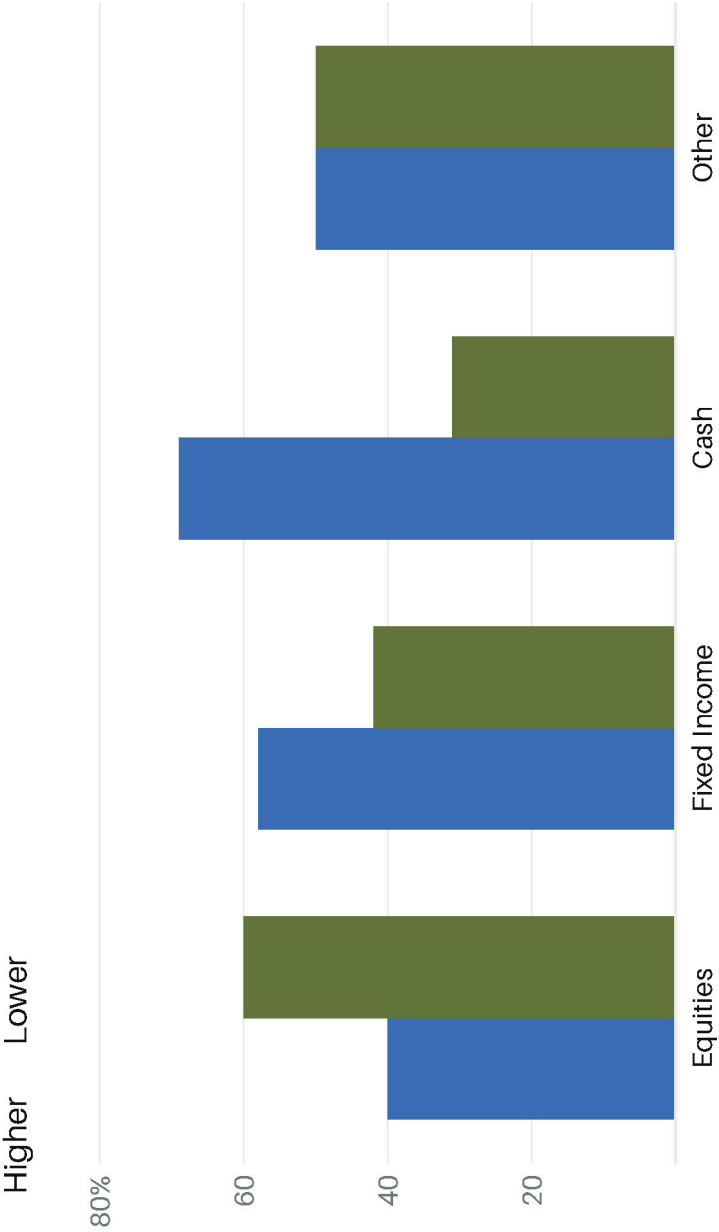
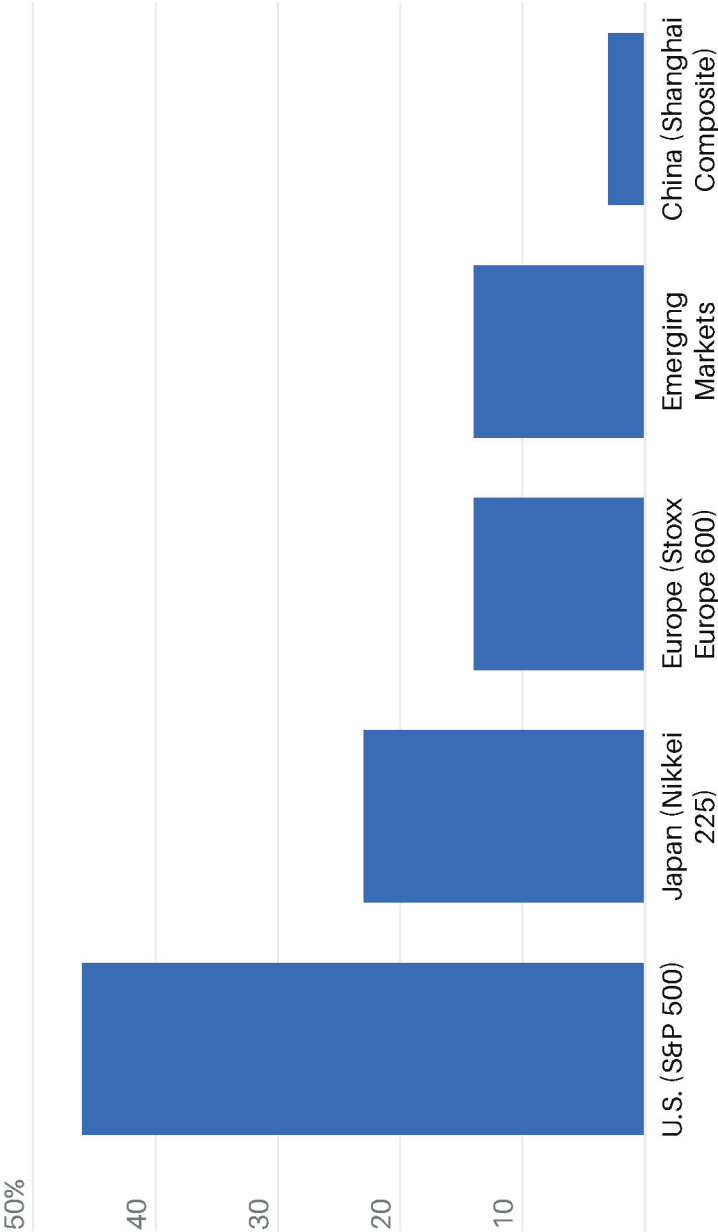


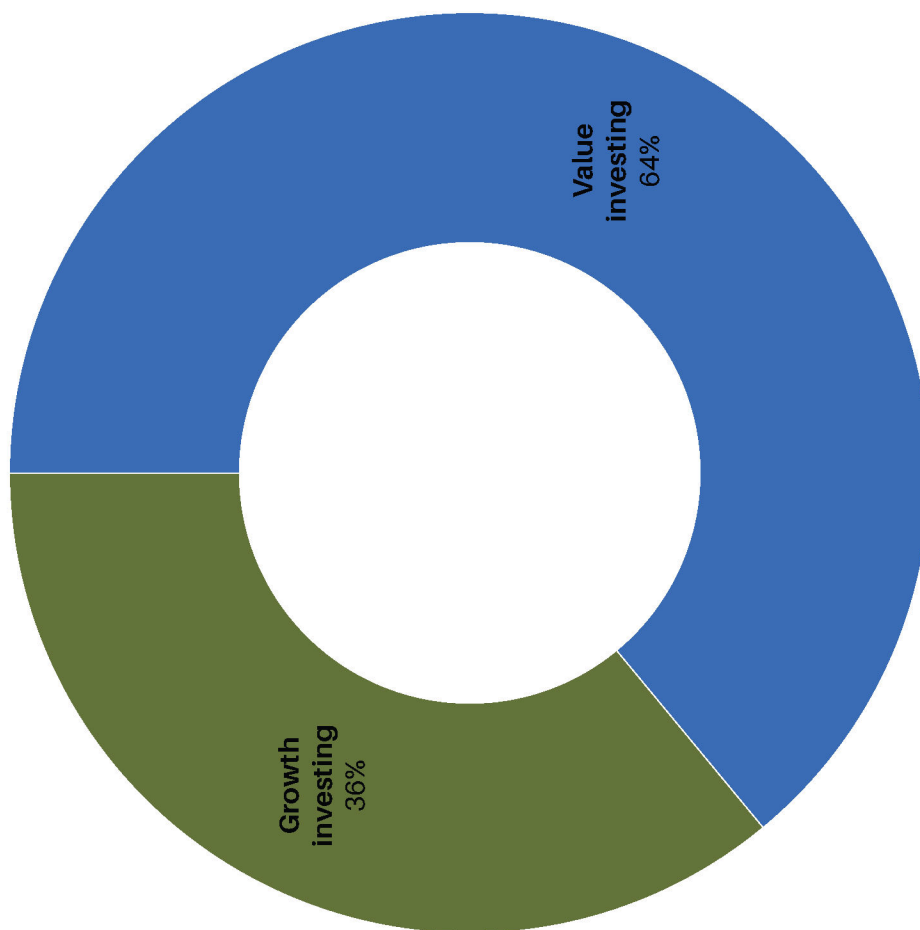
Is your weighting in each of these assets higher or lower than six months ago?



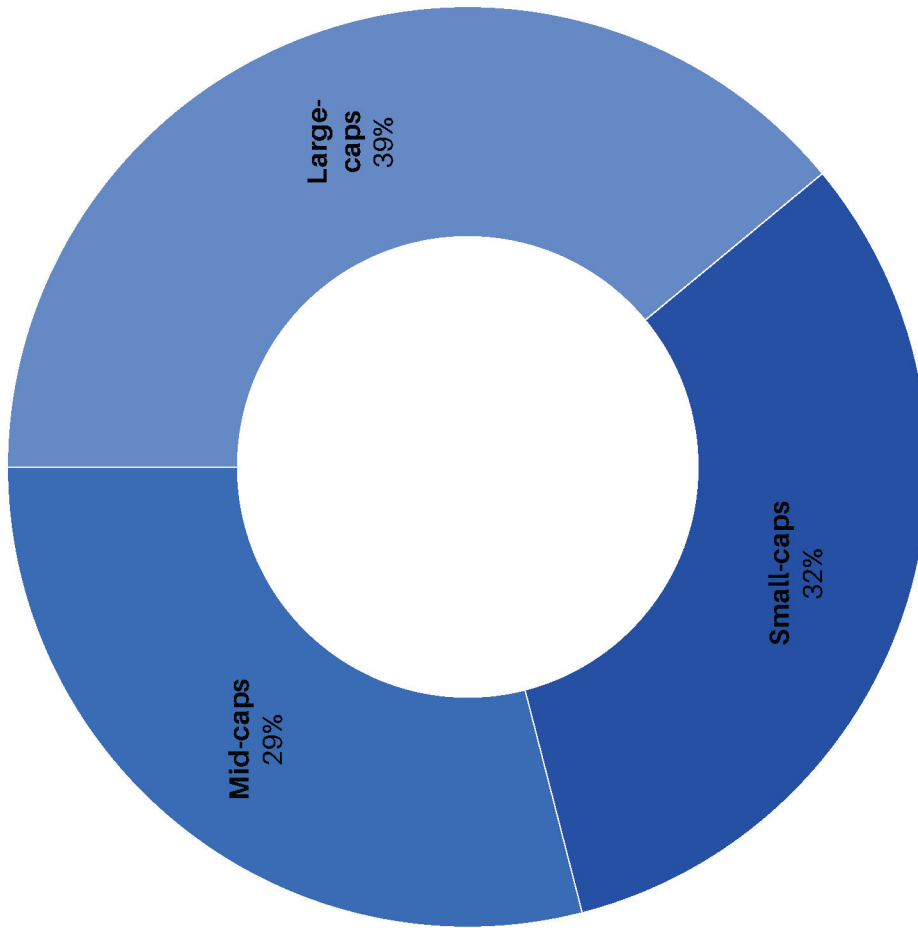
Which major equity market will perform best in the next 12 months?



Which investment approach will perform best in the next 12 months?



Which equity category will perform best in the next 12 months?



