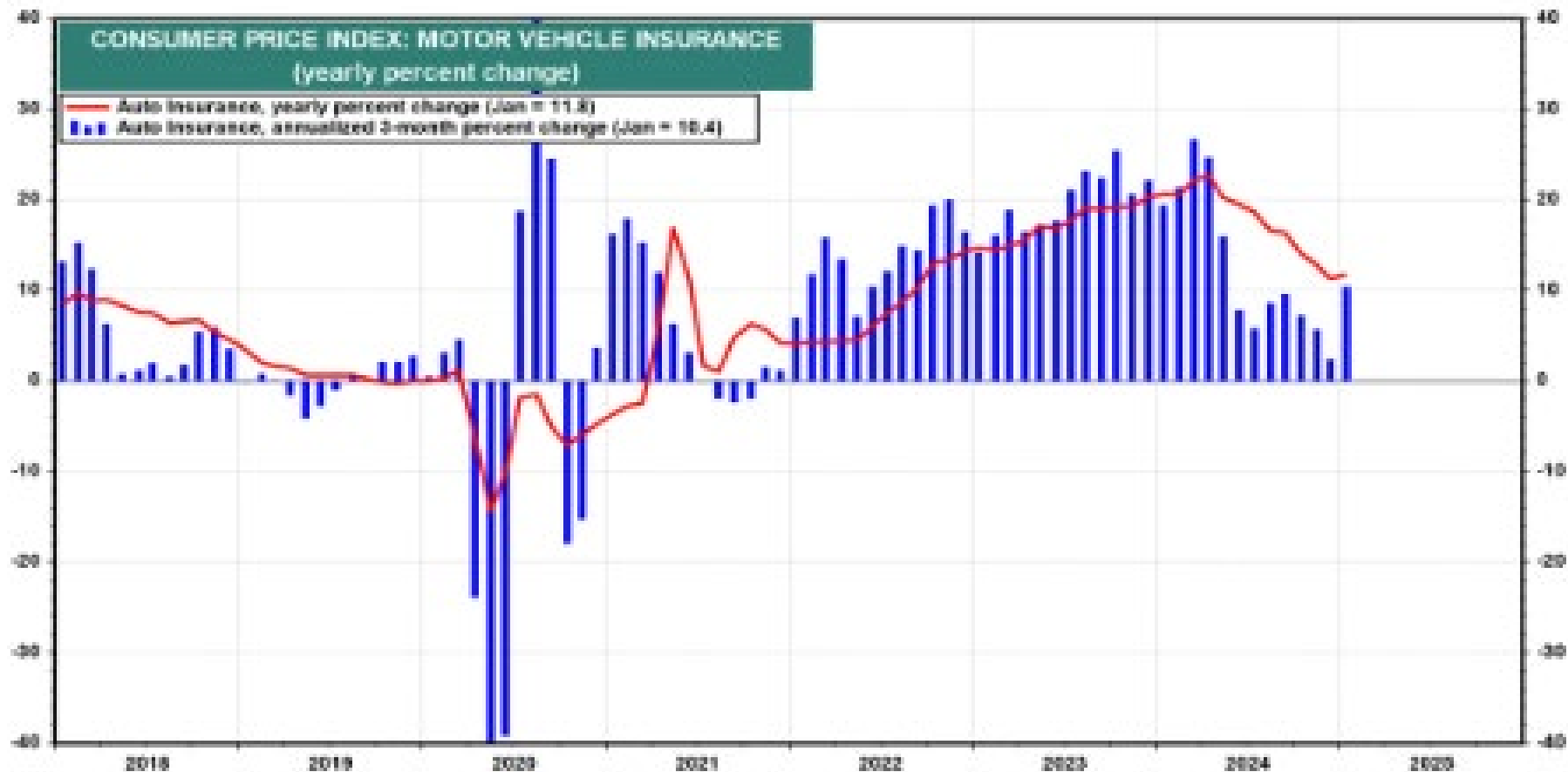


Source: Renaissance Macro Research, Macrobond

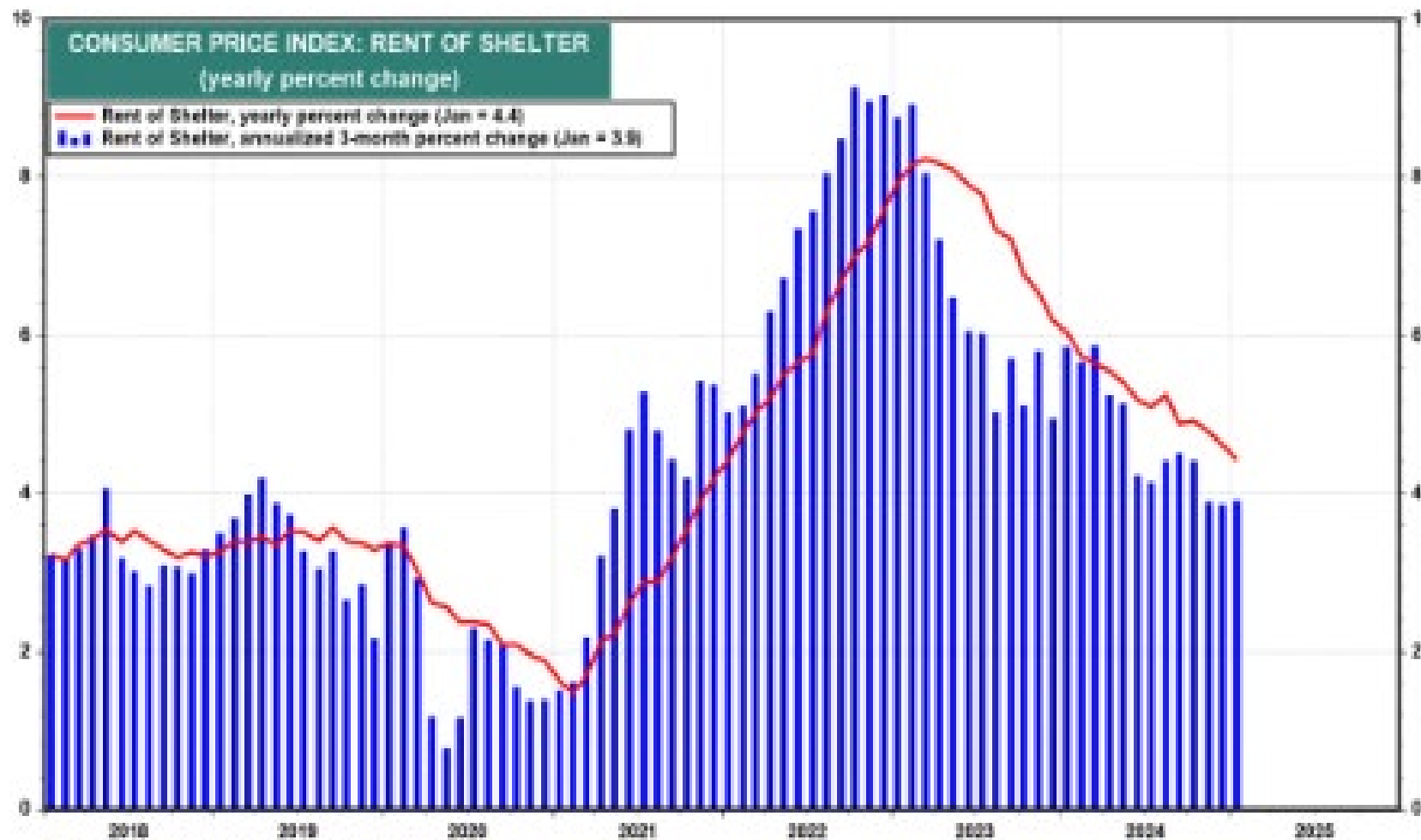
Chart 3. Labor Productivity, Output, and Hours Worked index series, nonfarm business, 2019 Q4 – 2024 Q4



Source: Bureau of Labor Statistics



Source: LSEG Datastream and © Yardeni Research.

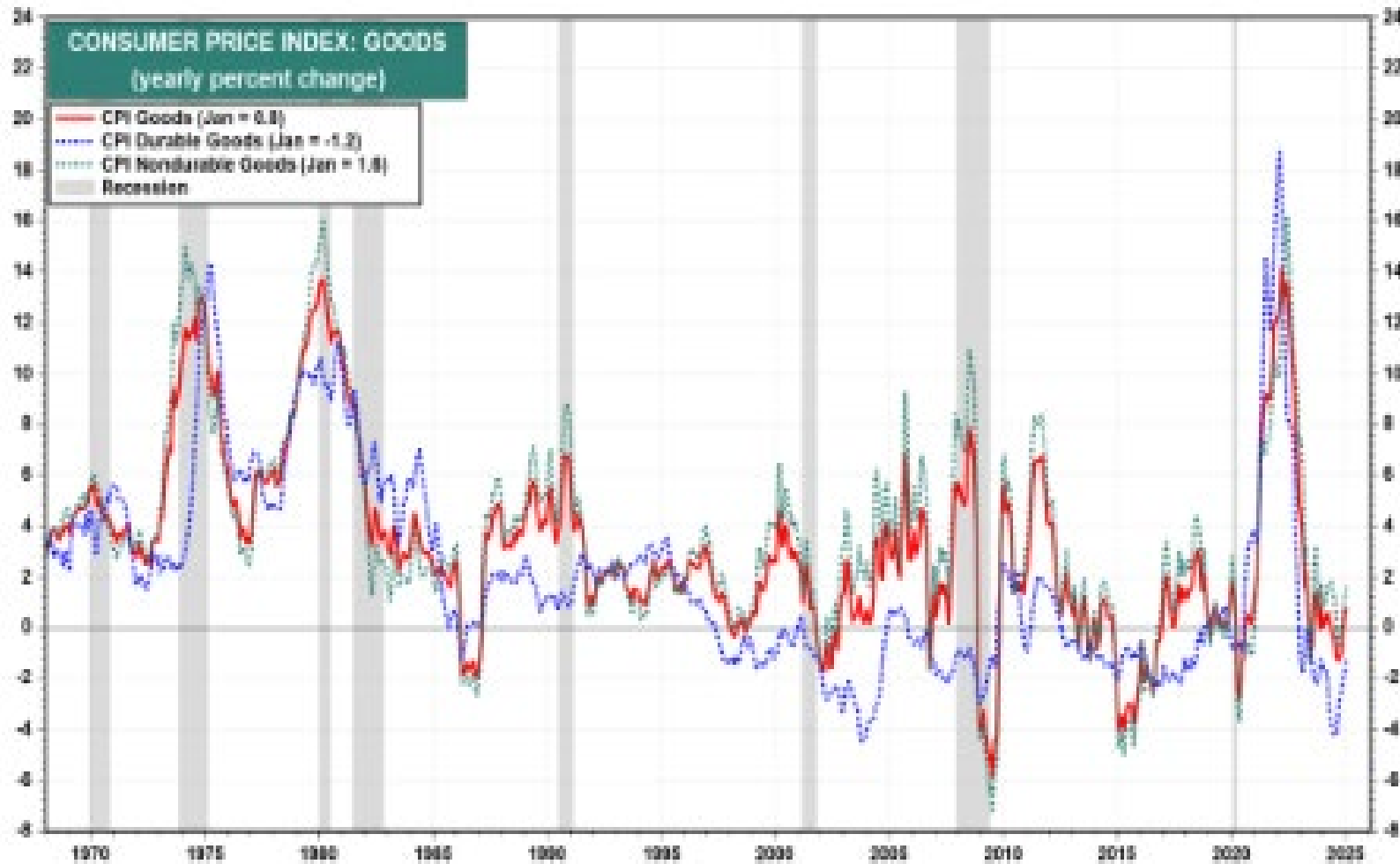


Source: LSEG Datastream and © Yardeni Research.



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Source: LSEG Databstream and © Yardeni Research.



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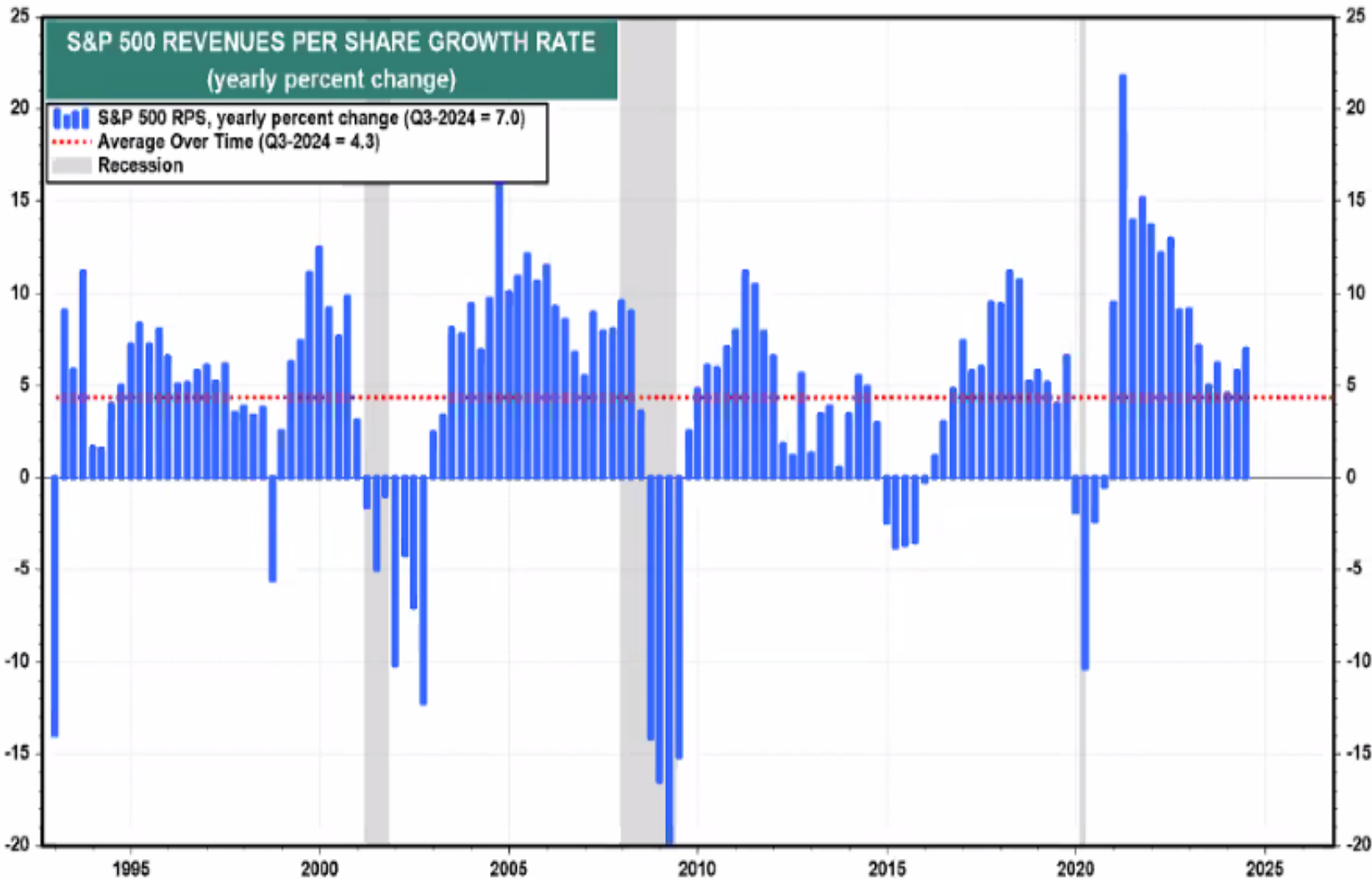
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Source: LSEG Datastream, © Yardeni Research, and Standard & Poor's.