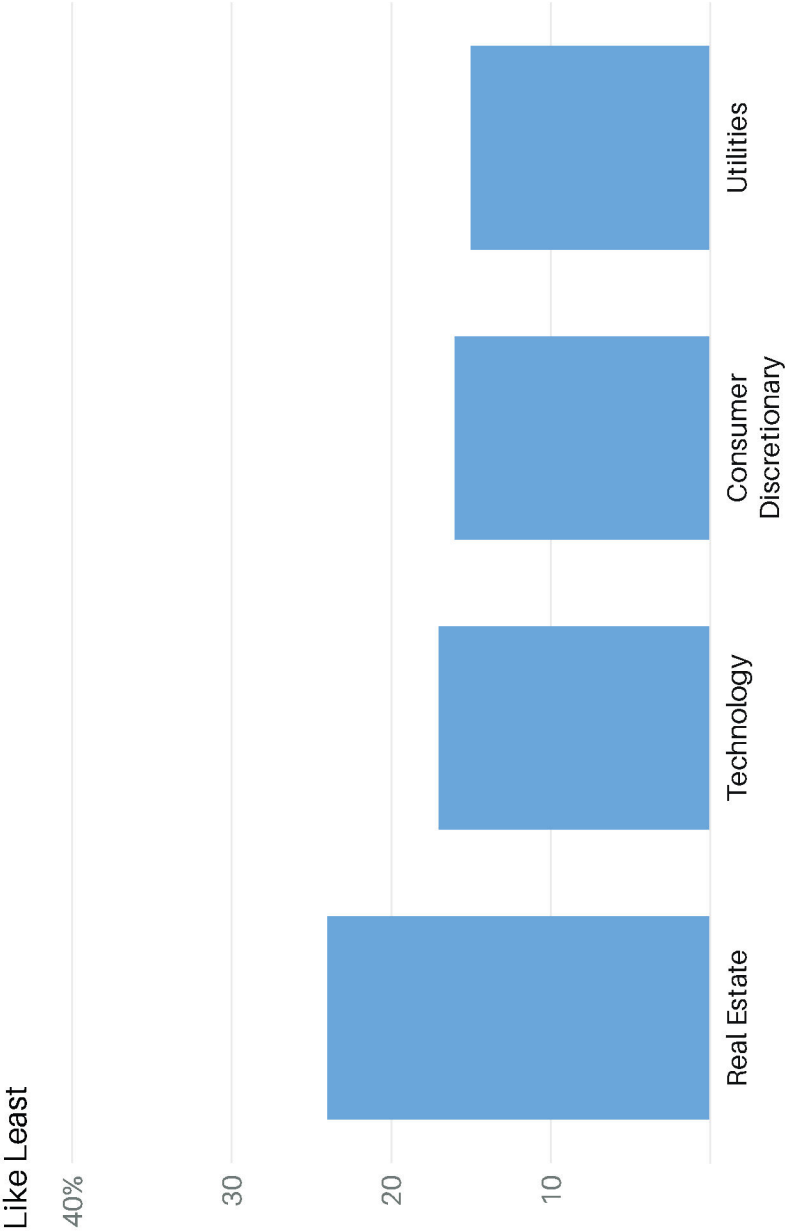
Which equity sector do you currently like most, and which do you like least?

Like Most

30

20

10



Which fixed-income category do you currently favor most?

80

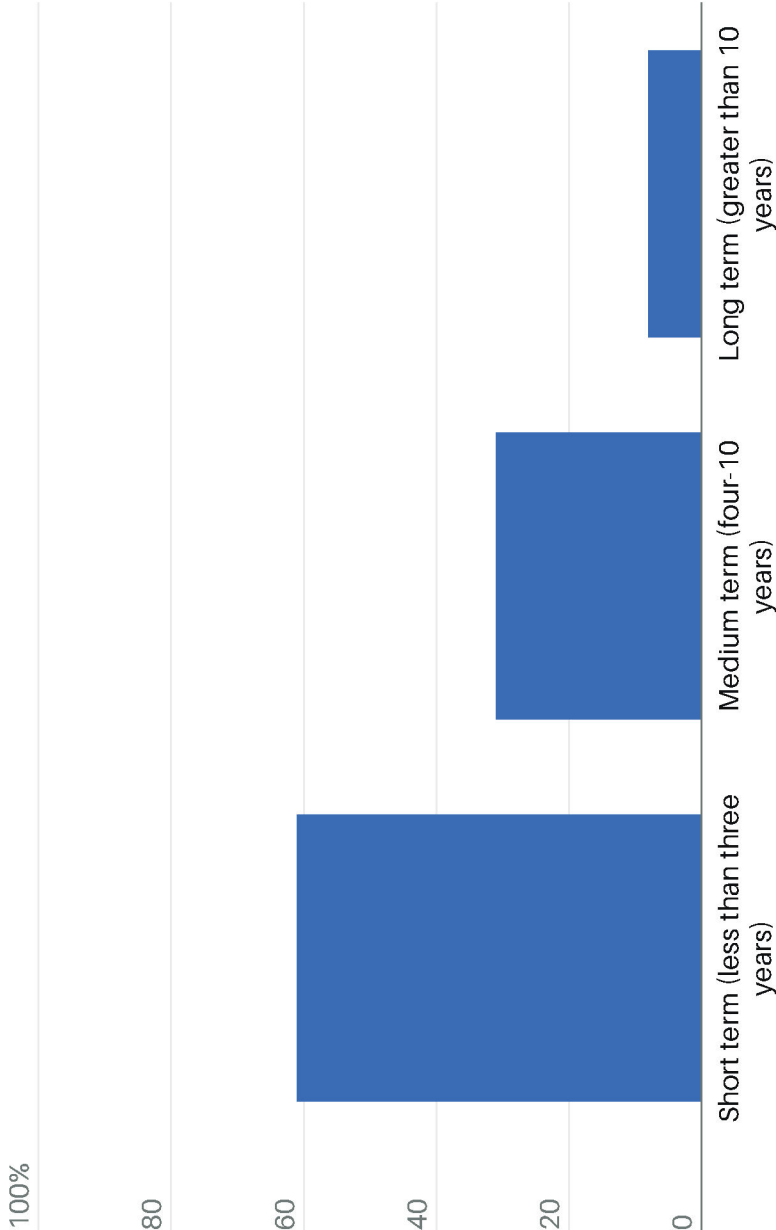
60

40

20

High-yield corporate bonds
Investment-grade corporate bonds
* Treasury Inflation-protected Securities

Describe your fixed-income allocation by duration.



Where is the best place to park cash right now?

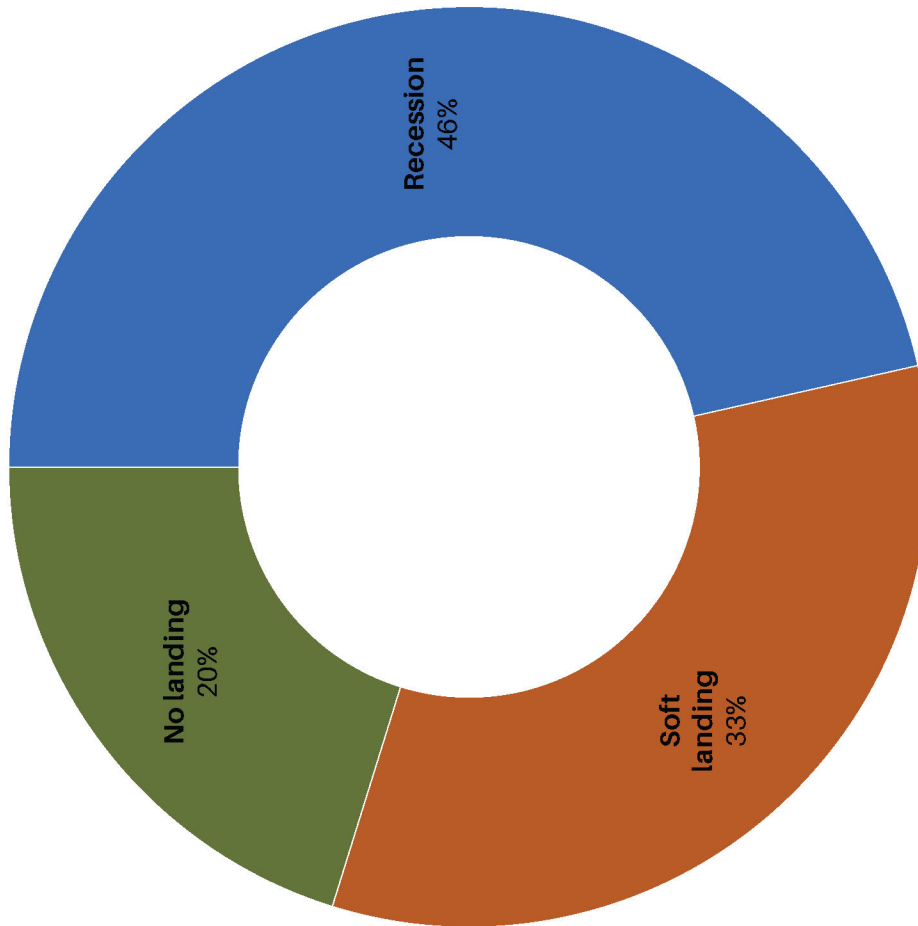
Prediction

Predict the levels of the following one year from now.

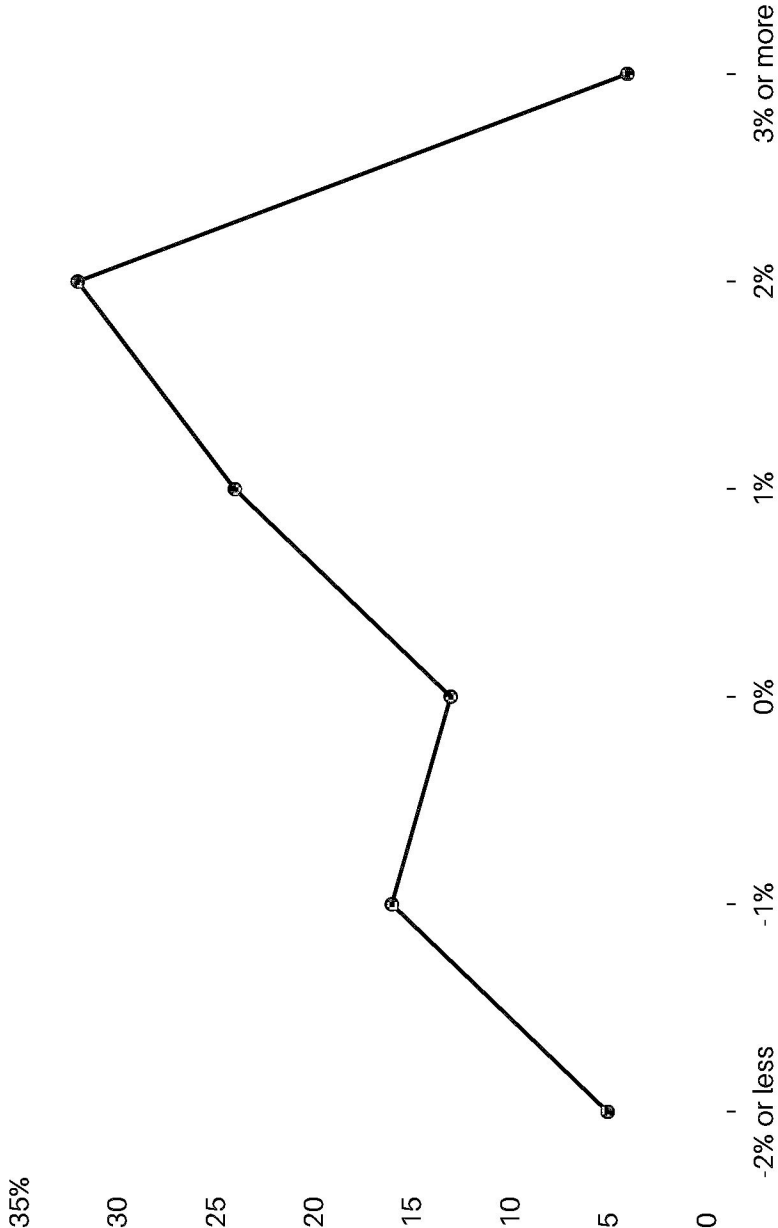
Investment	Price
Oil / WTI (per barrel)	\$91
Gold (per troy ounce)	\$1,960
Bitcoin	\$24,682

The Economy

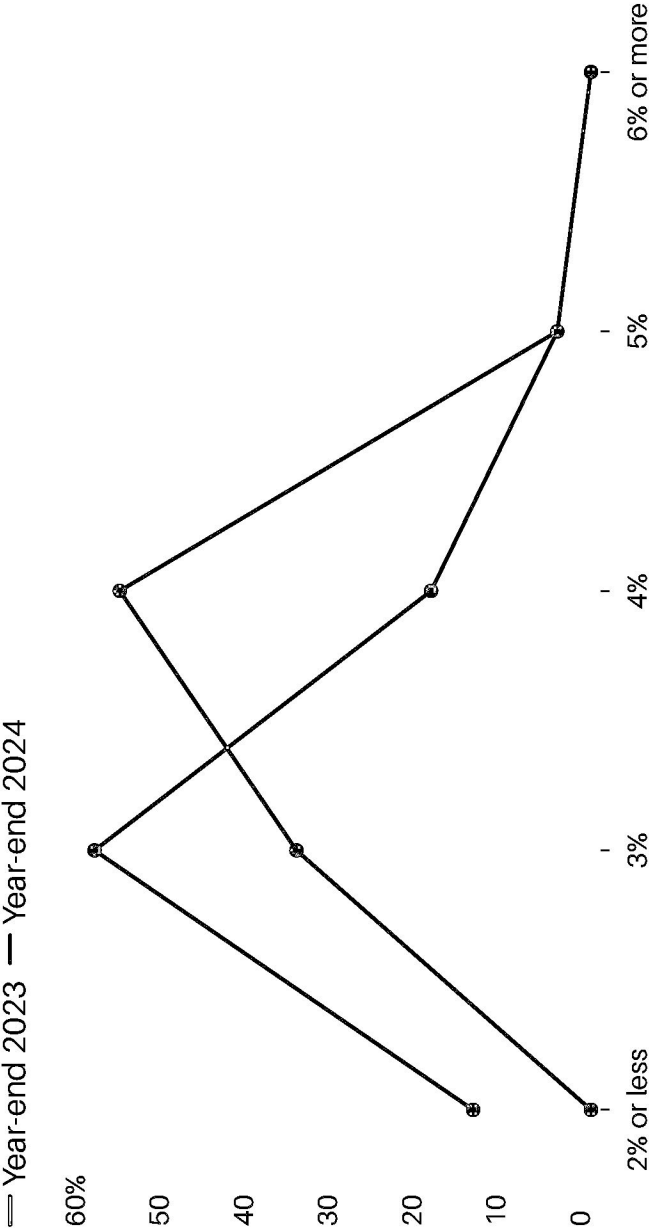
Which best describes your outlook for the U.S. economy in the next 12 months?



Predict the growth rate of real U.S. GDP in 2024.



Predict the year-over-year U.S. inflation rate (consumer price index) at the end of 2023 and 2024.



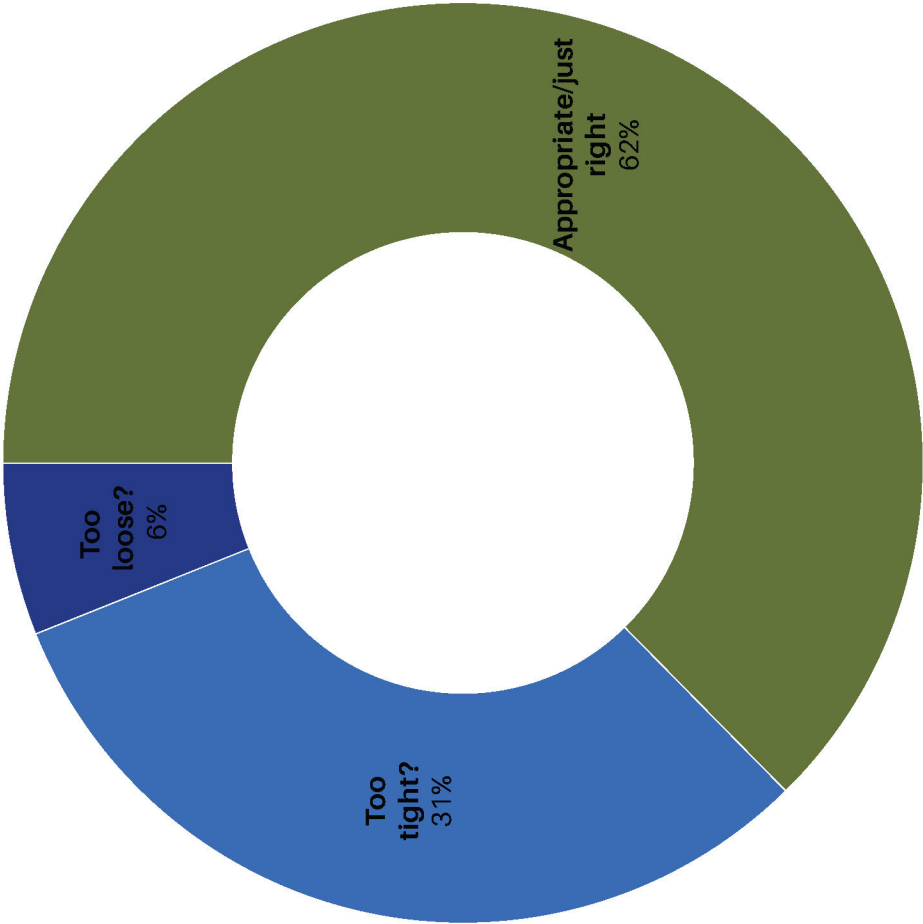
Where will the federal-funds rate be at the end of 2023 and the end of 2024?

Federal-funds rate target range

2023*	2024
Below 4.25%	0% 8%
4.25%-4.50%	2% 10%
4.50%-4.75%	2% 16%
4.75%-5.00%	5% 28%
5.00%-5.25%	17% 21%
5.25%-5.50%	8% 47%
5.50%-5.75%	8% 26%
5.75%-6.00%	2% 1%

* Percentage doesn't total 100 due to rounding.

Is the Federal Reserve's policy stance...



Percentage doesn't total 100 due to rounding.

What will the two-year Treasury note and the 10-year Treasury note yield a year from now?

Two-Year	10-Year
----------	---------

3.00% or less	1%
	1%

3.25%	6%
	0%

3.50%	4%
	6%

3.75%	4%
	9%

4.00%	15%
	14%

4.25%	13%
	10%

4.50%	20%
	26%

4.75%	14%
	14%

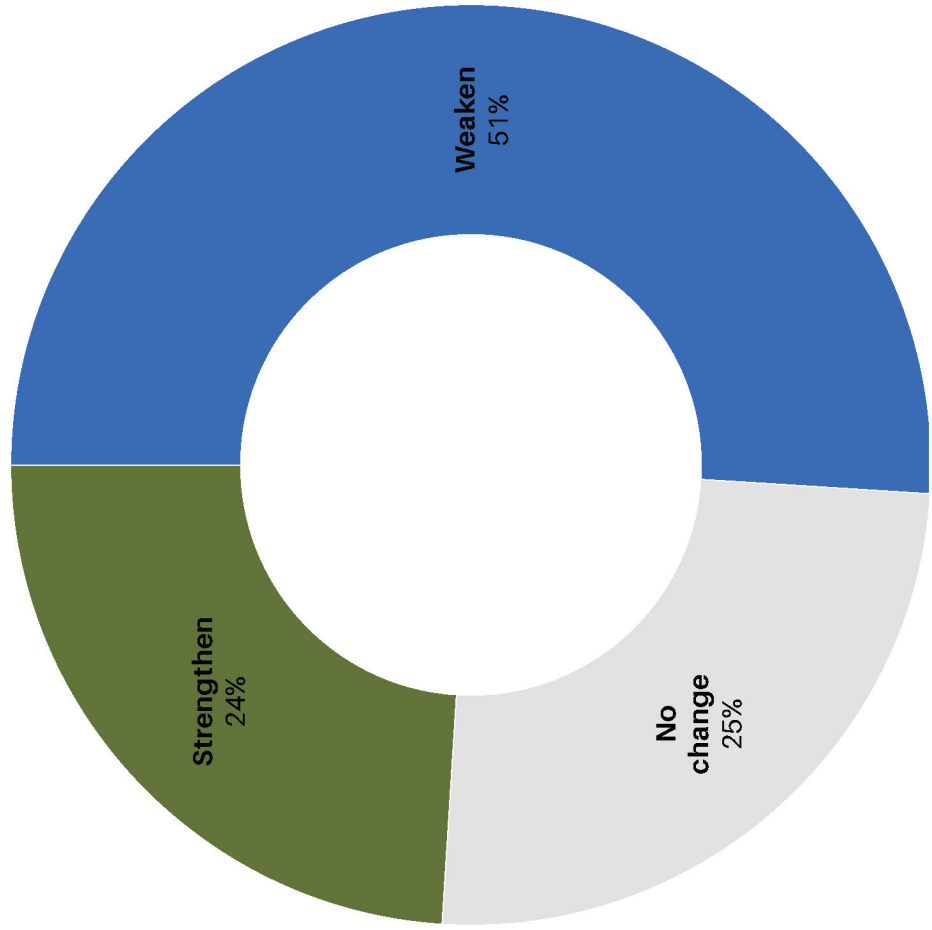
5.00%	13%
	14%

5.25%	4%
	6%

5.50% 3% 6%

5.75% or more 0% 1%

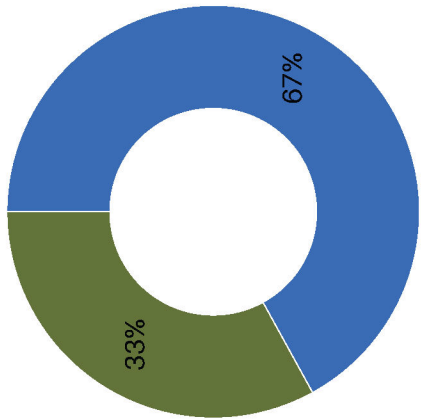
Will the U.S. Dollar Index (DXY) strengthen, weaken, or stay the same in the next 12 months?



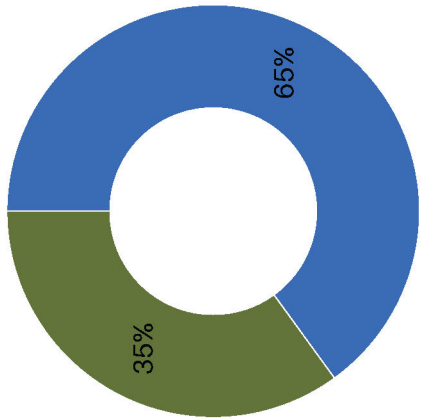
Report Card

Are you beating on the S&P 500 this year...

No
Yes



...personally?



...professionally?

Blue Chip Financial Forecasts®

**Top Analysts' Forecasts Of U.S. And Foreign Interest Rates, Currency Values
And The Factors That Influence Them**

Vol. 43, No. 2, February 1, 2024

Wolters Kluwer

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TABLE OF CONTENTS

Domestic Commentary – Highlights of January 26-29 Survey	p. 1
Domestic Summary Table – Table of consensus forecasts of U.S. interest rates and key economic assumptions	p. 2
International Summary Table – Table of consensus forecasts of international interest rates and foreign exchange values	p. 3
International Commentary (by Andy Cates)	p. 3
Individual Panel Member's U.S. Forecasts – Of interest rates and key assumptions for the next six quarters	p. 4-9
Individual Panel Member's International Forecasts – Of international interest rates and foreign exchange values	p. 10-11
Viewpoints – A sampling of views on the economy and government policy excerpted from recent reports issued by our panel members	p. 12-13
Special Questions – Results of special questions posed to panel members about the economy, financial markets and government policy	p. 14
Databank – Monthly historical data on many key indicators of economic activity	p. 15
Calendar – Release dates for important upcoming economic data, FOMC meetings, etc.	p. 16
List of Contributing Economists – To Domestic and International Survey	inside of back cover

Economic Surprises Continue

Full of surprises. The US economy surprised forecasters yet again in last year's fourth quarter with stronger-than-expected growth and lower-than-expected inflation. The last BCFF Q4 real GDP forecast (from the survey taken at the end of November) was for growth of 1.2% q/q saar. Just prior to the release on January 25, the market consensus expected a 2.0% increase. The actual figure was 3.3%. To be sure, some of the Q4 strength will likely be ephemeral, notably the increase in inventory investment. The inventory investment in Q4 was a little faster than needed to keep pace with trend demand growth. So, some slowdown ahead is likely.

However, demand was also solid in Q4. Personal consumption expenditures rose a solid 2.8% as continued robust labor market conditions boosted disposable income. Nonresidential investment, government spending and exports also made meaningful contributions in Q4. All in all, private domestic demand (final sales to private domestic purchasers) increased a respectable 2.6% q/q saar in Q4 2023 and 2.7% Q4/Q4.

Even as growth has remained above trend, inflation has continued to surprise on the downside. The GDP price index increased only 1.5% q/q saar in Q4, more than one percentage point below expectations. The PCE price index, the one on which the Fed places the most emphasis, increased just 1.7%, nearly one percentage point below expectations. The combination of above-trend growth and falling inflation has brightened the BCFF outlook considerably. In this month's survey, 81% of respondents think the US economy will achieve a "soft landing," that is a return of inflation to around the Fed's 2% target without the economy experiencing a recession, up markedly from 63% last month.

Expected slowdown. Still, the BCFF consensus expects much slower growth in 2024 than in 2023. It looks for real GDP growth to slow to 1.4% in Q1, and 0.9% in both Q2 and Q3. For the four quarters of 2024, the consensus looks for real GDP to advance just 1.2%, in stark contrast to the 3.1% increase in the four quarters of 2023 but up from 0.8% expected in last month's survey. Even though the consensus expects anemic growth throughout much of this year, it does not foresee a recession. The panel thinks there is only a 39% probability of a US recession occurring over the next 12 months versus 45% last month and a recent peak of 63% last February.