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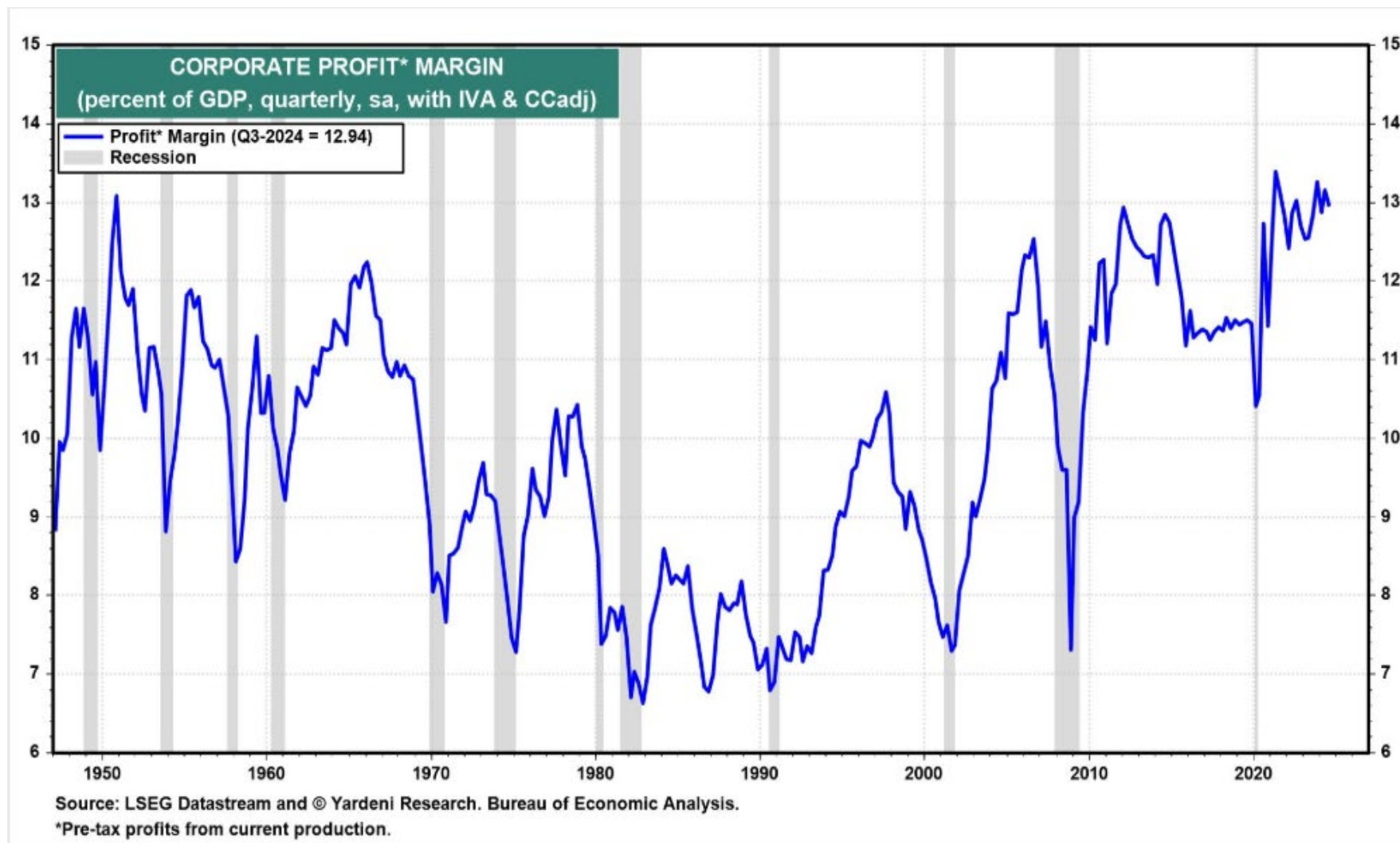
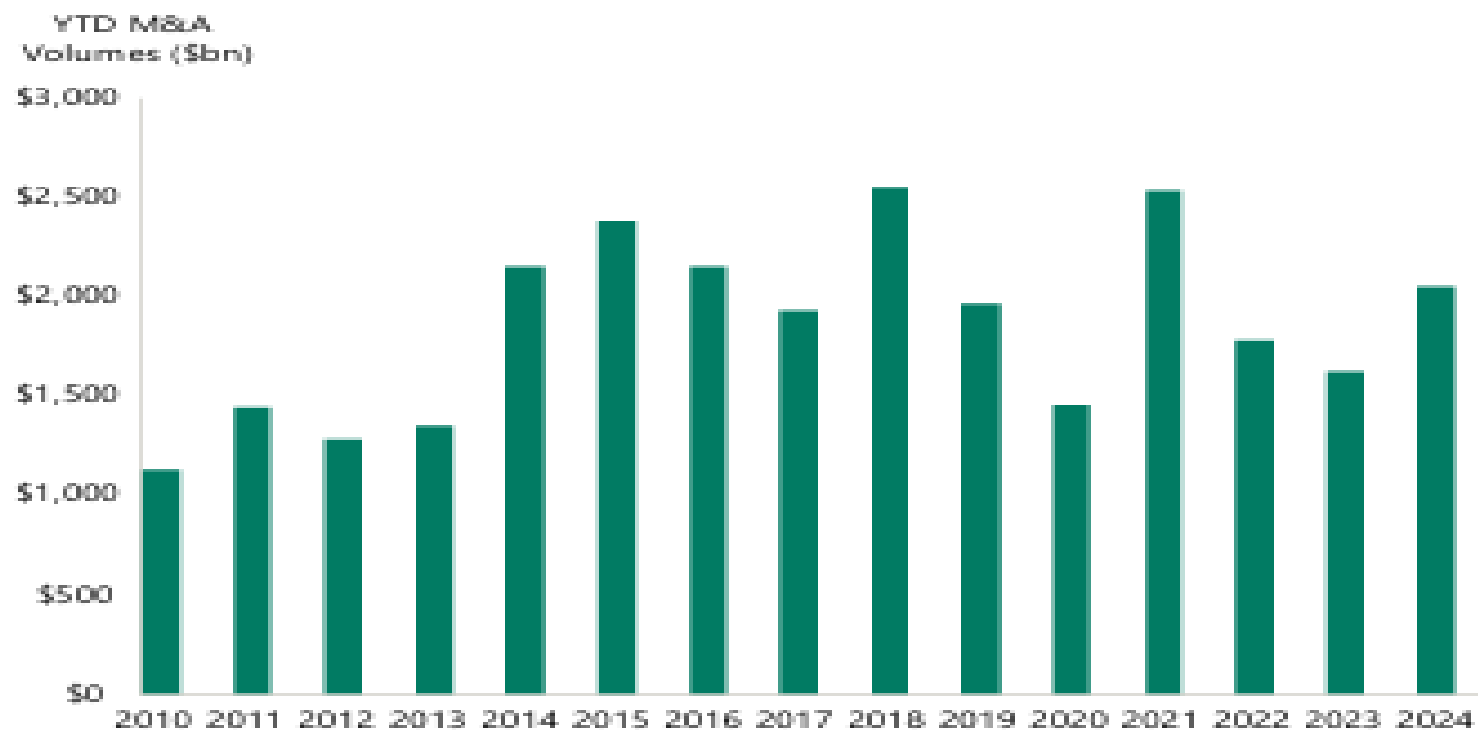




Exhibit 9: US M&A volumes were up more than -25% year-on-year in 2024...



Data as of December 2024.

Source: Bloomberg. M&A volume based on M&A deals where the target or acquirer is US based and excludes withdrawn and terminated deals.



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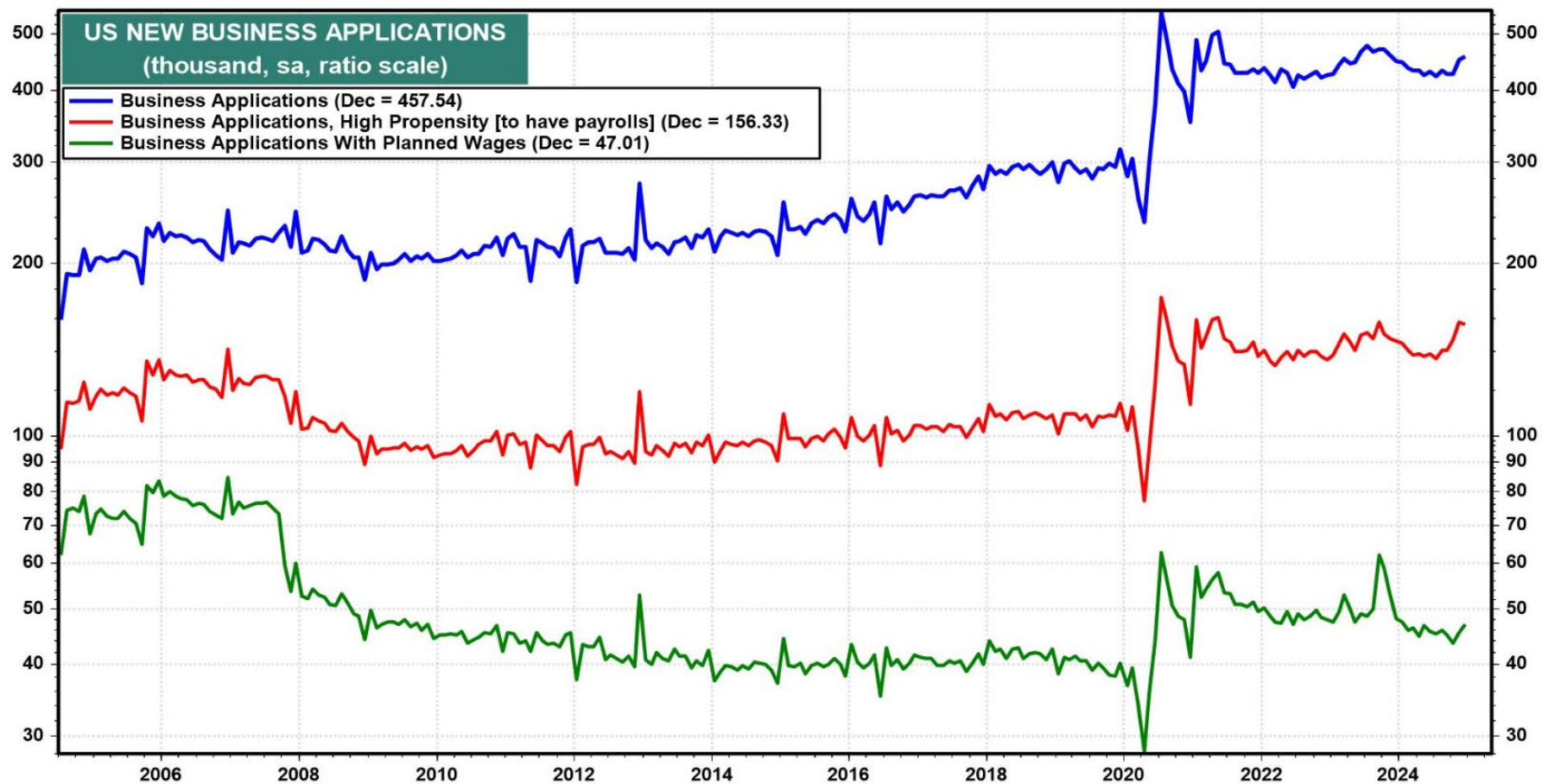


Source: LSEG Databstream and © Yardeni Research, and National Federation of Independent Business (NFIB).