While the BCFF panel is not queried about the source of the expected slowdown, inferences can be made from the answers given to several special questions. First and foremost, the panel considers the current stance of monetary policy to be quite restrictive. The consensus estimate of the neutral fed funds rate (FFR) (the rate that is neither restrictive nor stimulative) is 2.86%, more than 250bps lower than the current FFR target of 5.375%, indicating a meaningfully tight policy. Furthermore, the panel accepts that changes in monetary policy impact the economy with a lag, with 80% thinking that the economy has yet to feel the full impact of previous tightening.

Less fiscal accommodation and weak growth abroad also appear to factor into the consensus US outlook. 93% of respondents think that accommodative fiscal policy played a key role

in the resilience of the economy in 2023. 77% expect less accommodation this year with 52% thinking that the reduced fiscal boost will meaningfully slow the economy. Also, the consensus does not expect much help from abroad. The euro area economy contracted slightly in the second half of last year, and respondents place a 54% probability of a recession emerging within the next 12 months. The UK economy has also been struggling. Real GDP declined in the three months to November with respondents assigning a 56% probability of a recession ahead.

Fed prepares for rate cuts. The FOMC met at the end of January and as almost universally expected, left its FFR target unchanged at 5.375%, where it has been since last July. In the announcement following the meeting, it moved to a more neutral position concerning the likely direction of future policy actions and noted explicitly that it would keep policy sufficiently restrictive until the committee is confident that inflation is on a path to the 2% target. Message to financial markets: the next move in the FFR will be down but it might not occur as soon as you expect. With the Fed expected to reduce the FFR, economic growth expected to slow, and inflation anticipated to remain near target, the BCFF consensus expects market interest rates across all maturities to decline throughout the six-quarter forecast horizon.

BCFF panelists were queried about several aspects of the near-term course for monetary policy. First was the timing of the first FFR cut. A plurality of respondents (41%) looks for the first cut to occur at the May FOMC meeting with 16% expecting one in March and 25% anticipating the first cut in June. All respondents except one expect the first cut to have occurred by July. On average, the group anticipates the FFR target to be reduced by 112bps during 2024. This stands in contrast to the FOMC which expects only 75bps of rate cuts this year. And while the fed funds futures market has recently priced out some of the rate cuts it had previously priced in, it still envisages a much larger 125bps of FFR cuts in 2024.

What about QT? A component of the recent tightening of monetary policy that has received less attention is the decline in the Fed's security holdings on its balance sheet. In support of its tightening of monetary policy via increases in the FFR target that began in March 2022, the Fed has also been allowing its security holdings to decline since June 2022 at a pace of \$80 billion per month. This is known as quantitative tightening (QT) as it reduces the reserves held by the banking system. Since June 2022, the Fed's security holdings have declined by more than \$1.3 trillion but are still more than 80% larger than they were prior to the pandemic. A question that has arisen in financial markets as they anticipate the first FFR cut is whether the Fed would stop the reduction in its balance sheet when it began to cut the FFR. BCFF panelists mostly think it won't, with only 23% expecting that QT will be halted when the Fed begins to lower interest rates.

Sandy Batten (Haver Analytics, New York, NY)

2 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

Consensus Forecasts of U.S. Interest Rates and Key Assumptions

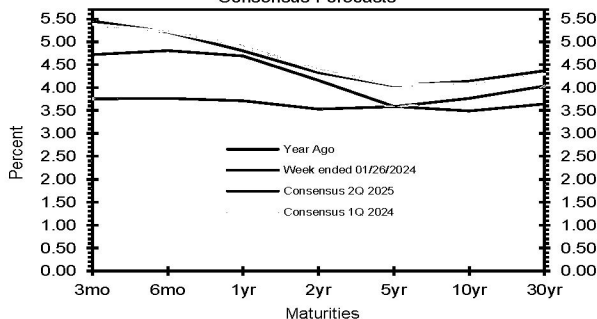
Interest Rates	History								Consensus Forecasts-Quarterly Avg.					
	-----Average For Week Ending-----				----Average For Month----				1Q	2Q	3Q	4Q	1Q	2Q
	Jan 26	Jan 19	Jan 12	Jan 6	Dec	Nov	Oct	4Q 2023	2024	2024	2024	2024	2025	2025
Federal Funds Rate	5.33	5.33	5.33	5.33	5.33	5.33	5.33	5.33	5.3	5.1	4.7	4.4	4.1	3.8
Prime Rate	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.5	8.2	7.9	7.6	7.3	7.0
SOFR	5.31	5.31	5.31	5.36	5.33	5.32	5.31	5.32	5.3	5.2	4.8	4.5	4.2	3.9
Commercial Paper, 1-mo.	5.32	5.33	5.32	5.32	5.32	5.33	5.33	5.33	5.3	5.1	4.7	4.4	4.1	3.9
Treasury bill, 3-mo.	5.45	5.46	5.47	5.47	5.44	5.52	5.60	5.52	5.4	5.1	4.7	4.3	4.0	3.8
Treasury bill, 6-mo.	5.21	5.20	5.22	5.25	5.34	5.44	5.57	5.45	5.2	5.0	4.6	4.3	4.0	3.8
Treasury bill, 1 yr.	4.80	4.79	4.77	4.83	4.96	5.28	5.42	5.22	4.9	4.7	4.4	4.1	3.9	3.7
Treasury note, 2 yr.	4.33	4.32	4.30	4.36	4.46	4.88	5.07	4.80	4.4	4.2	4.0	3.8	3.7	3.5
Treasury note, 5 yr.	4.04	4.02	3.93	3.96	4.00	4.49	4.77	4.42	4.1	3.9	3.8	3.7	3.6	3.6
Treasury note, 10 yr.	4.14	4.12	4.00	3.98	4.02	4.50	4.80	4.44	4.1	4.0	3.9	3.9	3.8	3.8
Treasury note, 30 yr.	4.37	4.34	4.19	4.12	4.14	4.66	4.95	4.58	4.3	4.2	4.2	4.1	4.0	4.0
Corporate Aaa bond	5.07	5.04	4.98	4.97	4.95	5.52	5.87	5.45	5.0	5.0	4.9	4.9	4.8	4.8
Corporate Baa bond	5.57	5.55	5.50	5.51	5.51	6.15	6.53	6.07	6.0	6.0	5.9	5.9	5.8	5.8
State & Local bonds	4.17	4.10	4.05	4.03	4.13	4.56	4.88	4.52	4.3	4.3	4.2	4.2	4.1	4.1
Home mortgage rate	6.69	6.60	6.66	6.62	6.82	7.44	7.62	7.29	6.7	6.6	6.5	6.3	6.2	6.1

Key Assumptions	History								Consensus Forecasts-Quarterly					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
	2022	2022	2022	2022	2023	2023	2023	2023	2024	2024	2024	2024	2025	2025
Fed's AFE \$ Index	108.3	113.5	118.8	119.8	115.5	114.6	115.0	116.6	115.2	114.9	114.7	114.5	114.7	114.6
Real GDP	-2.0	-0.6	2.7	2.6	2.2	2.1	4.9	3.3	1.4	0.9	0.9	1.4	1.8	2.0
GDP Price Index	8.5	9.1	4.4	3.9	3.9	1.7	3.3	1.5	2.2	2.2	2.3	2.2	2.2	2.1
Consumer Price Index	9.2	9.7	5.5	4.2	3.8	2.7	3.6	2.8	2.5	2.4	2.4	2.3	2.2	2.2
PCE Price Index	7.7	7.2	4.7	4.1	4.2	2.5	2.6	1.7	2.2	2.3	2.2	2.2	2.1	2.1

Forecasts for interest rates and the Federal Reserve's Advanced Foreign Economies Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index, CPI and PCE Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; SOFR from the New York Fed. All interest rate data are sourced from Haver Analytics. Historical data for Fed's Major Currency Index are from FRSR H.10. Historical data for Real GDP, GDP Price Index and PCE Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index history is from the Department of Labor's Bureau of Labor Statistics (BLS).

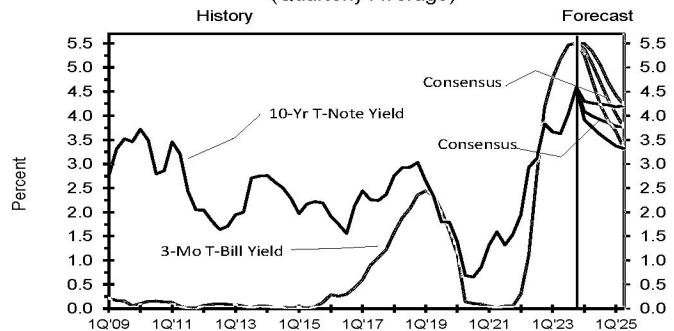
US Treasury Yield Curve

Week ended Jan 26, 2024 & Year Ago vs.
1Q 2024 & 2Q 2025
Consensus Forecasts



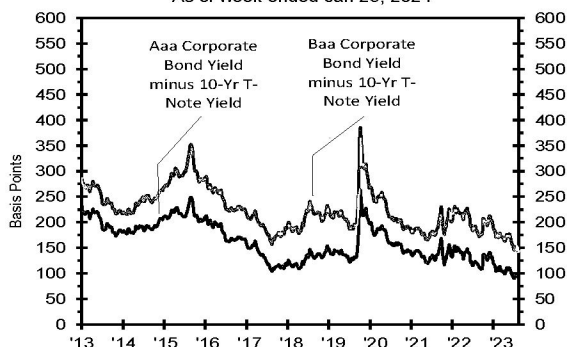
US 3-Mo T-Bills & 10-Yr T-Note Yield

(Quarterly Average)



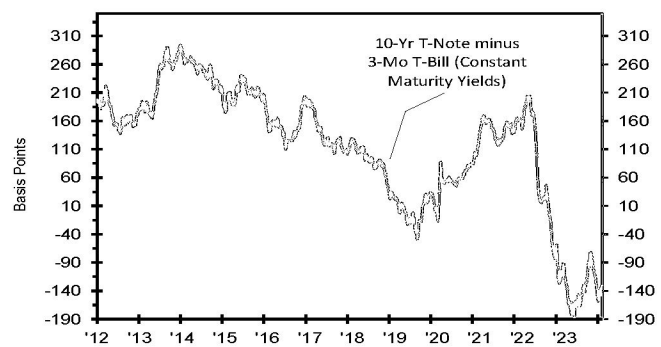
Corporate Bond Spreads

As of week ended Jan 26, 2024



US Treasury Yield Curve

As of week ended Jan 26, 2024



FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 3

-----Policy Rates¹-----

	-----History-----			Consensus Forecasts		
	Month	Year		Months From Now:		
	Latest:	Ago:	Ago:	3	6	12
U.S.	5.38	5.38	4.38	5.31	4.95	4.24
Japan	-0.10	-0.10	-0.10	-0.07	0.03	0.04
U.K.	5.25	5.25	3.50	5.17	4.93	4.27
Switzerland	1.75	1.75	1.00	1.71	1.63	1.41
Canada	5.00	5.00	4.50	4.96	4.56	3.83
Australia	4.35	4.35	3.10	4.36	4.21	3.71
Euro area	4.50	4.50	2.50	4.33	4.05	3.38

-----10-Yr. Government Bond Yields²-----

	-----History-----			Consensus Forecasts		
	Month	Year		Months From Now:		
	Latest:	Ago:	Ago:	3	6	12
U.S.	4.15	3.88	3.52	4.02	3.92	3.89
Germany	2.30	2.03	2.23	2.35	2.29	2.24
Japan	0.72	0.65	0.50	0.75	0.82	0.95
U.K.	4.06	3.62	3.46	3.89	3.81	3.81
France	2.78	2.56	2.70	2.82	2.75	2.70
Italy	3.83	3.69	4.23	4.00	3.97	3.92
Switzerland	0.87	0.66	1.23	1.03	1.10	1.37
Canada	3.52	3.11	2.89	3.41	3.36	3.33
Australia	4.19	3.96	3.54	4.51	4.28	4.21
Spain	3.25	2.88	3.19	3.27	3.22	3.19

-----Foreign Exchange Rates³-----

	-----History-----			Consensus Forecasts		
	Month	Year		Months From Now:		
	Latest:	Ago:	Ago:	3	6	12
U.S.	115.23	112.81	113.82	113.9	113.3	113.4
Japan	147.94	140.92	129.94	145.4	140.7	135.8
U.K.	1.27	1.27	1.24	1.26	1.27	1.27
Switzerland	0.86	0.84	0.92	0.87	0.87	0.86
Canada	1.35	1.32	1.33	1.34	1.33	1.30
Australia	0.66	0.68	0.71	0.66	0.67	0.69
Euro	1.09	1.11	1.09	1.09	1.10	1.12

Consensus
Policy Rates
vs. US Rate

	Now	In 12 Mo.
Japan	-5.48	-4.19
U.K.	-0.13	0.04
Switzerland	-3.63	-2.82
Canada	-0.38	-0.41
Australia	-1.03	-0.52
Euro area	-0.88	-0.86

Consensus
10-Year Gov't
Yields vs. U.S. Yield

	Now	In 12 Mo.
Germany	-1.85	-1.64
Japan	-3.43	-2.94
U.K.	-0.09	-0.08
France	-1.37	-1.19
Italy	-0.32	0.04
Switzerland	-3.28	-2.52
Canada	-0.63	-0.56
Australia	0.04	0.32
Spain	-0.90	-0.69

International. Global bond yields have generally been climbing in the early weeks of this year as investors have been re-evaluating the scope for central banks to swiftly pivot toward looser monetary policy. This reassessment has, in turn, been reinforced by some hawkish remarks from some policymakers coupled with evidence suggesting that US and European labor markets remain tight. In the meantime, escalating tensions in the Middle East have also been choking off key shipping routes and raising concerns about the resilience of global supply chains. Despite these setbacks, global equity markets have recovered some poise in recent days and, on the whole, remain resilient. This can partly be traced to some stronger-than-expected US growth data and upbeat news on the corporate earnings front, particularly from the technology sector.