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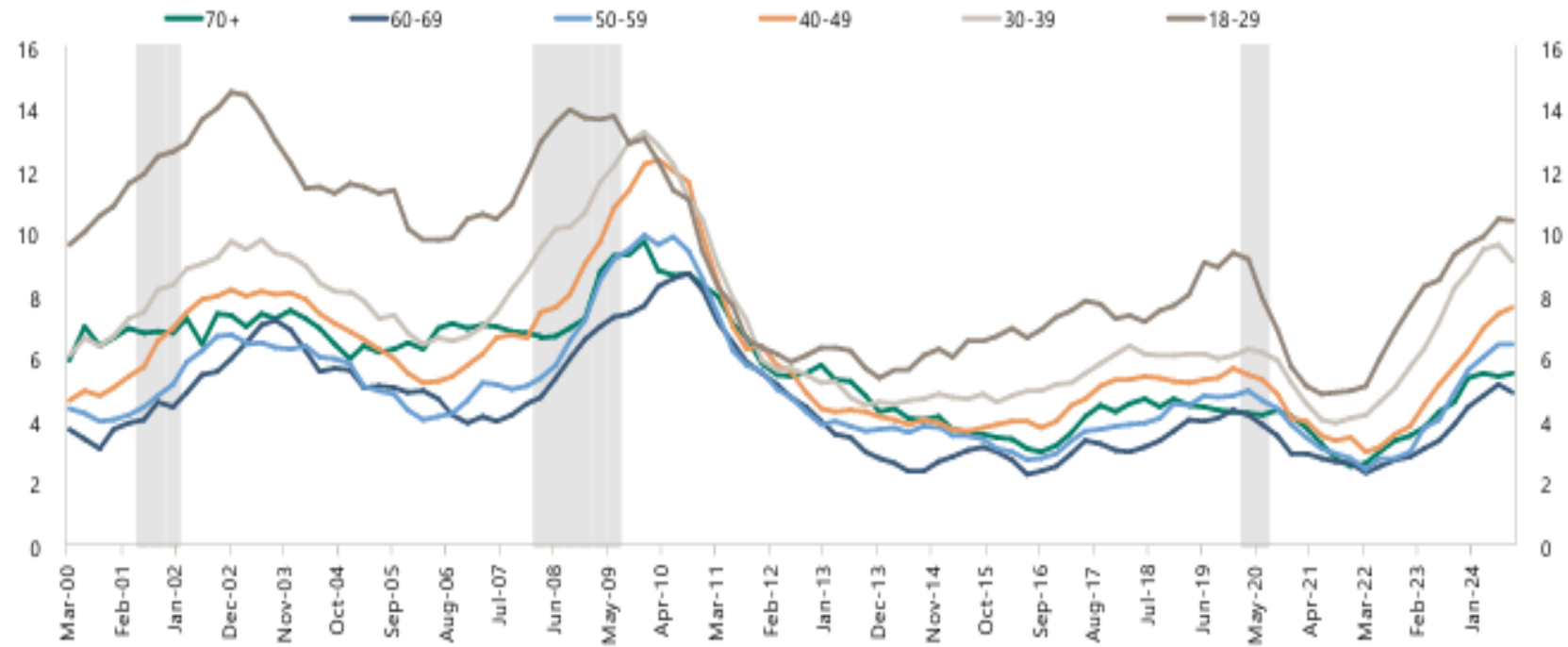
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Source: LSEG Datastream and © Yardeni Research. US Census Bureau.

Exhibit 3: Credit card transitions to serious delinquencies have been particularly severe for the 18-29 and 30-39 age groups

% balance, 4Q moving sum

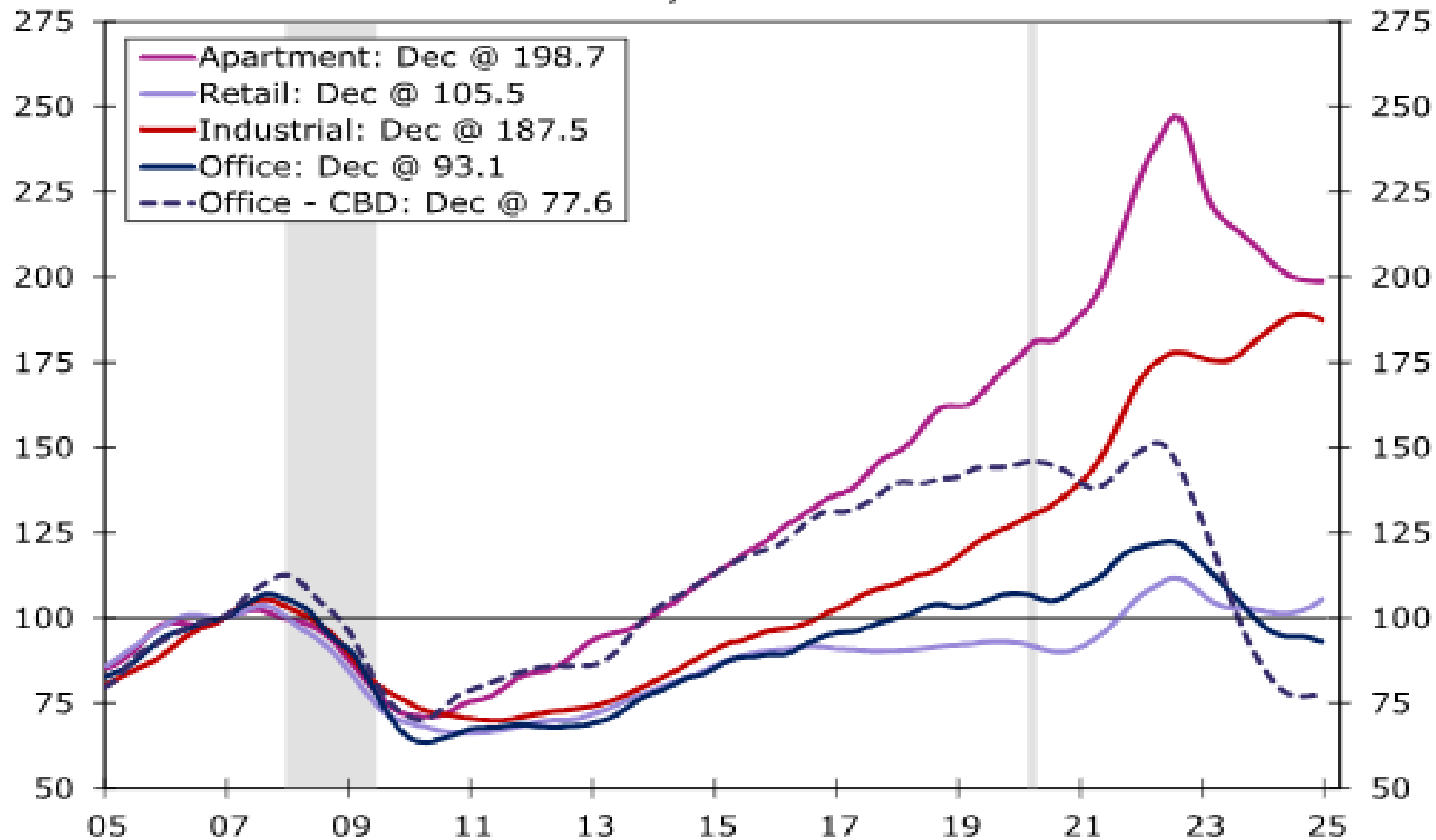


Data as of the third quarter of 2024.

Source: Federal Reserve

Commercial Property Price Index

Index, 100=2006



Source: MSCI Real Capital Analytics and Wells Fargo Economics

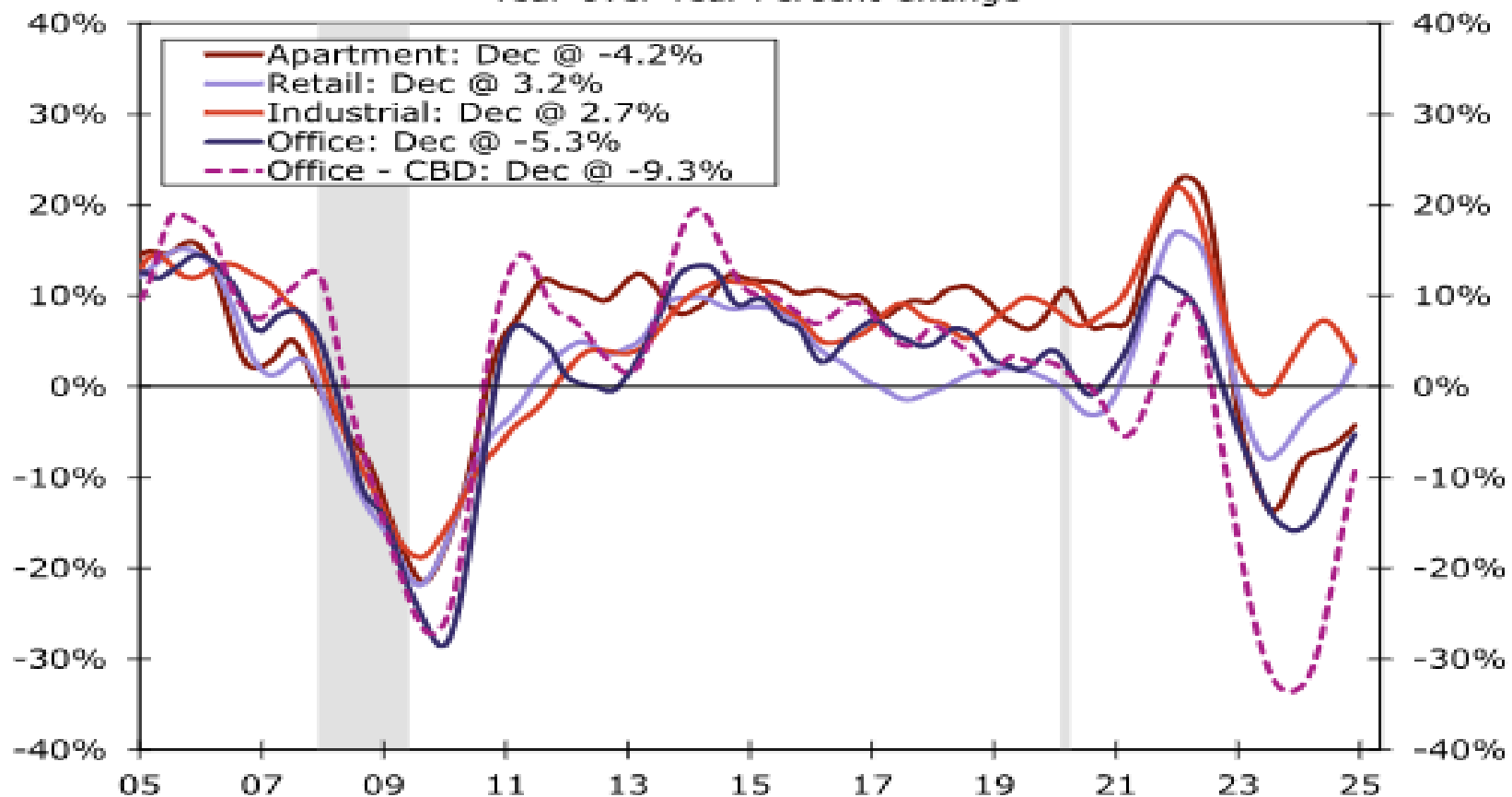


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Commercial Property Price Index

Year-over-Year Percent Change

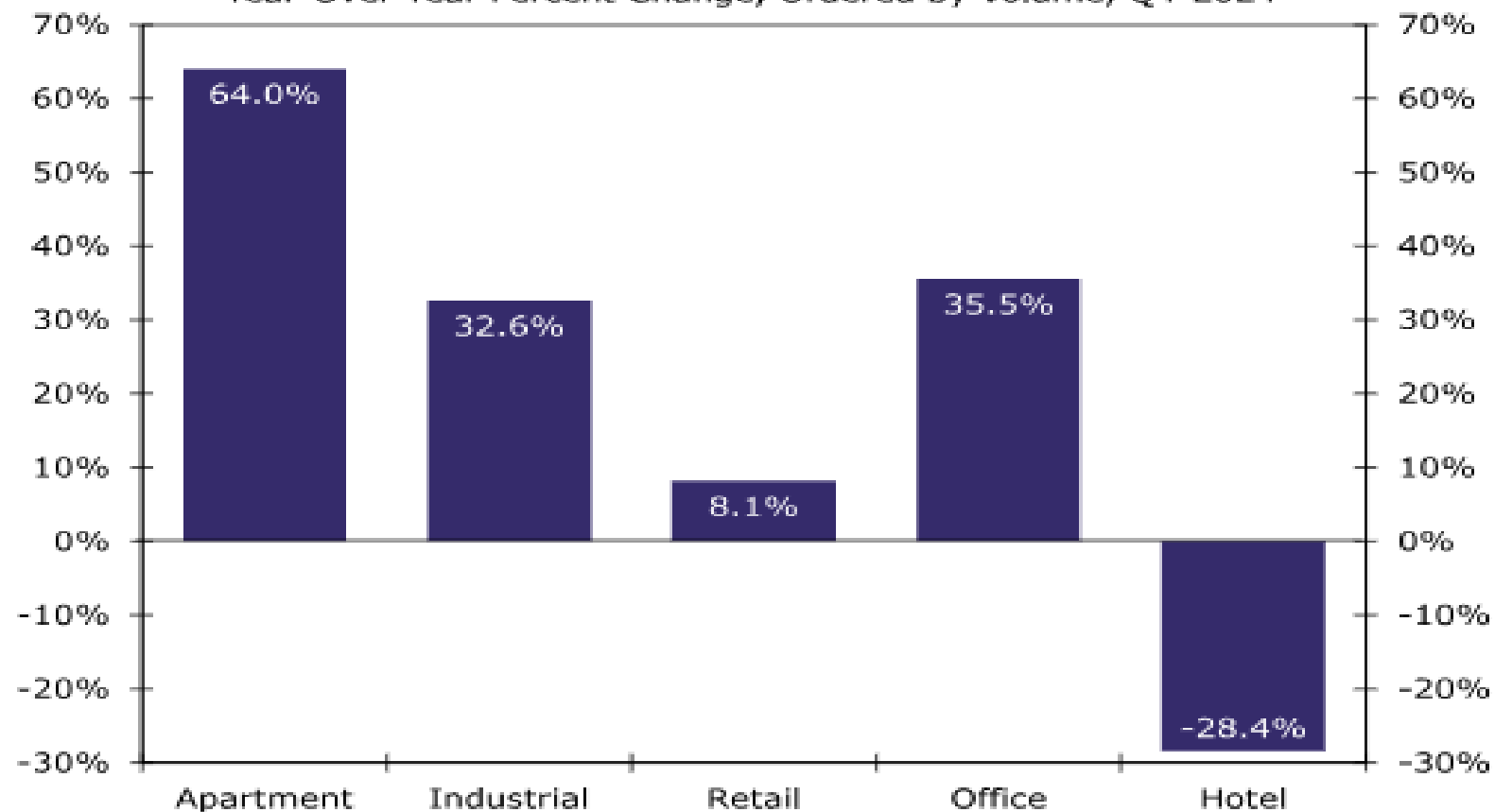


Source: MSCI Real Capital Analytics and Wells Fargo Economics



CRE Transaction Volume by Property Type

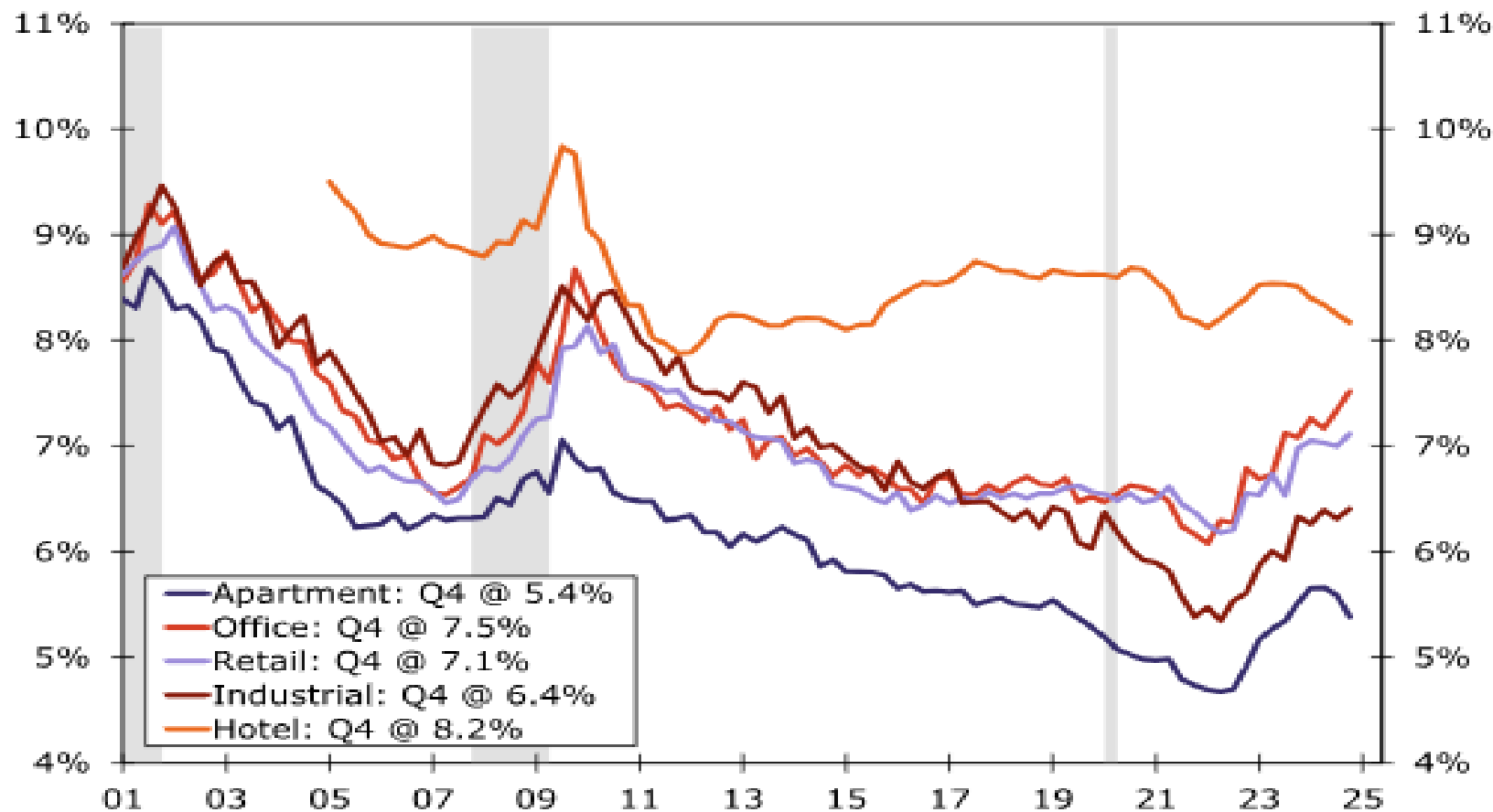
Year-Over-Year Percent Change, Ordered by Volume, Q4-2024