How central banks now respond to these crosscurrents remains to be seen. The recent disruption of Red Sea shipping routes has arguably shifted global growth risks to the downside. It was certainly of note that January's flash PMI data showed that manufacturers are now reporting growing issues with supply chains. Across the four largest developed economies, the US, Euro area, Japan and the UK, average supplier delivery times lengthened in January for the first time in 12 months. Still, some economies were more affected than others. The UK, for example, was worst hit, with lead times lengthening to a degree not seen since September 2022. But longer deliveries were also reported in the US, Euro area and Japan. It was notable too, however, in these surveys that this lengthening of supplier lead times was accompanied by a broadly-based rise in manufacturers' input costs.

Against that backdrop, the responses to one of our special questions this month reveals heightened optimism among our panelists about the US economic outlook, presumably, in part, due to stronger-than-expected growth momentum in Q4 2023. Specifically, our panelists now assign only a 39% probability to the likelihood of a US recession within the next 12 months, a decrease from 45% in last month's survey. However, this optimism contrasts with persistent pessimism about the European economic outlook. The probability of a recession in the Euro area is specifically placed at 54%, and 56% for the UK, with both figures little changed from last month's survey.

Our panelists' forecasts for the calibration of monetary policy in the Euro area and UK are also little-changed compared with last month with their respective policy rates expected to decline modestly within the next 3 to 6 months. When specifically asked about the timing of rate cuts by central banks, 9% of our panelists foresee the ECB starting to reduce rates in Q1 2024, 61% predict a cut in Q2, and 26% in Q3. Regarding the BoE, 4% of our panelists expect a rate cut in Q1, while 39% anticipate a move in Q2, and 48% anticipate Q3.

As for the BoJ, our panelists continue to expect a monetary policy normalization phase to proceed in the coming months. But there is now a little more unanimity about when exactly this process will commence. For example, in this month's survey 57% of panelists expect a first policy rate hike from the BoJ in Q2 2024. That contrasts with just 5% expecting a hike in Q1, a further 14% expecting a hike in Q3 with a further 24% opting for Q4 or later. These expectations also differ from last month's survey, where 16% predicted a Q1 hike, 37% a Q2 hike, 16% a Q3 hike, and 31% a hike in Q4 or later. The emerging consensus for a first rate hike in Q2 2024 could be influenced by the BoJ's recent statements emphasizing the upcoming Spring wage negotiations and the general importance of wage inflation in shaping monetary policy.

Finally, amid much uncertainty about China's economic prospects, the PBoC has recently announced that it will cut the reserve requirement ratio (RRR) for banks by 50 bps, effective February 5. Whether this latest easing initiative can alleviate the challenges China currently faces is open to much debate, however, not least given the structural roots of its many economic problems.

Forecasts of panel members are on pages 10 and 11. Definitions of variables are as follows: ¹Monetary policy rates. ²Government bonds are yields to maturity. ³Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S. dollar, forecasts are of the U.S. Federal Reserve Board's AFE Dollar Index.

4 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

First Quarter 2024

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter															Avg. For —Qtr.— A. Fed's Adv Fgn Econ \$ Index	------(Q-Q % Change)----- ------(SAAR)-----												
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15														
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Corp. Bonds	Home Mtg. Rate														
	B.	C.	D.	E.																									
J.P. Morgan Chase	5.5	H	na	na	na	na	na	4.4	3.9	3.9	4.1	na	na	na	na	na	1.8	1.9	2.1	1.8									
Scotiabank Group	5.5	H	na	5.3	na	5.4	na	na	4.1	L	3.9	3.8	L	4.1	na	na	na	0.5	1.1	L	3.0								
Chmura Economics & Analytics	5.4	8.5	H	5.4	5.3	5.5	5.3	4.8	4.4	4.0	4.1	4.2	5.0	na	na	na	6.7	na	1.8	3.3	3.3	H	3.1						
EY-Parthenon	5.4	na	na	na	na	5.3	na	na	na	na	4.1	na	na	na	na	na	na	na	1.7	2.0	2.4	2.3							
Fannie Mae	5.4	8.5	H	na	na	5.3	5.0	L	4.7	4.3	4.0	4.1	4.3	na	na	na	na	6.6	na	0.9	1.6	2.0	1.5						
ING	5.4	na	na	na	na	na	na	na	4.4	4.0	4.0	4.2	na	na	na	na	na	na	1.8	na	na	na							
KPMG	5.4	8.5	H	5.4	5.3	5.5	5.4	4.9	4.3	3.8	L	3.8	L	4.0	L	4.7	5.8	na	6.7	na	1.3	1.4	2.4	1.5					
Naroff Economics LLC	5.4	8.4	5.3	5.2	5.4	5.2	4.8	4.4	4.0	4.1	4.3	5.0	5.5	L	4.1	6.6	115.1	0.5	3.2	3.3	H	3.0							
Nomura Securities, Inc.	5.4	8.5	H	na	na	na	na	na	4.3	4.1	4.2	na	na	na	na	na	na	na	2.4	1.3	2.5	1.7							
Oxford Economics	5.4	8.5	H	5.4	na	5.4	5.3	4.9	4.4	4.1	4.1	4.3	4.4	L	na	na	6.9	114.1	1.9	2.0	1.8	L	1.8						
Roberts Capital Advisors	5.4	8.5	H	5.4	5.4	H	5.4	5.4	5.3	4.8	4.6	H	4.6	H	4.7	H	5.5	6.5	4.8	7.0	116.0	2.1	2.5	2.8	2.5				
The Lonski Group	5.4	8.5	H	5.3	5.4	H	5.4	5.1	4.7	4.3	3.9	4.0	4.2	5.2	5.7	4.2	6.6	115.5	0.7	2.1	2.0	1.8							
The Northern Trust Company	5.4	8.5	H	5.3	5.4	H	5.5	5.4	5.2	4.4	4.2	4.1	4.4	5.0	6.0	4.3	7.0	116.0	1.1	2.3	2.8	2.6							
Action Economics	5.3	8.5	H	5.7	H	5.3	5.4	5.3	5.0	4.5	4.2	4.2	4.3	4.8	5.8	4.3	7.3	H	117.3	H	1.8	1.7	2.2	1.4	L				
BMO Capital Markets	5.3	8.5	H	5.3	5.4	H	5.4	5.2	4.8	4.3	4.0	4.0	4.3	4.9	5.9	4.2	6.6	114.9	1.5	2.0	3.0	2.3							
Comerica Bank	5.3	8.5	H	5.3	na	5.3	5.2	4.7	4.2	3.9	4.0	4.1	4.7	5.6	na	6.5	na	1.0	3.5	H	2.7	3.3	H						
Daiwa Capital Markets America	5.3	8.5	H	5.3	na	5.3	na	na	4.3	3.9	4.0	4.2	na	na	na	6.5	116.0	1.2	2.2	2.6	2.6								
DePrince & Assoc.	5.3	8.5	H	5.3	5.4	H	5.5	5.2	4.8	4.3	3.9	4.0	4.2	4.9	5.7	4.0	6.6	115.6	1.2	2.6	2.7	2.5							
Economist Intelligence Unit	5.3	8.3	na	5.3	5.5	5.3	4.9	4.3	4.0	4.2	4.3	na	na	na	na	6.7	na	0.9	na	2.1	na								
Georgia State University	5.3	8.4	na	na	na	5.4	5.2	4.8	4.2	4.0	4.0	4.3	4.7	5.9	na	6.9	na	0.4	L	2.3	2.2	2.4							
GLC Financial Economics	5.3	8.4	5.3	5.3	5.4	5.3	5.3	5.0	H	4.6	H	4.3	4.4	5.2	6.2	4.4	7.0	115.5	0.9	2.4	2.4	2.2							
Loomis, Sayles & Company	5.3	8.5	H	5.3	5.3	5.5	5.4	5.0	4.3	4.0	4.1	4.3	4.9	5.9	4.1	6.8	115.2	1.5	1.5	2.6	1.5								
MacroFin Analytics & Rutgers Bus School	5.3	8.5	H	5.3	5.3	5.4	5.2	4.8	4.3	4.0	4.1	4.4	5.0	5.8	4.1	6.7	115.3	1.1	2.6	2.8	2.6								
Moody's Analytics	5.3	8.5	H	5.3	5.4	H	5.2	5.1	5.0	4.8	4.5	4.2	4.6	5.2	6.1	4.0	7.1	na	1.5	2.5	2.5	2.3							
NatWest Markets	5.3	8.5	H	na	5.4	H	5.6	H	5.7	H	5.8	H	4.5	4.3	4.4	4.7	H	5.7	H	6.6	H	5.1	H	6.9	na	2.0	1.7	2.5	2.2
PNC Financial Services Corp.	5.3	8.5	H	5.4	na	5.3	5.3	4.8	4.4	4.0	4.0	4.1	na	5.9	3.9	6.6	117.0	0.7	2.3	2.1	1.8								
Regions Financial Corporation	5.3	8.3	5.3	5.4	H	5.4	5.2	4.8	4.3	4.0	4.1	4.3	5.1	6.1	4.4	6.7	114.9	1.8	2.1	2.0	1.6								
S&P Global Market Intelligence	5.3	8.4	5.3	na	5.3	5.1	4.8	4.2	3.8	L	3.8	L	4.0	L	na	na	na	6.6	na	1.2	1.4	2.4	1.5						
Santander Capital Markets	5.3	8.5	H	5.3	5.3	5.4	5.2	4.9	4.4	4.1	4.2	4.4	5.0	5.8	3.5	L	6.7	115.5	1.6	3.0	2.8	2.1							
Societe Generale	5.3	8.5	H	5.3	na	5.3	5.1	4.6	L	4.2	4.0	4.0	4.2	na	na	na	na	na	na	0.4	L	1.8	2.2	2.2					
TS Lombard	5.3	8.4	5.3	5.3	5.2	5.3	4.8	4.3	3.9	4.0	4.1	4.9	5.7	4.0	5.8	L	110.0	L	1.0	2.5	2.5	2.5							
Via Nova Investment Mgt.	5.3	8.5	H	5.3	5.3	5.5	5.3	4.8	4.3	4.0	4.1	4.4	5.2	5.9	4.1	6.9	114.8	2.5	2.1	2.1	2.1								
Bank of America	5.1	L	na	na	na	na	na	4.8	4.5	4.4	4.7	H	na	na	na	na	na	na	1.0	2.7	2.2	2.0							
Barclays	5.1	L	na	na	na	na	na	4.3	4.1	4.3	4.5	na	na	na	na	na	na	na	na	2.0	2.0	2.5	1.6						
Chan Economics	5.1	L	8.1	L	5.0	L	5.1	L	5.2	5.0	4.5	4.0	4.1	4.3	5.3	6.3	4.7	6.9	114.0	2.5	2.2	2.4	2.1						
Goldman Sachs & Co.	5.1	L	na	na	na	5.5	na	na	4.2	3.8	L	3.9	4.1	na	na	na	na	na	na	2.8	H	2.2	2.8	2.1					
Wells Fargo	5.1	L	8.5	H	5.4	5.1	5.2	5.0	L	4.6	L	4.3	4.0	4.0	4.2	5.2	6.2	4.6	6.8	na	1.4	2.0	2.5	2.0					
February Consensus	5.3	8.5	5.3	5.3	5.4	5.2	4.9	4.4	4.1	4.1	4.3	5.0	6.0	4.3	6.7	115.2	1.4	2.2	2.5	2.2									
Top 10 Avg.	5.4	8.5	5.4	5.4	5.5	5.4	5.1	4.6	4.3	4.3	4.5	5.3	6.2	4.5	7.0	116.0	2.2	2.8	2.9	2.8									
Bottom 10 Avg.	5.2	8.4	5.3	5.2	5.3	5.1	4.7	4.2	3.9	3.9	4.1	4.8	5.7	4.0	6.5	114.4	0.7	1.5	2.1	1.6									
January Consensus	5.3	8.4	5.3	5.3	5.4	5.3	5.0	4.5	4.2	4.2	4.3	5.1	6.1	4.3	6.9	115.2	0.9	2.3	2.4	2.2									
Number of Forecasts Changed From A Month Ago:																													
Down	8	2	2	4	4	15	17	17	17	18	18	9	11	8	19	6	3	21	12	18									
Same	27	26	19	14	21	12	8	15	13	11	8	8	6	6	6	7	6	10	11	9									
Up	2	2	4	3	7	1	3	4	6	8	9	5	4	4	3	5	28	4	13	8									
Diffusion Index	42%	50%	54%	48%	55%	25%	25%	32%	35%	36%	37%	41%	33%	39%	21%	47%	84%	26%	51%	36%									

FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 5

Second Quarter 2024

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter--															Avg. For --Qtr.-- Fed's Adv Fgn Econ \$ Index	------(Q-Q % Change)----- ------(SAAR)-----											
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						A. Fed's Adv Fgn Econ \$ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index	E. PCE Price Index							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15													
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate													
	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H													
Chmura Economics & Analytics	5.4	H	8.5	H	5.4	5.4	H	5.3	5.3	H	5.0	4.5	4.1	4.2	4.3	5.1	na	na	6.7	na	-0.2	3.0	3.0	H	2.9	H		
J.P. Morgan Chase	5.4	H	na	na	na	na	na	na	4.2	3.8	3.9	4.2	na	na	na	na	na	na	na	na	0.5	2.0	2.2		1.9			
Action Economics	5.3		8.4	5.8	H	5.3		5.2	5.1	4.8	4.4	4.2	4.2	4.3	4.8	5.8	4.3	7.3	7.3	H	116.5	1.9	1.4	2.3		1.7		
BMO Capital Markets	5.3		8.5	H	5.3	5.4	H	5.4	H	5.2	4.7	4.1	4.0	3.9	4.2	4.8	5.8	4.2	6.5	114.3	0.8	2.6	2.6		2.5			
Comerica Bank	5.3		8.5	H	5.3	na		5.2	5.0	4.5	3.9	3.6	3.7	3.9	4.6	5.5	L	na	6.1	na	1.0	3.3	H	2.4		2.4		
Daiwa Capital Markets America	5.3		8.4		5.2	na		4.9	na	na	4.1	3.7	3.9	4.2	na	na	na	6.3	116.0	-0.1	2.5		2.4		2.3			
MacroFin Analytics & Rutgers Bus School	5.3		8.5	H	5.3	5.3		5.2	5.2	4.7	4.3	3.8	3.9	4.0	5.0	5.8	4.0	6.8	115.1	1.0	2.3		2.5		2.5			
Naroff Economics LLC	5.3		8.4		5.2	5.2		5.0	4.8	4.3	3.9	4.0	4.3	5.0	5.5	L	4.1	6.5	114.7	2.1	2.8		3.0	H	2.8			
PNC Financial Services Corp.	5.3		8.5	H	5.3	na		5.2	5.1	4.8	4.3	4.0	4.0	4.2	na	6.6	H	4.9	H	6.6	117.8	H	0.0	1.8	1.5	L	1.4	L
Roberts Capital Advisors	5.3		8.4		5.3	5.3		5.3	5.2	5.0	4.6	4.4	H	4.4	H	4.6	5.4	6.4	4.7	6.7	115.5		2.2	2.5		2.5	2.4	
Santander Capital Markets	5.3		8.5	H	5.3	5.3	5.4	H	5.2	4.9	4.6	4.3	4.3	4.5	5.2	6.1	3.7	L	6.8	115.0	1.5	2.8		2.9		2.6		
Scotiabank Group	5.3		na		5.1	na		5.0	na	na	3.7	3.8	3.7	4.0	na	na	na	na	na	na	0.1	0.5	L	2.8		2.6		
The Lonski Group	5.3		8.5	H	5.3	5.4	H	5.4	H	5.0	4.6	4.3	3.9	3.9	4.1	5.1	5.8	4.2	6.4	116.1	0.6	2.2		2.3		2.0		
The Northern Trust Company	5.3		8.4		5.2	5.4	H	5.3	5.2	5.0	4.3	4.3	4.3	4.6	5.3	6.4	4.6	7.1	115.0	1.0	2.3		2.5		2.4			
DePrince & Assoc.	5.2		8.3		5.1	5.2		5.3	5.1	4.7	4.2	3.8	4.0	4.2	5.0	5.8	4.1	6.4	116.2	1.4	2.6		2.6		2.5			
Economist Intelligence Unit	5.2		8.2		na	5.2		5.3	5.2	4.8	4.3	4.0	4.1	4.1	na	na	na	6.6	na	0.7	na		2.2		na			
Fannie Mae	5.2		8.3		na	na		4.7	4.6	4.3	4.1	4.0	4.1	4.4	na	na	na	6.5	na	0.7	2.3		2.8		2.5			
KPMG	5.2		8.3		5.2	5.0		5.2	5.1	4.6	4.1	3.7	3.7	3.9	4.5	5.6	na	6.4	na	0.9	2.2		2.9		2.5			
Oxford Economics	5.2		8.3		5.2	na		5.2	5.1	4.6	4.2	3.8	3.9	4.2	4.2	L	na	na	6.8	114.6	1.3	2.1		2.2		2.0		
EY-Parthenon	5.1		na		na	na		5.0	na	na	na	na	3.9	na	na	na	na	na	na	na	1.0	2.2		1.9		2.1		
GLC Financial Economics	5.1		8.2		5.1	5.1		5.1	5.0	5.1	H	4.7	H	4.3	4.1	4.4	5.1	6.1	4.4	6.8	114.9	0.6	2.4		2.4		2.2	
Loomis, Sayles & Company	5.1		8.3		5.1	5.1		5.3	5.2	4.8	4.0	3.9	4.0	4.2	4.8	5.8	4.0	6.7	114.5	1.0	2.0		2.9		2.1			
Moody's Analytics	5.1		8.3		5.1	5.1		4.9	4.9	4.8	4.6	4.4	H	4.2	4.6	5.5	H	6.4	4.2	6.9	na	1.3	2.0		2.8		2.3	
Nomura Securities, Inc.	5.1		8.3		na	na		na	na	na	4.2	4.0	4.1	na	na	na	na	na	na	na	1.7	1.6		2.0		2.1		
S&P Global Market Intelligence	5.1		8.2		5.1	na		4.9	4.7	4.4	3.9	3.6	3.7	3.9	na	na	na	na	6.4	na	1.1	2.2		2.8		2.4		
Societe Generale	5.1		8.3		5.1	na		4.9	4.6	4.1	L	3.7	3.8	3.8	4.0	na	na	na	na	na	na	-1.4	L	1.8		2.2	2.6	
Regions Financial Corporation	5.0		8.0		5.0	5.1		5.2	5.0	4.6	4.1	3.9	4.1	4.3	5.1	6.1	4.3	6.6	114.6	1.7	2.6		2.3		2.4			
Via Nova Investment Mgt.	5.0		8.3		5.1	5.1		5.0	5.0	5.0	4.0	3.9	3.9	4.1	5.0	5.7	3.9	6.7	114.0	2.5	H	2.1		2.1		2.1		
Bank of America	4.9		na		na	na		na	na	na	4.5	4.4	H	4.3	4.7	H	na	na	na	na	na	1.0	2.4		2.5		2.3	
Barclays	4.9		na		na	na		na	na	na	4.1	4.0	4.3	4.6	na	na	na	na	na	na	na	1.5	2.2		2.1		2.0	
Chan Economics	4.9		7.9		4.8	4.8		4.9	5.0	4.8	4.3	3.8	3.9	4.1	5.1	6.1	4.5	6.7	113.8	1.5	2.1		2.3		2.0			
ING	4.9		na		na	na		na	na	na	3.7	3.5	L	3.5	L	3.8	L	na	na	na	na	na	0.1	na		na	na	
Wells Fargo	4.8		8.0		4.9	4.8		4.6	4.5	4.3	3.9	3.8	3.9	4.1	5.1	6.1	4.5	6.6	na	na	1.1	2.0		2.3		2.0		
Goldman Sachs & Co.	4.6		na		na	na		5.3	na	na	4.0	3.7	3.8	4.0	na	na	na	na	na	na	na	2.5	H	1.9		2.5	2.0	
Georgia State University	4.5		7.6		na	na		4.5	4.2	L	4.2	3.8	3.7	3.9	4.2	4.8	5.9	na	6.8	na	-0.2	2.5		2.7		2.6		
TS Lombard	4.5		7.6		4.5	L	4.5	4.4	L	4.5	4.3	4.0	3.9	4.0	4.1	4.9	5.7	4.0	5.8	L	110.0	L	0.4	2.0		2.0		
NatWest Markets	4.3	L	7.5	L	na	4.4	L	4.6	4.7	4.8	3.6	L	3.8	4.3	4.7	H	5.2	6.1	4.9	H	6.7	na	-1.0	1.5		1.7	1.9	
February Consensus	5.1		8.2		5.2	5.1		5.1	5.0	4.7	4.2	3.9	4.0	4.2	5.0	6.0	4.3	6.6	114.9		0.9		2.2		2.4		2.3	
Top 10 Avg.	5.3		8.5		5.4	5.3		5.3	5.2	4.9	4.5	4.2	4.3	4.5	5.2	6.2	4.5	6.9	115.8		1.9		2.7		2.9		2.6	
Bottom 10 Avg.	4.7		8.0		5.0	4.9		4.7	4.7	4.4	3.8	3.7	3.8	4.0	4.7	5.7	4.0	6.3	114.0		-0.2		1.7		2.0		1.9	
January Consensus	5.1		8.2		5.1	5.1		5.0	4.7	4.2	4.0	4.1	4.3	5.0	6.0	4.3	6.8	114.9		0.5		2.3		2.4		2.2		
Number of Forecasts Changed From A Month Ago:																												
Down	10		7		7	4		9	12	14	15	15	13	13	6	8	6	14	6		2		16		9		12	
Same	22		18		13	13		19	11	9	15	15	18	14	11	9	9	12	7		11		12		16		11	
Up	5		5		5	4		4	5	5	6	6	6	8	5	4	3	2	5		24		7		11		12	
Diffusion Index	43%		47%		46%	50%		42%	38%	34%	38%	38%	41%	43%	48%	40%	42%	29%	47%		80%		37%		53%		50%	