Source: MSCI Real Capital Analytics and Wells Fargo Economics



CRE Cap Rates by Property Type

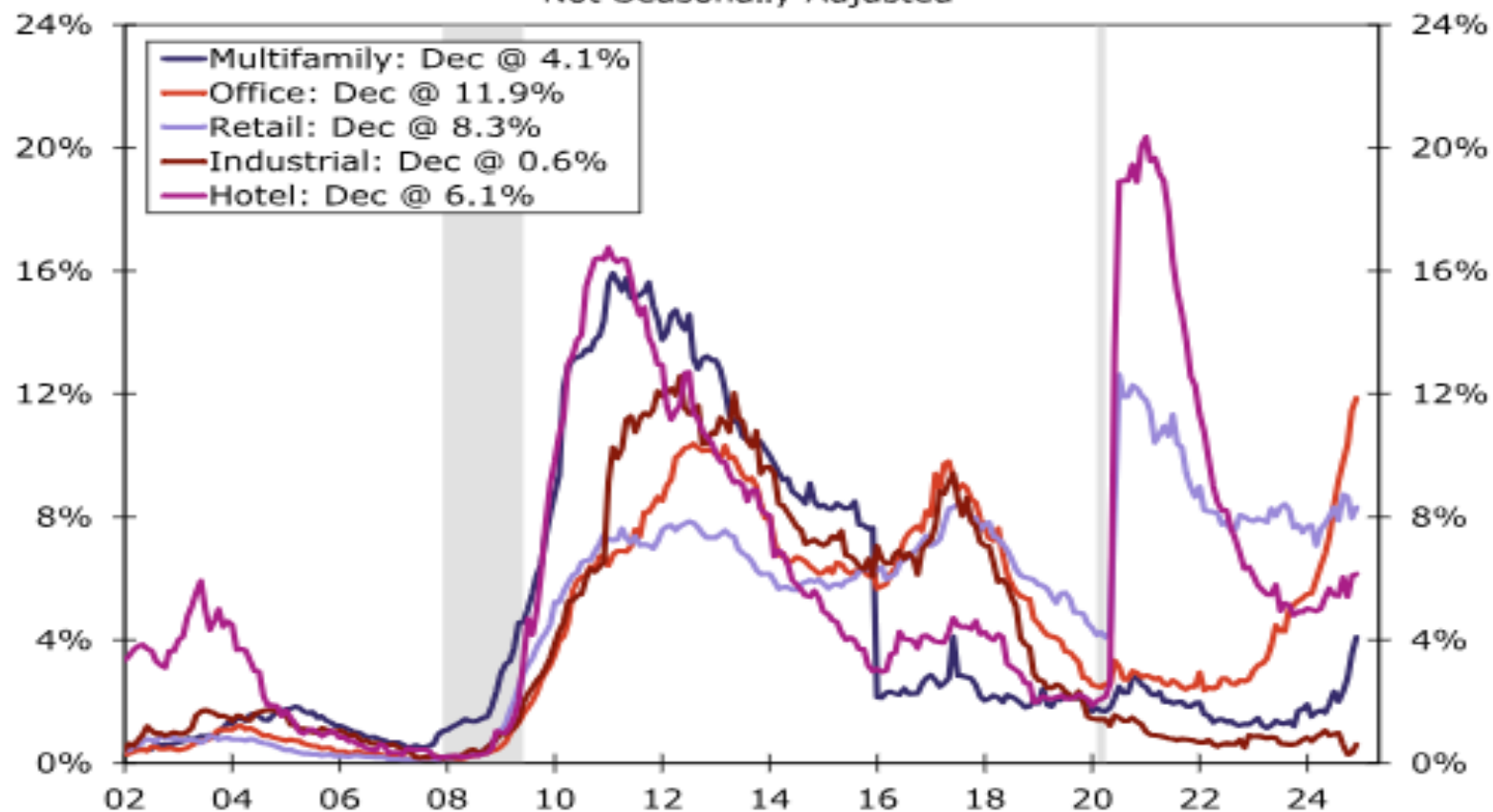


Source: MSCI Real Capital Analytics and Wells Fargo Economics



CMBS Delinquency Rates by Sector

Not Seasonally Adjusted

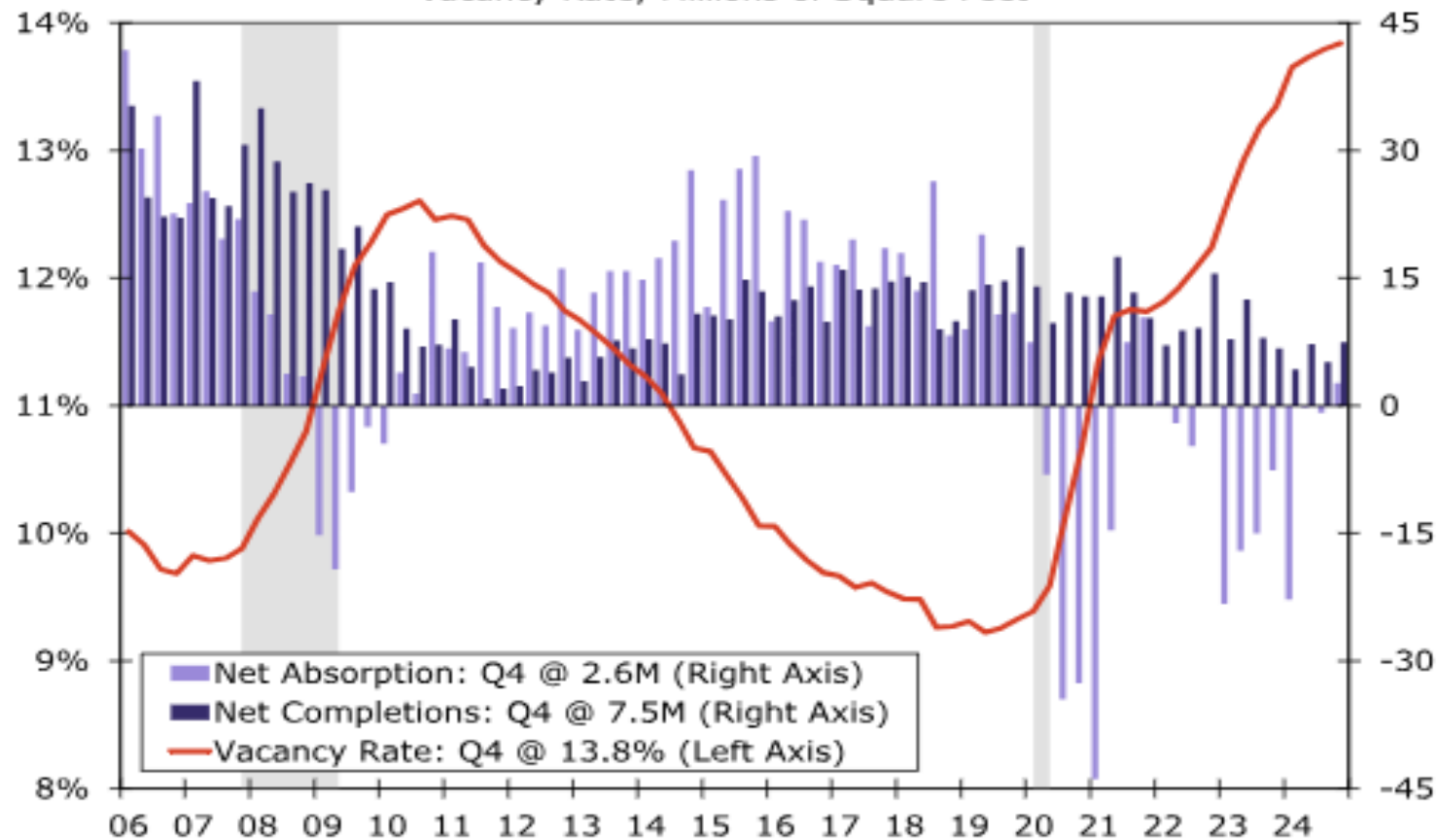


Source: Moody's Analytics and Wells Fargo Economics



Office Supply & Demand

Vacancy Rate; Millions of Square Feet

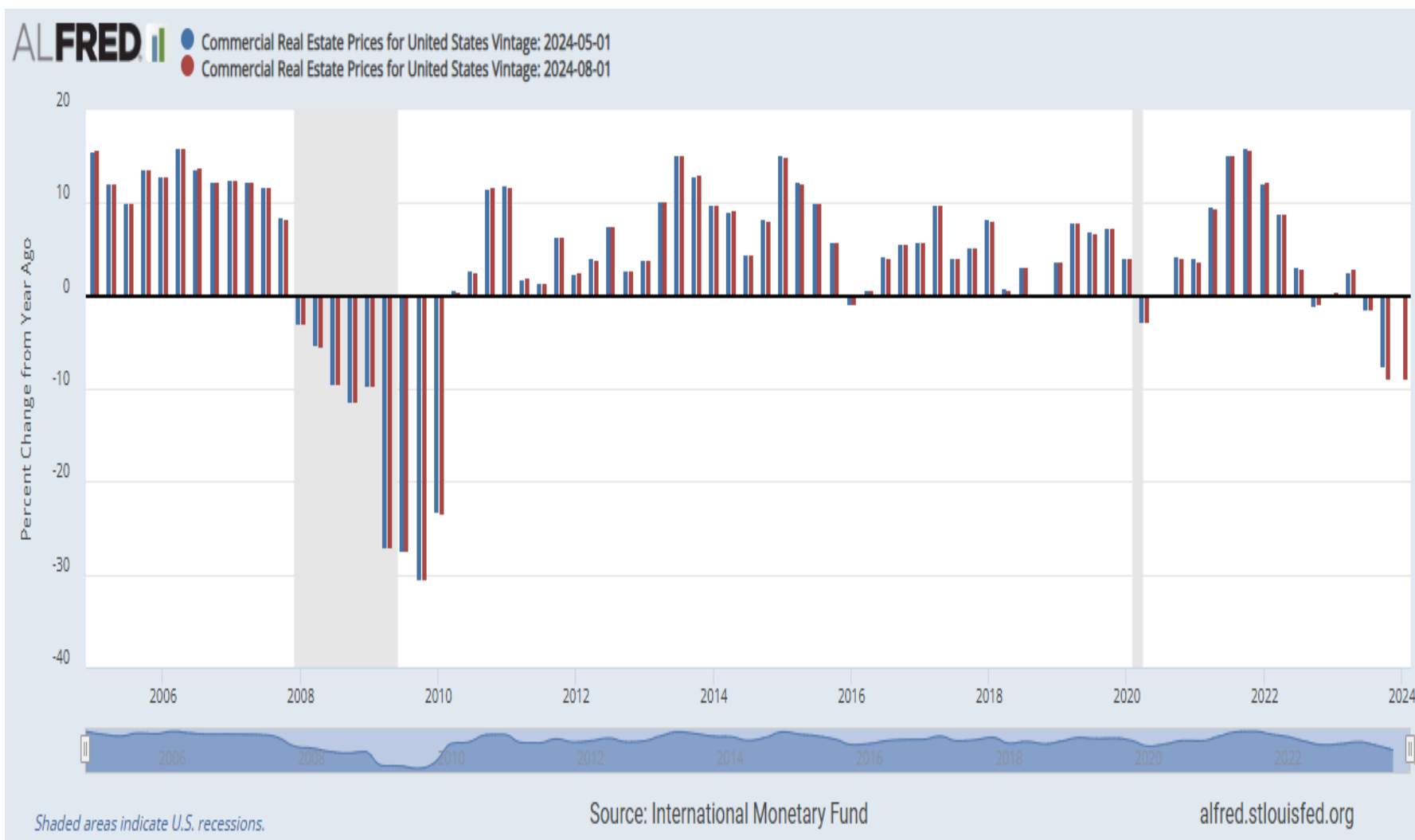


Source: CoStar Inc. and Wells Fargo Economics



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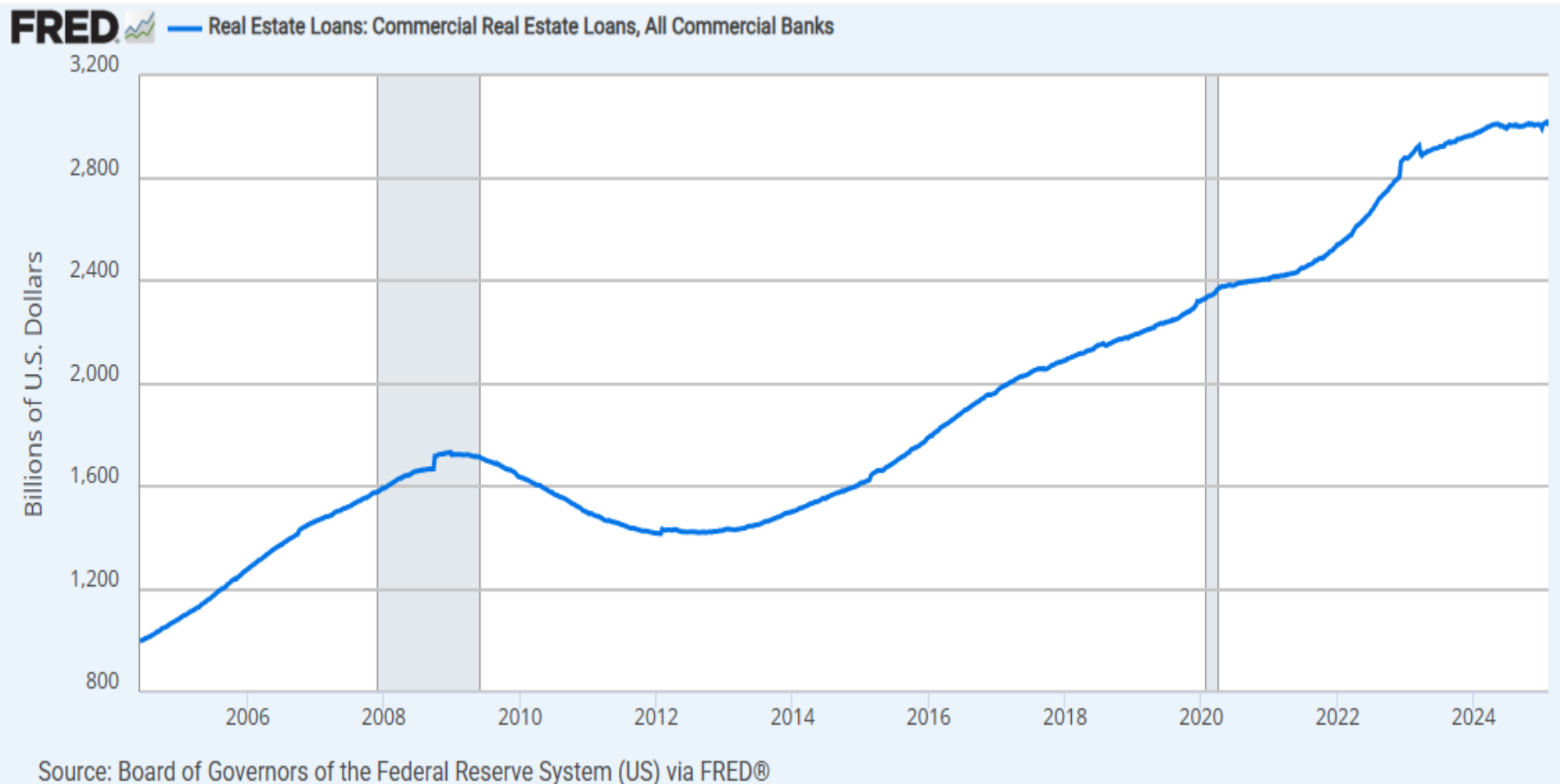
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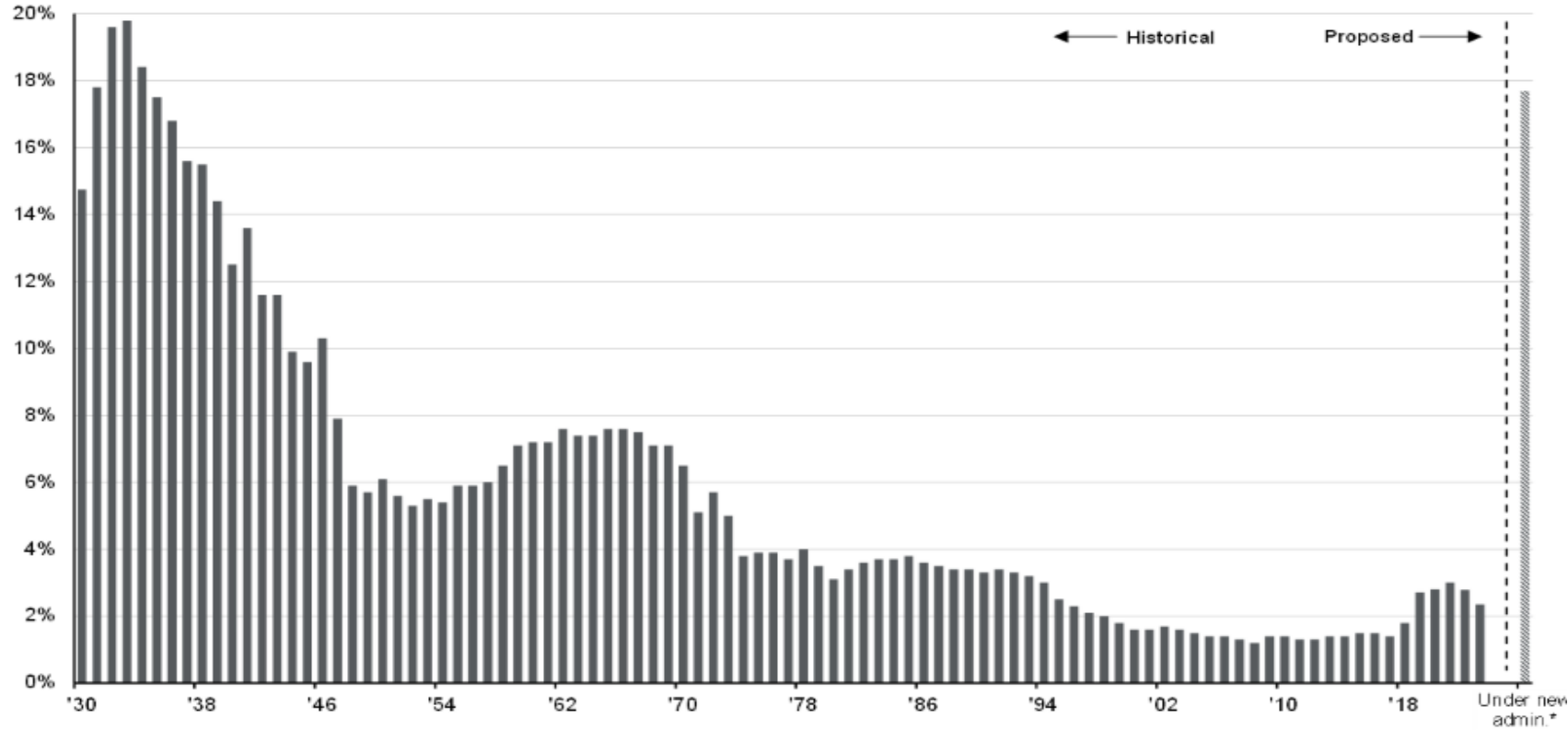
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Tariffs on U.S. imports

Average tariff rate on U.S. goods imports for consumption
Duties collected / value of total goods imports for consumption

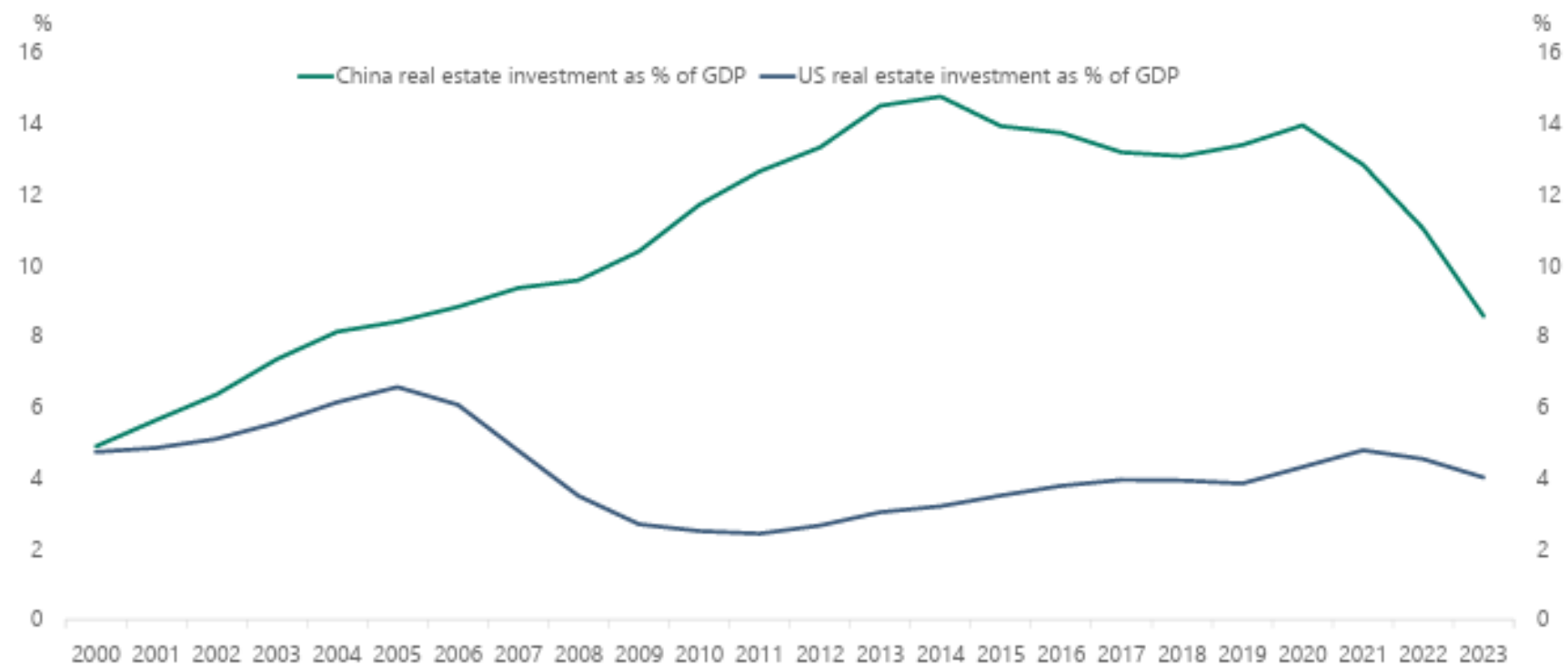


Source: Tax Foundation, United States International Trade Commission, U.S. Department of Commerce, J.P. Morgan Asset Management. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Estimate is by the Tax Foundation as of October 2024 and assumes a 20% universal tariff as well as a 60% tariff on Chinese imports. May not be updated as of the latest announcements regarding tariffs and U.S. trade policy and is subject to change. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market and other conditions. *Guide to the Markets - U.S.* Data are as of December 31, 2024.





A sharp drop in real estate investment in China



Source: Bloomberg



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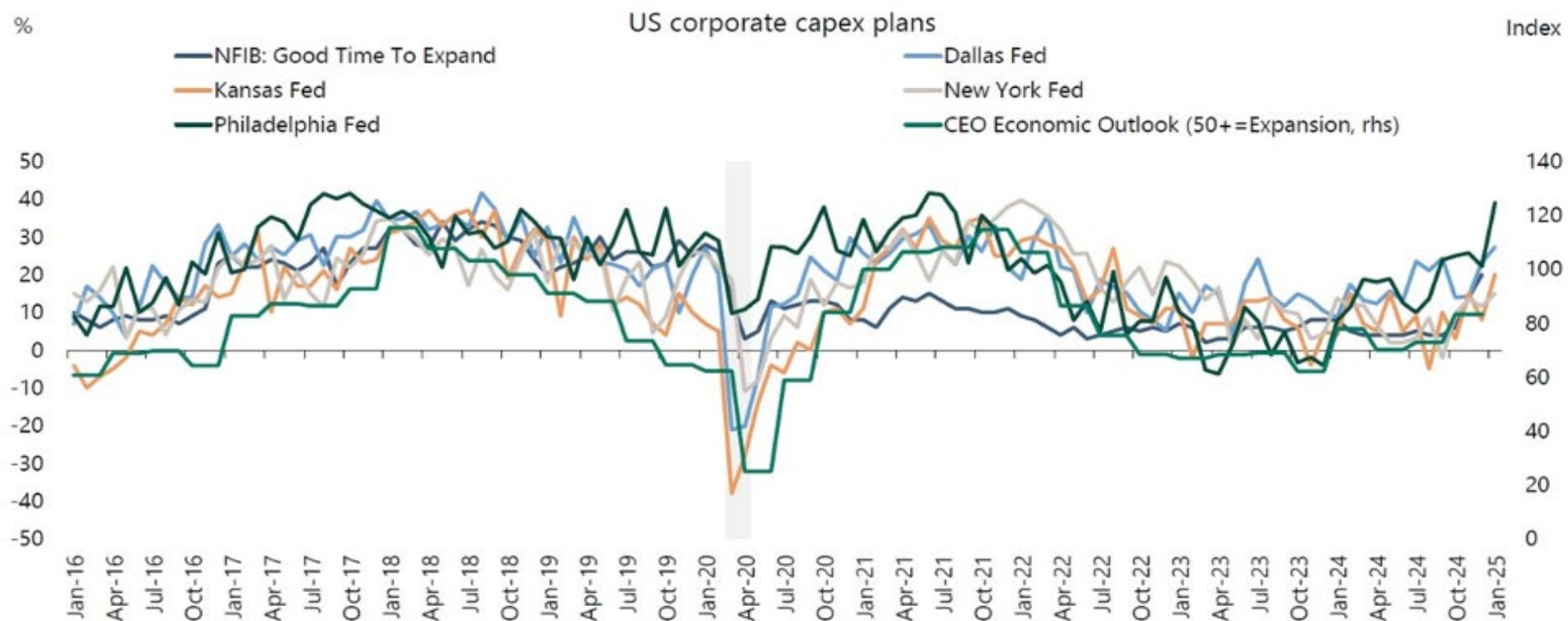
Regional Fed manufacturing surveys point to rebound in nationwide manufacturing ISM



Source: Federal Reserve

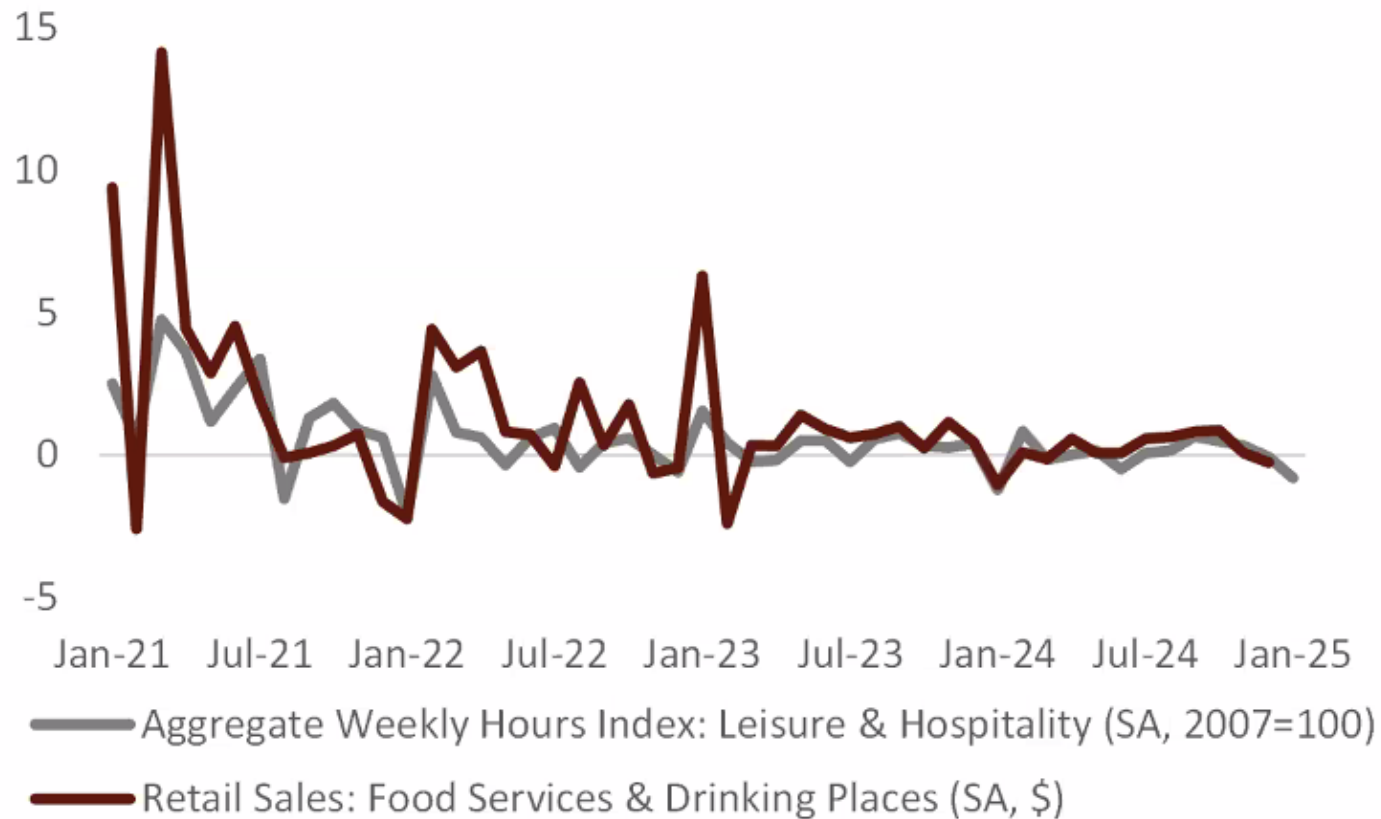


Corporate capex spending plans



Source: Federal Reserve

Dining out has gone out of style (month Over month % change)



Source: Renaissance Macro Research, Haver Analytics



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Weekly retail sales strong



Source: Redbook, Haver Analytics, Apollo Chief Economist

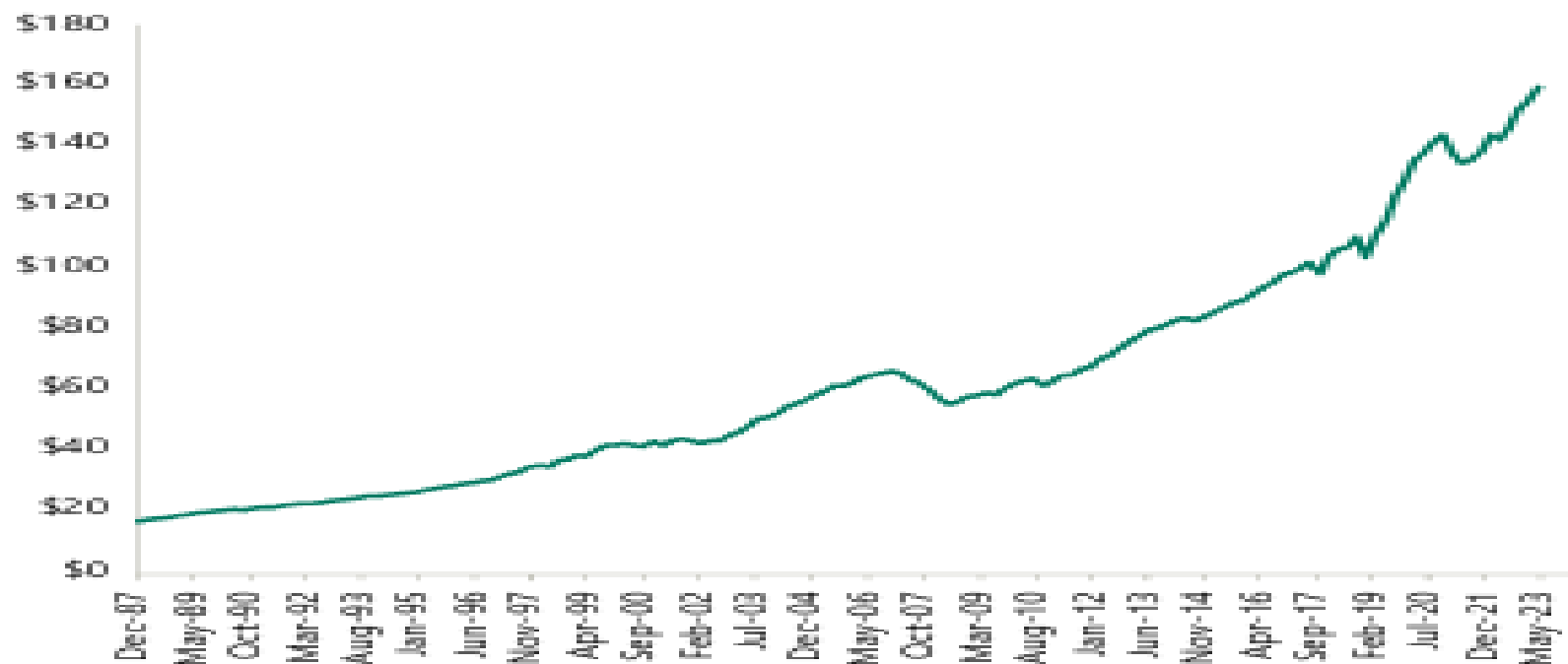


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Exhibit 2: Household net worth has risen to record levels supported by the rally in markets

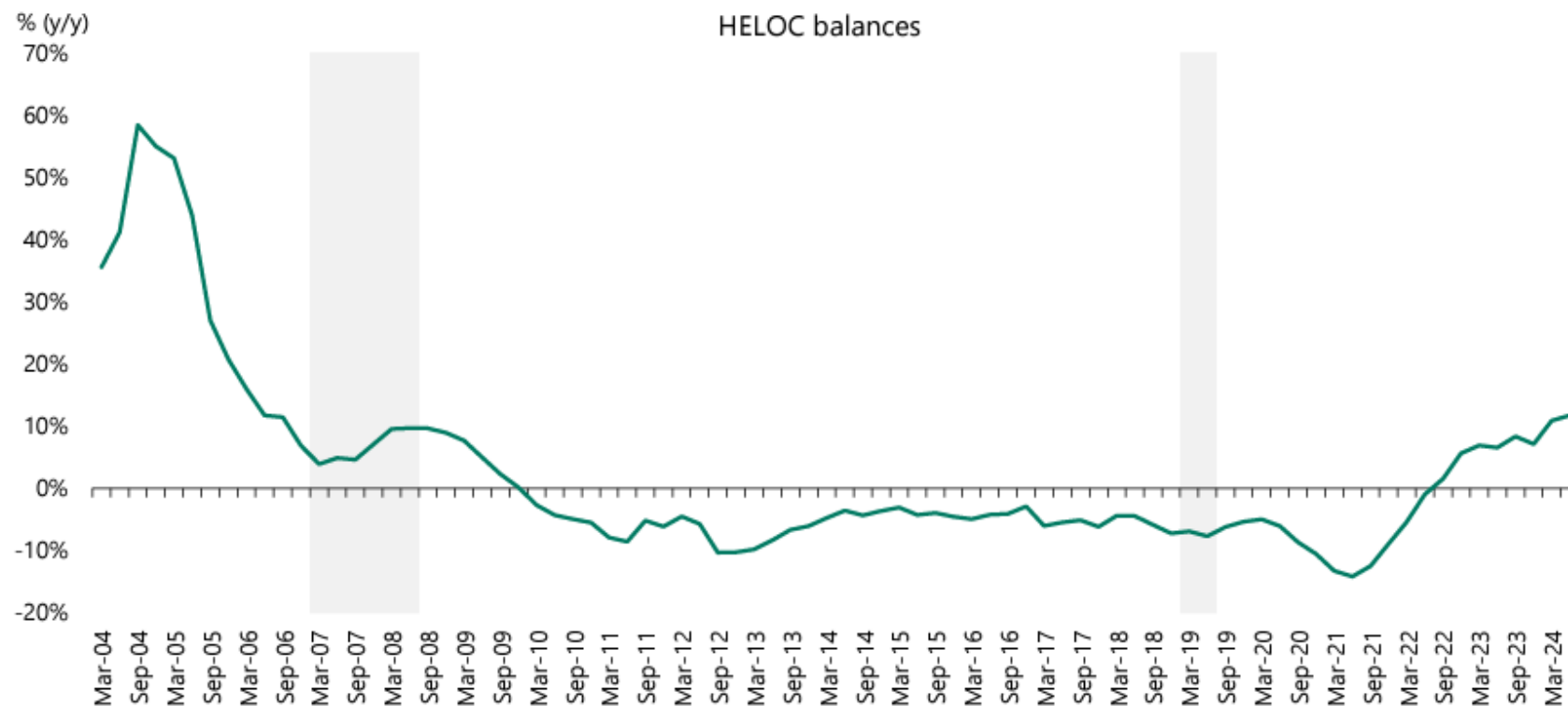
Household Net Worth (\$trn)



Data as of the third quarter of 2024.
Source: Federal Reserve



Home equity lines of credit (HELOC) balances have increased



Source: New York Fed Consumer Credit Panel/Equifax, Apollo Chief Economist

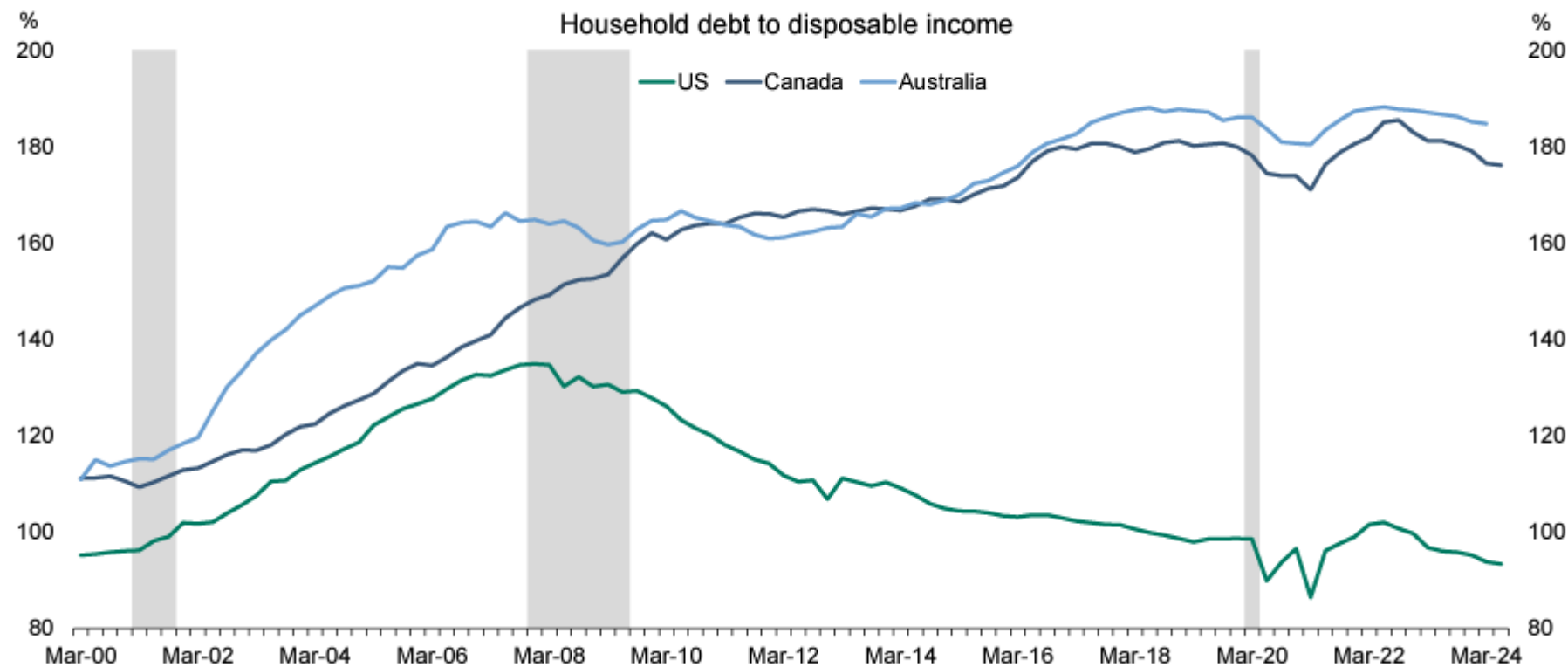


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APOLLO

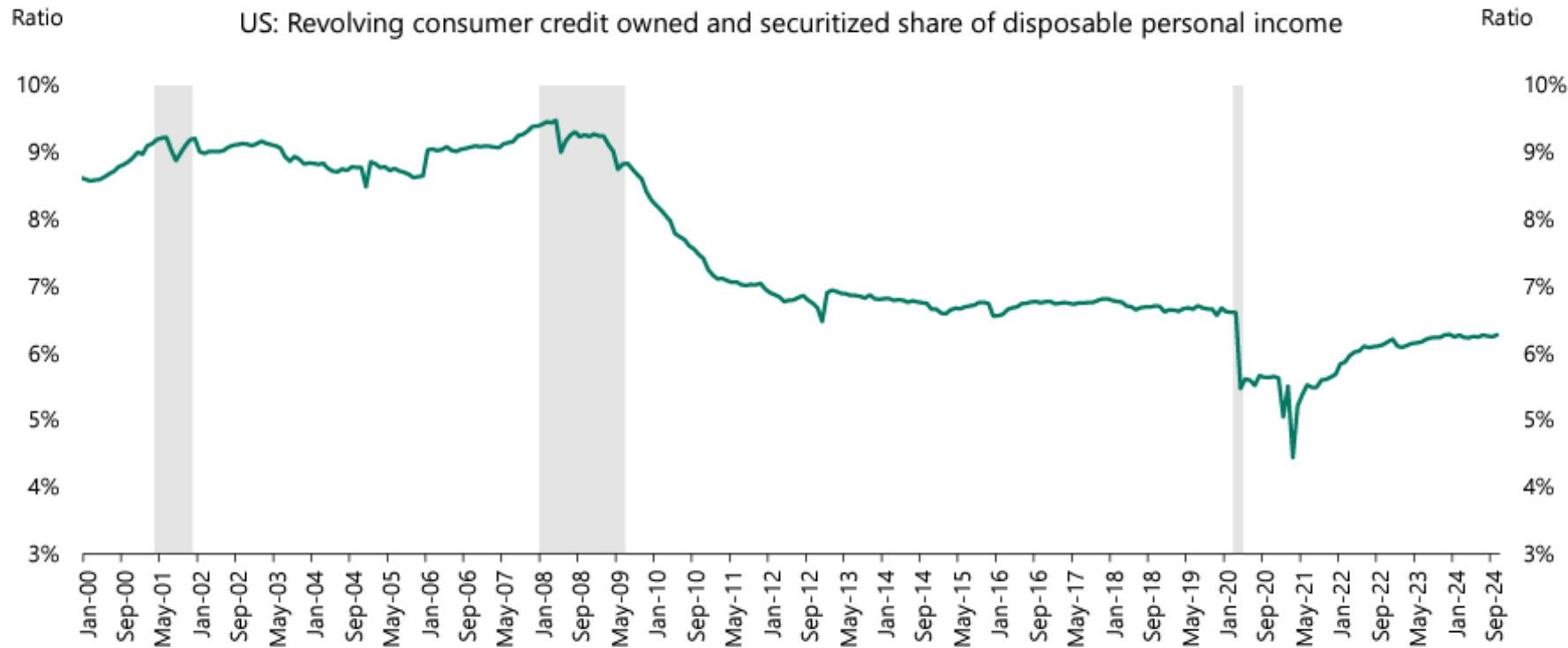
US household balance sheets are in excellent shape



Source: Statistics Canada, Reserve Bank of Australia, Bloomberg, Apollo Chief Economist

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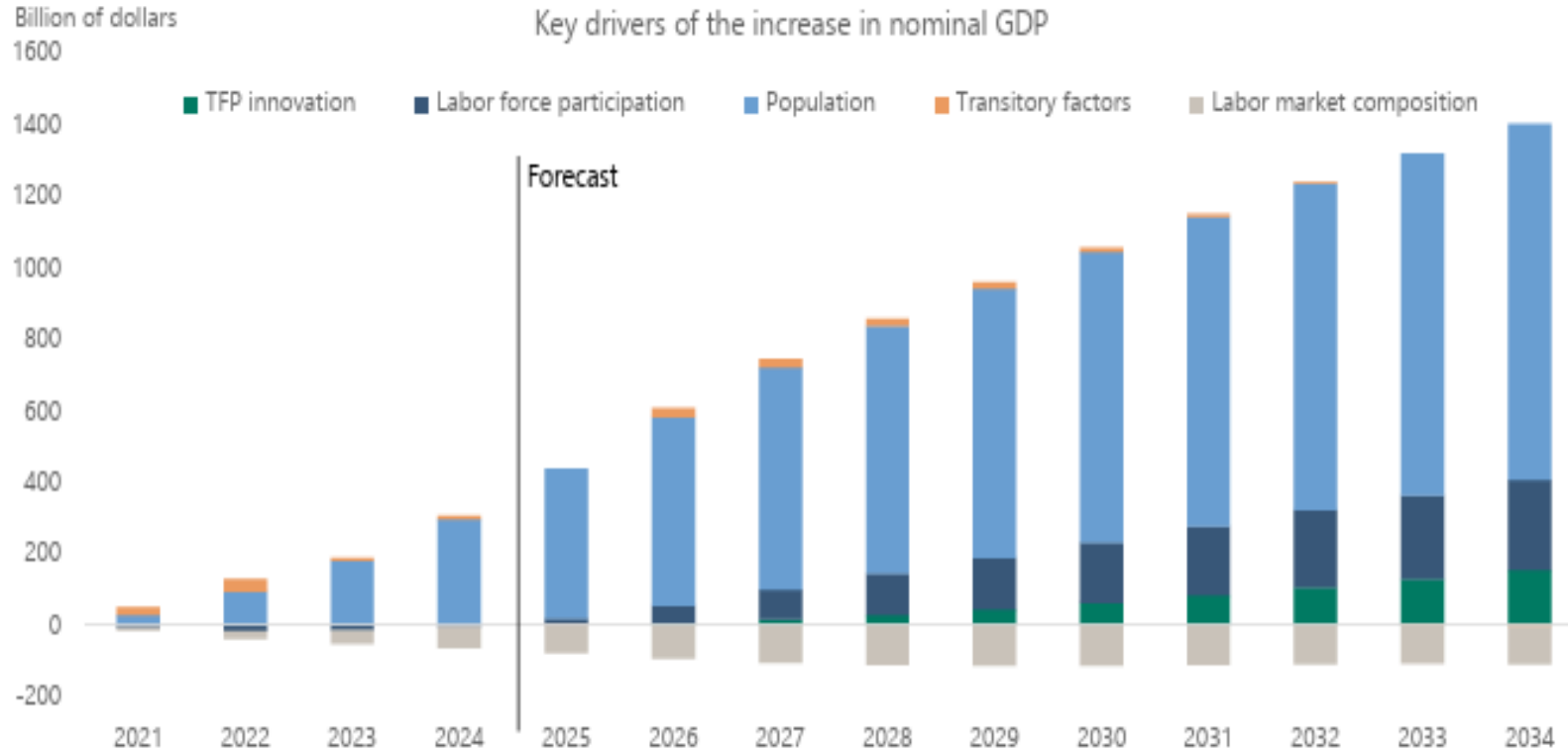
Credit card debt as a share of disposable income very low



Source: FRB, BEA, Haver Analytics, Apollo Chief Economist

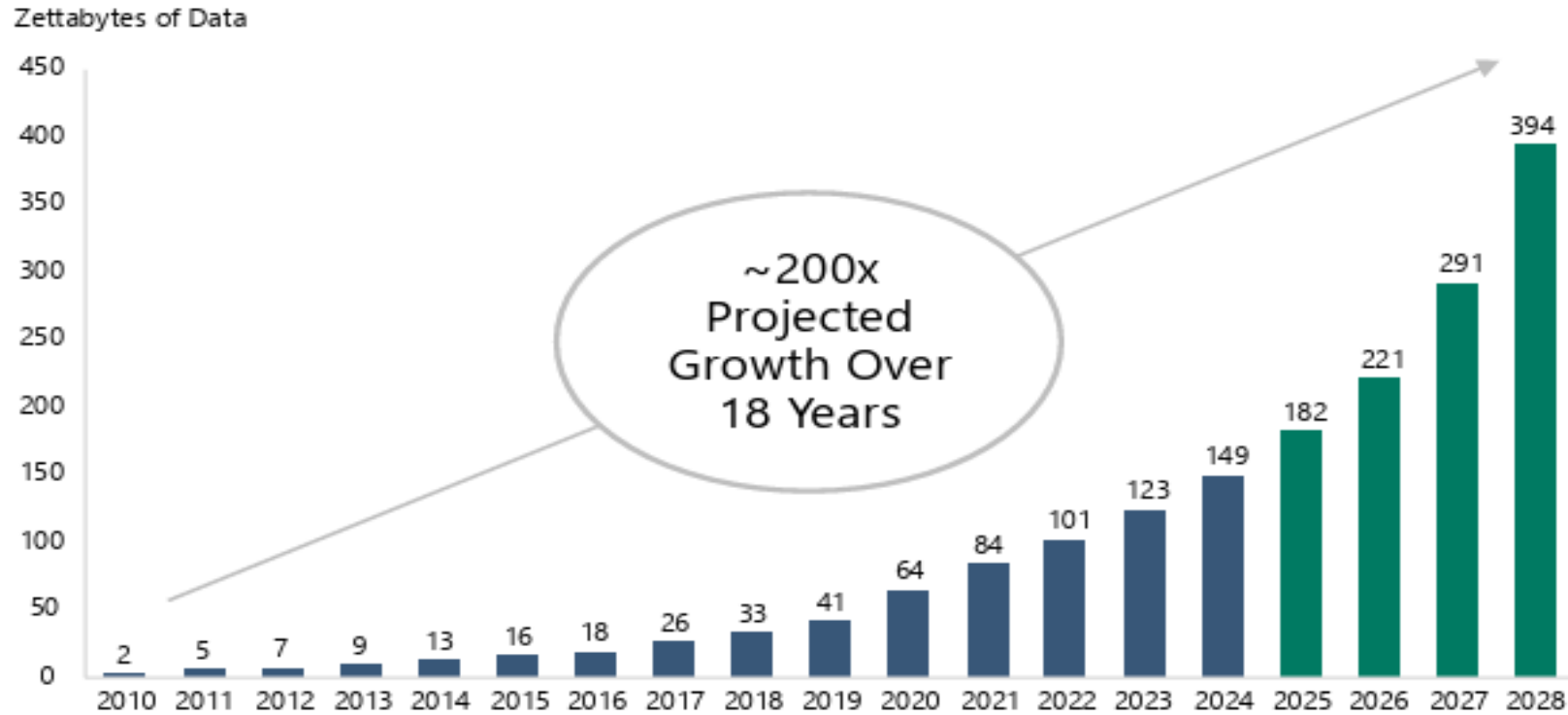


Increase in population size is the primary driver of growth in GDP



Note: TFP = total factor productivity. Source: Congressional Budget Office, Apollo Chief Economist

Exhibit 13: Exponential growth in data has been so immense that traditional units of measurement are insufficient to capture the industry



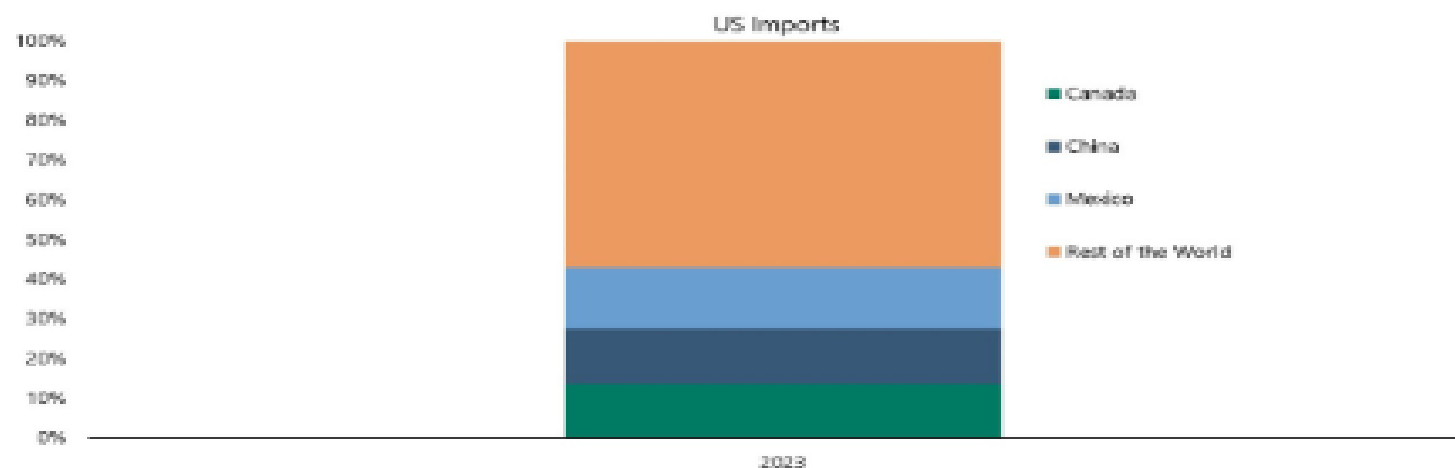
Data as of May 2024.
Source: Statista



Goods imports make up 11% of US GDP, and 43% of US imports come from Canada, Mexico, and China. This means that 5% of US GDP is directly impacted by higher tariffs on Canada, Mexico, and China. This is meaningful when annual GDP growth normally is 2%.

Canada, China and Mexico make up 43% of US imports

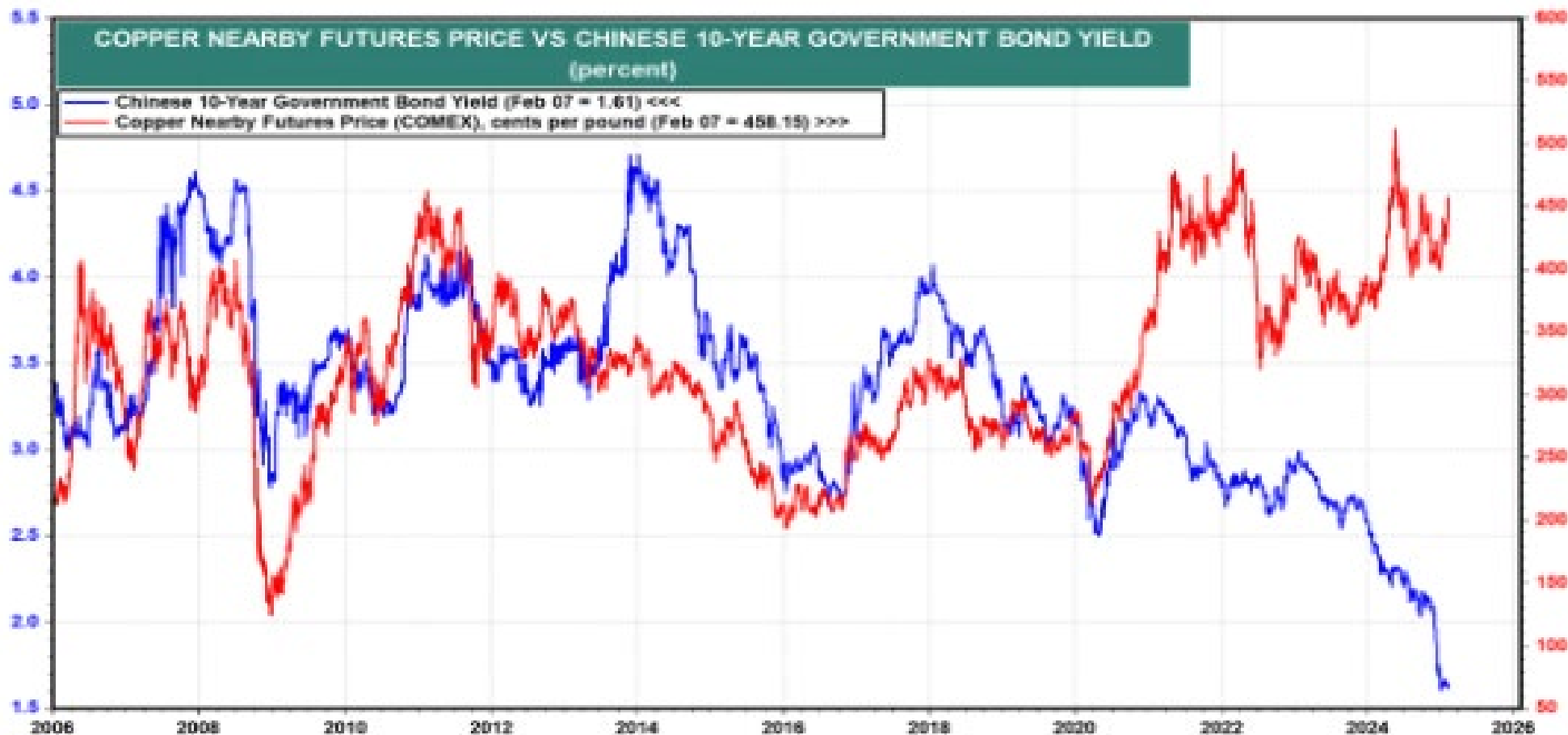
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Source: LSEG Databroom and © Yardeni Research, New York Mercantile Exchange (COMEX Division) and Refinitiv.



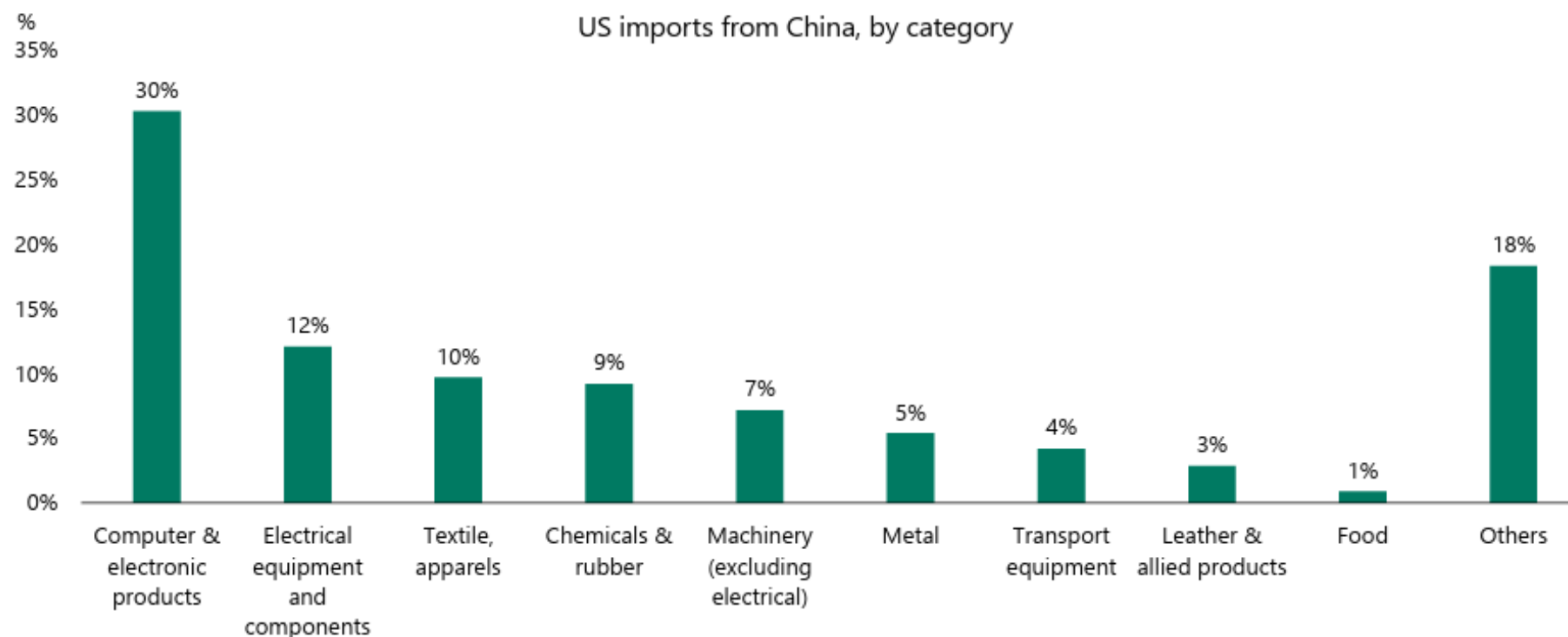
China: Consumer confidence is down



Source: NBS, Haver, Apollo Chief Economist



US imports from China, by category



Rational for tariffs / Steve Pavolick

Forcing various countries to do things on your terms. Why?

- They are near recession and would have a tough time to get out of a declining economy
- Access to Critical Minerals (Canada who can reduce China's involvement)
- Reduce immigration
- Reduce illegal drugs
- Limit China dumping of products into North American Markets (20% share of the Mexican car market in less than 5 years)
- Set tone for MCA agreement that comes up for a vote in July 2026



Deepseek / What did it do?

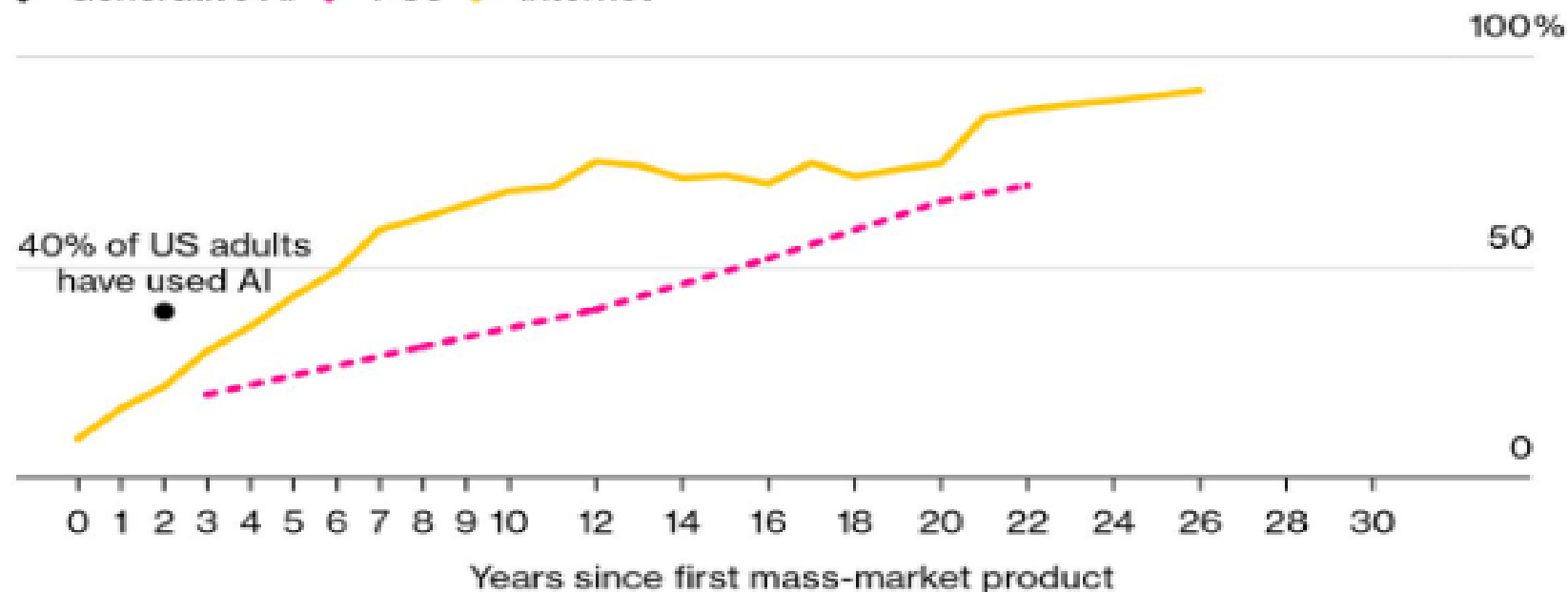
- It is a Chinese based company that was able to train a LLM which ran 45x more efficiently than prior U.S. models despite a U.S. computer chip ban.
- They developed a model that activates parts of the model that are needed to solve the problem.
- Deepseek was able to do it at a cost of \$5.6mm dollars/although on further analysis it did not account for things including R&D for model architecture, algorithms, data acquisition, GPU's, and test runs which would have brought the cost many multiples higher.
- It appears that many parts were copied from Open AI. How do you know? When Deepseek answers questions they are answered verbatim to Open AI. For example, when asked the question as to what is the best place to live, they answer various American cities not Chinese.
- US based AI Models are now safeguarding their information more closely so that they cannot have their intellectual property taken.



AI Is Being Adopted Faster Than PCs Or the Internet

Adoption rates following first mass-market product.

Generative AI PCs Internet



Source: "The Rapid Adoption of Generative AI," by Alexander Bick, Adam Blandin and David J. Deming, NBER

Bloomberg



Mark Lipacis -- Semi and Semi Cap

AI Expert Checks on DeepSeek

- **Concern #1: DeepSeek Lowers Demand**
 - ▶ Legit improvements. Evolutionary, not revolutionary
 - ▶ Lower \$/token = Greater demand for tokens

- **Concern #2: DeepSeek Commoditizes Inferencing**
 - ▶ LLMs now "Reasoning" / "Test-Time-Training" = Inferencing + Training

- **Concern #3: DeepSeek Shifts Compute to ASICs from NVDA**
 - ▶ External workloads/cloud services: stay ~100% NVDA
 - ▶ Internal workloads: 70%-90% NVDA today -> 50%-70% in 5 yrs

- **Concern #4: Blackwell push = NVDA air-pocket in 1H25**
 - ▶ GPU demand high, some buying older GPUs, some pushing orders
 - ▶ Investors aware of Blackwell pushout

Two of the most important people in Trump's Administration

Kevin Hassett



Scott Turner



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2. Registration with the SEC should not be construed as an endorsement or an indicator of investment skill, acumen, or experience.
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