6 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

Third Quarter 2024

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter--															Avg. For --Qtr.-- A. Fed's Adv Fgn Econ \$ Index	(Q-Q % Change)-- (SAAR)--															
	Short-Term					Intermediate-Term					Long-Term						B.	C.	D.	E.												
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																	
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate																	
	Rate	Rate																														
Santander Capital Markets	5.3	H	8.5	H	5.3	5.2	H	5.1	H	4.8	4.6	H	4.3	H	4.3	4.5	5.3	6.3	3.8	L	6.8	114.0	0.9	2.7	2.7	2.3						
J.P. Morgan Chase	5.2		na		na	na		na		na	3.9		3.6		3.8	4.2	na	na	na		na	na	0.5	2.5	2.8	2.4						
PNC Financial Services Corp.	5.2		8.3		5.2	na		5.0		4.9	4.6		4.2		4.0	4.2	na	6.6	H	4.9	H	6.6	118.5	H	-0.8	1.7	L	1.6	L	1.5		
BMO Capital Markets	5.1		8.2		5.0	5.1		5.2	H	5.0	4.5		4.0		3.9	3.8	4.2	4.8	5.9		4.2	6.4	114.1		1.3	2.3	2.5		2.3			
Chmura Economics & Analytics	5.1		8.3		5.1	5.1		5.1	H	5.0	H		4.6	H	4.2	4.2	4.4	5.2	na		na	6.7	na		-0.5	3.1	2.9	H	2.6			
Economist Intelligence Unit	5.1		8.1		na	5.0		5.0		4.8	4.6		4.1		3.9	3.9	3.9	na	na		na	6.5	na		0.5	na	2.3		na			
MacroFin Analytics & Rutgers Bus School	5.1		8.3		5.1	5.1		5.0	H	4.5	4.2		3.8		3.8	3.9	4.9	5.7		4.0	6.8	114.9		1.3	2.2	2.3		2.4				
Action Economics	5.0		8.2		5.6	H		5.0		5.0	4.8		4.6		4.2	4.2	4.3	4.8	5.8		4.3	7.3	H	116.6		1.7	2.0	2.4		1.8		
Comerica Bank	5.0		8.2		5.0	na		5.0		4.8	4.3		3.7		3.5	3.6	3.8	L	4.5	5.4	L	na	5.9	L	na	1.9	4.0	H	2.3	2.3		
The Lonski Group	5.0		8.1		4.9	5.0		5.1		4.9	4.5		4.2		3.8	3.8	4.0	5.0	5.8		4.1	6.3	116.7		0.8	2.0	1.9		2.1			
Daiwa Capital Markets America	4.9		8.0		4.9	na		4.4		na	na		3.7		3.5	3.6	4.3	na	na		na	6.0	115.0		-0.6	2.3	2.3		2.2			
KPMG	4.9		8.1		4.9	4.6		4.8		4.8	4.4		4.0		3.6	3.6	3.8	L	4.4	5.6		na	6.1	na		1.4	2.2	2.9	H	2.4		
Naroff Economics LLC	4.9		7.9		4.8	4.8		4.7		4.7	4.3		3.8		3.9	4.2	4.8	4.8	5.4	L	4.0	6.3	114.0		3.6	H	2.6	2.8		2.6		
Oxford Economics	4.9		8.0		4.9	na		4.9		4.7	4.3		3.9		3.6	3.9	4.1	3.9	L	na		na	6.6	114.3		0.8	2.5	2.3		2.1		
Roberts Capital Advisors	4.9		8.2		4.9	4.9		5.0		4.8	4.7		4.4		4.2	4.3	4.6	5.4	6.4		4.6	6.5	115.5		2.2	2.4	2.4		2.3			
The Northern Trust Company	4.9		8.0		4.8	5.0		4.8		4.7	4.5		4.1		4.2	4.2	4.5	5.3	6.4		4.5	6.7	114.0		0.9	2.2	2.3		2.3			
EY-Parthenon	4.8		na		na	na		4.7		na	na		na		na	3.8	na	na	na		na	na	na	na		1.6	2.2	2.4		2.2		
Fannie Mae	4.8		7.9		na	na		4.4		4.3	4.1		3.9		3.9	4.1	4.3	na	na		na	6.3	na		1.2	2.3	2.7		2.4			
GLC Financial Economics	4.8		7.9		4.8	4.7		4.7		4.6	4.8		4.4		4.0	4.0	4.3	5.0	6.1		4.3	6.6	115.0		1.0	2.4	2.4		2.2			
Regions Financial Corporation	4.8		7.8		4.8	4.9		4.9		4.8	4.5		3.9		3.8	4.0	4.2	5.0	6.1		4.3	6.5	114.3		2.0	2.7	2.3		2.3			
S&P Global Market Intelligence	4.8		7.9		4.8	na		4.6		4.4	4.1		3.7		3.4	L	3.5	L	3.8	L	na		na	6.1	na		1.5	2.2	2.8		2.4	
Scotiabank Group	4.8		na		4.6	na		4.2		na	na		3.5		3.7	3.8	3.8	L	na		na	na	na	na	na		1.0	3.1	2.9	H	2.7	H
Via Nova Investment Mgt.	4.8		8.0		4.8	4.9		4.8		4.8	4.8		4.0		3.9	3.9	4.1	5.0	5.7		3.9	6.7	112.0	L	2.5	2.1	2.1		2.1			
DePrince & Assoc.	4.7		7.9		4.7	4.8		4.8		4.7	4.3		3.9		3.7	3.9	4.2	5.0	5.9		4.2	6.2	116.1		1.5	2.5	2.6		2.4			
Loomis, Sayles & Company	4.7		7.8		4.6	4.6		4.8		4.7	4.3		3.6		3.6	3.8	3.9	4.6	5.6		3.8	L	6.4	114.1		-1.3	1.8	1.9		1.4	L	
Moody's Analytics	4.7		7.8		4.6	4.6		4.5		4.5	4.5		4.4		4.2	4.1	4.6	5.6	H	6.5	4.3	6.7	na		1.6	1.7	L	2.6		2.2		
Bank of America	4.6		na		na	na		na		na	na		4.3		4.3	H	4.3	4.7	H	na		na	na	na	na		1.5	2.7	2.6		2.3	
Barclays	4.6		na		na	na		na		na	na		3.9		4.0	4.4	H	4.6	na		na	na	na	na	na		1.0	2.6	2.7		2.4	
Chan Economics	4.6		7.6		4.5	4.5		4.6		4.7	4.5		4.0		3.5	3.6	3.8	L	4.8	5.8		4.2	6.4	113.7		0.5	2.1	2.3		2.0		
Nomura Securities, Inc.	4.6		7.8		na	na		na		na	na		3.9		4.0	4.0	na	na	na		na	na	na	na	na		1.7	1.9	2.1		2.2	
Societe Generale	4.6		7.8		4.6	na		4.4		4.1	3.7		3.3		3.5	3.6	3.9	na	na		na	na	na	na	na		-1.5	L	1.8	2.2		2.5
Goldman Sachs & Co.	4.4		na		na	5.0		na		na	na		3.8		3.7	3.9	4.1	na	na		na	na	na	na	na		2.3	2.0	2.4		2.0	
ING	4.4		na		na	na		na		na	na		3.4		3.4	L	3.5	L	3.9		na	na	na	na	na		-1.0	na	na		na	
Wells Fargo	4.4		7.5		4.4	4.4		4.4		4.2	4.0		3.7		3.6	3.7	4.0	4.9	5.9		4.3	6.4	na		na		0.5	1.7	L	2.0		1.7
Georgia State University	4.0		7.2		na	na		3.9		3.7	L		3.6		L	3.4	3.4	L	3.6		3.9	4.5	6.4	na		na		0.6	2.6	2.1		2.5
TS Lombard	4.0		7.1		4.0	L		4.0		3.9	4.0		4.1		4.3	4.2	4.3	4.4	5.1		6.0	4.3	6.1	112.0	L	1.5	2.0	2.0		2.0		
NatWest Markets	3.3	L	6.5	L	na	3.4	L	3.6	L	3.7	L		3.8		3.2	L	3.5	4.1	4.6		4.9	5.8	4.6	6.4	na		-0.5	1.9	1.7		1.7	
February Consensus	4.7		7.9		4.8	4.7		4.7		4.6	4.4		4.0		3.8	3.9	4.2	4.9	5.9		4.2	6.5	114.7		0.9	2.3	2.4		2.2			
Top 10 Avg.	5.1		8.2		5.1	5.0		5.1		4.9	4.7		4.4		4.2	4.2	4.5	5.2	6.2		4.4	6.8	115.7		2.1	2.9	2.8		2.5			
Bottom 10 Avg.	4.3		7.5		4.6	4.4		4.2		4.2	4.0		3.5		3.5	3.6	3.9	4.6	5.6		4.1	6.2	113.7		-0.5	1.9	2.0		1.8			
January Consensus	4.8		7.9		4.8	4.7		4.7		4.6	4.4		4.0		3.9	3.9	4.2	4.9	6.0		4.2	6.6	114.8		0.7	2.3	2.4		2.2			
Number of Forecasts Changed From A Month Ago:																																
Down	10		9		6	4		7		9	13		15		16	12		12		6	7		4	13	6		6		8		8	13
Same	19		14		13	11		19		12	8		14		13	18		15		11	9		10	8	7		14		17		18	11
Up	8		7		6	6		6		7	7		7		7	7		8		5	5		4	7	5		17		10		10	11
Diffusion Index	47%		47%		50%	55%		48%		46%	39%		39%		38%	43%		44%		48%	45%		50%	39%	47%		65%		53%		53%	47%

FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 7

Fourth Quarter 2024

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter															Avg. For —Qtr.— A.	——(Q-Q % Change)—— ——(SAAR)——												
	——Short-Term——					——Intermediate-Term——					——Long-Term——						Fed's Adv Fgn Econ \$ Index	B. Real GDP	C. Price Index	D. Cons. Price Index	E. PCE Price Index								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15														
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate														
	H	H	H	H	H	H	H	H	L	L	L	H	H	H	L														
Santander Capital Markets	5.1	H	8.3	H	5.1	5.0	H	4.7	4.6	4.5	4.4	4.2	4.1	4.4	5.3	6.4	3.6	L	6.5	113.0	1.1	2.5	2.5	2.1					
Chmura Economics & Analytics	4.9		8.0		4.9	4.9		4.9	4.9	H	4.9	H	4.6	H	4.3	4.3	4.5	5.3	na	na	6.6	na	1.0	2.8	2.8	2.5	H		
PNC Financial Services Corp.	4.9		8.1		4.9	na		4.5	4.4		4.3		4.1		4.0	4.1	4.2	na	6.3	4.8	H	6.5	119.8	H	-1.2	1.8	1.8	1.7	
Action Economics	4.8		7.9		5.3	H	4.8	4.7	4.6	4.3	4.2	4.1	4.1	4.3	4.8	5.8	4.3	7.3	H	116.8	1.7	1.5	2.4	1.8					
Comerica Bank	4.8		8.0		4.8	na		4.6	4.4	3.8	3.3	3.2	L	3.3	L	3.6	L	4.3	5.2	L	na	5.5	L	na	2.0	4.0	H	2.2	2.1
Economist Intelligence Unit	4.8		7.8		na	4.7	4.8	4.6	4.5	4.0	3.8	3.7		3.8	na	na	na	6.4		na	0.9	na	2.0	na					
J.P. Morgan Chase	4.8		na		na	na	na	na	na	3.5	3.5	3.7		4.2	na	na	na	na		na	0.8	2.3	2.4	2.0					
BMO Capital Markets	4.7		7.8		4.6	4.7	4.7	4.6	4.2	3.9	3.8	3.8		4.1	4.9	5.9	4.3	6.3		113.9	1.5	2.1	2.2	2.0					
Oxford Economics	4.7		7.8		4.7	na	4.6	4.4	4.0	3.6	3.5	3.8		4.0	3.8	L	na	na	6.5		113.6	1.1	2.6	2.4	2.2				
Roberts Capital Advisors	4.7		7.8		4.7	4.7	4.7	4.5	4.4	4.1	4.2	4.2		4.5	5.3	6.3	4.6	6.3		115.0	2.2	2.3	2.4	2.3					
MacroFin Analytics & Rutgers Bus School	4.6		7.8		4.6	4.6	4.4	4.6	4.3	4.1	3.7	3.8		3.8	4.9	5.7	3.9	6.7		114.7	1.6	2.2	2.1	2.2					
The Northern Trust Company	4.6		7.7		4.5	4.7	4.4	4.3	4.1	4.0	4.1	4.1		4.4	5.4	6.5	H	4.5	6.6		112.0	1.0	2.2	2.2	2.2				
EY-Parthenon	4.5		na		na	na	4.5	na	na	na	na	3.7		na	na	na	na	na		na	1.7	2.1	2.1	2.1					
Fannie Mae	4.5		7.6		na	na	4.1	4.1	4.0	3.9	3.9	4.1		4.3	na	na	na	6.2		na	1.5	2.3	2.9	H	2.5	H			
KPMG	4.5		7.6		4.5	4.1	4.3	4.3	4.0	3.7	3.4	3.5		3.8	4.3	5.5	na	5.9		na	1.6	2.1	2.1	2.1					
Moody's Analytics	4.5		7.7		4.5	4.4	4.3	4.3	4.3	4.2	4.2	4.1		4.6	5.6	H	6.5	H	4.3	6.6	na	1.5	1.9	2.4	2.4				
S&P Global Market Intelligence	4.5		7.7		4.6	na	4.3	4.1	3.9	3.5	3.2	L	3.4		3.7	na	na	na	5.8		na	1.7	2.1	2.0	2.0				
The Lonski Group	4.5		7.6		4.4	4.5	4.5	4.3	4.2	4.0	3.7	3.7		3.9	4.9	5.7	4.0	6.1		117.3	1.2	2.1	2.0	2.2					
Via Nova Investment Mgt.	4.5		7.8		4.6	4.6	4.5	4.5	4.5	3.9	3.9	3.9		4.0	5.0	5.7	3.9	6.7		110.0	L	2.5	2.1	2.0	2.1				
Bank of America	4.4		na		na	na	na	na	na	4.0	4.2	4.3		4.8	H	na	na	na	na		na	1.5	2.3	2.0	2.0				
Barclays	4.4		na		na	na	na	na	na	3.8	4.0	4.4		4.6	na	na	na	na		na	1.0	2.6	2.7	2.4					
Chan Economics	4.4		7.4		4.3	4.3	4.4	4.5	4.3	3.8	3.3	3.4		3.6	L	4.6	5.6	4.0	6.2		113.5	0.8	2.1	2.3	2.0				
Daiwa Capital Markets America	4.4		7.5		4.4	na	4.0	na	na	3.4	3.3	3.5		4.2	na	na	na	na	5.8		115.0	0.5	2.2	2.2	2.1				
GLC Financial Economics	4.4		7.6		4.5	4.4	4.3	4.3	4.5	4.2	3.8	3.9		4.2	4.9	6.0	4.3	6.4		114.9	1.3	2.3	2.3	2.2					
Nomura Securities, Inc.	4.4		7.5		na	na	na	na	na	3.8	3.8	4.0		na	na	na	na	na		na	1.8	1.6	2.0	2.2					
Regions Financial Corporation	4.4		7.4		4.4	4.5	4.5	4.4	4.4	3.6	3.6	3.9		4.1	4.9	6.0	4.2	6.4		114.0	2.4	2.5	2.2	2.1					
DePrince & Assoc.	4.3		7.5		4.3	4.4	4.4	4.3	3.9	3.6	3.5	3.8		4.2	5.0	5.9	4.2	6.0		115.9	1.9	2.5	2.6	2.4					
Naroff Economics LLC	4.3		7.3		4.3	4.4	4.3	4.5	4.6	4.3	3.7	3.8		3.9	4.8	5.3	4.0	6.1		113.3	2.2	2.5	2.5	2.4					
Societe Generale	4.2		7.3		4.2	na	3.9	3.6	3.3	3.1	L	3.5		3.6	3.9	na	na	na	na		na	3.0	H	1.8	2.2	2.3			
Goldman Sachs & Co.	4.1		na		na	na	4.8	na	na	3.7	3.7	4.0		4.2	na	na	na	na	na		na	2.0	1.9	2.3	1.9				
Loomis, Sayles & Company	4.1		7.3		4.1	4.0	4.2	4.2	3.9	3.4	3.4	3.6		3.8	4.4	5.4	3.6	L	6.0		114.0	-2.2	L	1.9	1.9	1.6	L		
Wells Fargo	4.1		7.3		4.2	4.1	4.1	4.0	3.7	3.5	3.5	3.6		3.9	4.8	5.8	4.2	6.1		na	1.0	2.0	2.2	2.0					
Scotiabank Group	4.0		na		3.8	L	na	3.8	na	na	3.4	3.6		3.9	4.0	na	na	na	na		na	1.8	0.5	L	2.5	2.3			
ING	3.9		na		na	na	na	na	na	3.3	3.3	3.5		3.9	na	na	na	na		na	1.2	na	na	na	na				
TS Lombard	3.8		6.9		3.8	L	3.8	3.7	3.8	4.0	4.3	4.4	H	4.5	H	4.6	5.4	6.2	4.5	6.3		115.0	2.5	2.5	2.5	2.5	H		
Georgia State University	3.6		6.8		na	na	3.5	3.2	L	3.1	L	3.4		3.3	3.5	3.8	4.5	5.6	na	6.4		na	0.7	2.3	1.7	L	2.1		
NatWest Markets	3.1	L	6.3	L	na	3.2	L	3.4	L	3.5	3.6	3.1	L	3.4	4.0	4.6	4.8	5.7	4.5	6.3		na	1.5	2.1	2.7	2.3			
February Consensus	4.4		7.6		4.5	4.4	4.3	4.3	4.1	3.8	3.7	3.9		4.1	4.9	5.9	4.2	6.3		114.5		1.4	2.2	2.3	2.2				
Top 10 Avg.	4.8		7.9		4.8	4.7	4.7	4.6	4.5	4.3	4.2	4.2		4.5	5.2	6.2	4.4	6.6		115.8		2.3	2.7	2.6	2.4				
Bottom 10 Avg.	3.9		7.2		4.2	4.1	3.9	3.9	3.7	3.3	3.3	3.5		3.8	4.5	5.5	4.0	6.0		113.2		0.3	1.7	2.0	1.9				
January Consensus	4.4		7.6		4.5	4.4	4.3	4.3	4.2	3.8	3.8	3.9		4.1	4.8	5.9	4.2	6.4		114.7		1.2	2.2	2.3	2.2				
Number of Forecasts Changed From A Month Ago:																													
Down	9		7		5	2	10	8	10	12	14	12		12	6	7	5	13		7		10	10	11	12				
Same	20		16		14	13	16	13	12	17	17	19		16	9	8	9	9		7		15	18	17	14				
Up	8		7		6	6	6	7	6	7	5	6		7	7	6	4	6		4		12	7	8	9				
Diffusion Index	49%		50%		52%	60%	44%	48%	43%	43%	38%	42%		43%	52%	48%	47%	38%		42%		53%	46%	46%	46%				

8 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

First Quarter 2025

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For --Qtr.-- A. Fed's Adv Fgn Econ \$ Index	------(Q-Q % Change)----- ------(SAAR)-----									
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						B. Real GDP	C. GDP Price Index	D. Cons. Price Index	E. PCE Price Index						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15											
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Corp. Bonds	Home Mtg. Rate											
	Rate	Rate																								
Chmura Economics & Analytics	4.6	H	7.8	H	4.6	4.7	H	4.6	H	4.6	H	4.7	H	4.3	4.4	4.6	5.3	na	na	6.4	na	1.8	2.5	2.6	2.4	
Economist Intelligence Unit	4.6	H	7.6		na	4.5	4.6	H	4.4	4.3	3.8	3.6	3.6	3.7	na	na	na	na	6.3	na	1.9	na	2.1	na		
Santander Capital Markets	4.6	H	7.8	H	4.6	4.6	4.2	4.1	4.0	4.0	3.8	3.8	4.1	4.9	6.0	3.3	L	6.1	112.0	1.3	2.8	2.4	2.1			
Action Economics	4.5		7.7	5.1	H	4.5	4.5	4.3	4.1	4.0	4.1	4.1	4.2	4.7	5.7	4.2	7.2	H	117.0	1.7	1.5	2.4	1.8			
Oxford Economics	4.5		7.6	4.5		na	4.3	4.2	3.9	3.5	3.4	3.7	3.8	3.7	L	na	na	6.4	112.7	1.3	2.3	2.0	2.1			
PNC Financial Services Corp.	4.4		7.6	4.4		na	4.1	4.1	4.1	4.0	4.0	4.1	4.2	na	6.1	4.7	6.4	120.7	H	-0.2	L	2.0	1.9	1.7		
Roberts Capital Advisors	4.4		7.6	4.4	4.5	4.5	4.3	4.2	4.0	4.0	4.0	4.3	5.2	6.2	4.5	6.1	115.0		2.1	2.3	2.4	2.3				
BMO Capital Markets	4.3		7.4	4.2	4.3	4.4	4.3	4.0	3.7	3.7	3.7	4.1	4.7	5.7	4.1	6.3	113.6		2.0	1.6	2.3	2.1				
Comerica Bank	4.3		7.5	4.3		na	4.2	4.0	3.4	3.0	3.1	3.3	3.6	4.3	5.2	L	na	5.3	L	na	1.7	3.6	H	2.0	2.2	
J.P. Morgan Chase	4.3		na	na		na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	2.0	2.3	2.5	2.1		
Moody's Analytics	4.3		7.5	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.6	5.6	H	6.5	H	4.3	6.5	na	1.6	2.2	2.3	2.3		
Regions Financial Corporation	4.3		7.3	4.2	4.3	4.3	4.3	4.3	3.5	3.6	3.8	4.0	4.8	5.8	4.2	6.4	113.7		2.5	2.4	2.3	2.1				
Via Nova Investment Mgt.	4.3		7.5	4.3	4.4	4.2	4.3	4.4	3.9	4.1	4.1	4.1	5.2	5.8	4.1	6.9	110.0	L	2.5	2.0	2.0	2.1				
GLC Financial Economics	4.2		7.3	4.3	4.2	4.1	4.1	4.2	4.0	3.7	3.7	4.1	4.8	5.9	4.2	6.3	114.6		1.8	2.2	2.2	2.2				
KPMG	4.2		7.3	4.1	3.8	4.0	4.1	3.9	3.6	3.3	3.4	3.7	4.2	5.5	na	5.6	na		1.4	2.1	1.3	L	1.7			
S&P Global Market Intelligence	4.2		7.3	4.2		na	3.9	3.7	3.6	3.3	3.1	3.3	3.6	na	na	na	5.6	na		1.5	2.1	1.3	L	1.7		
Bank of America	4.1		na	na		na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	2.0	2.6	2.5	2.4		
Barclays	4.1		na	na		na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	1.0	2.6	2.8	2.4		
Chan Economics	4.1		7.1	4.0	4.0	4.1	4.2	4.0	3.5	3.0	3.1	L	3.3	L	4.3	5.3	3.7	5.9	113.2	1.5	2.0	2.2	1.9			
MacroFin Analytics & Rutgers Bus School	4.1		7.3	4.1	4.1	3.9	4.1	4.1	4.0	3.7	3.7	3.8	4.8	5.6	3.9	6.7	114.5		2.0	2.0	2.0	2.0				
Nomura Securities, Inc.	4.1		7.3	na		na	na	na	3.6	3.8	4.0	na	na	na	na	na	na	na	na	na	2.2	1.6	2.4	2.3		
The Northern Trust Company	4.1		7.3	4.1	4.2	3.9	3.7	3.5	3.8	3.9	4.1	4.4	5.4	6.5	H	4.5	6.6	111.0		1.4	2.1	2.1	2.1			
Daiwa Capital Markets America	4.0		7.1	4.0		na	3.8	na	na	3.1	3.1	3.3	4.1	na	na	na	5.7	115.0		1.3	2.2	2.0	2.0			
DePrince & Assoc.	4.0		7.1	4.0	4.0	4.0	4.0	3.6	3.4	3.4	3.7	4.1	5.0	5.8	4.2	5.9	115.8		2.0	2.5	2.6	2.4				
EY-Parthenon	4.0		na	na		na	3.9	na	na	na	na	3.6	na	na	na	na	na	na	na	na	2.0	2.0	2.1	2.1		
Fannie Mae	4.0		7.2	na		na	4.0	3.9	3.9	3.8	3.9	4.1	4.3	na	na	na	6.0	na	na	1.6	2.3	2.8	2.4			
TS Lombard	4.0		7.1	4.0	4.0	3.9	4.0	4.2	4.4	4.7	H	4.8	H	4.9	H	5.6	H	6.5	H	4.8	H	6.6				
Goldman Sachs & Co.	3.9		na	na		na	4.6	H	na	na	3.6	3.7	4.0	4.2	na	na	na	na	na	na	2.0	2.1	2.3	2.1		
The Lonski Group	3.9		7.0	3.9	4.0	3.9	3.8	3.8	3.8	3.6	3.6	3.8	4.8	5.5	3.9	5.8	117.9		1.8	2.2	1.4	1.9				
Naroff Economics LLC	3.8		6.8	3.9	3.9	3.9	4.0	4.2	4.2	3.7	3.9	4.1	4.9	5.4	3.9	5.9	113.8		3.0	2.4	2.4	2.3				
Scotiabank Group	3.8		na	3.6	L	na	3.3	L	na	na	3.4	3.5	4.0	4.0	na	na	na	na	na	na	1.5	1.1	L	2.4	2.2	
Wells Fargo	3.8		7.0	3.9	3.8	3.9	3.7	3.6	3.4	3.4	3.6	3.9	4.8	5.8	4.2	5.9	na		1.8	2.3	2.5	2.3				
Loomis, Sayles & Company	3.7		6.9	3.7	3.6	3.8	3.7	3.5	3.3	3.3	3.5	3.8	4.3	5.3	3.5	5.8	113.9		1.0	2.0	2.5	2.0				
Georgia State University	3.6		6.7	na		na	3.4	3.1	L	3.1	3.3	3.1	3.4	3.7	4.4	5.5	na	6.0	na	na	1.4	2.0	1.4	1.4		
Societe Generale	3.6		6.8	3.6	L	na	3.4	3.2	3.0	L	2.9	L	2.7	L	3.2	3.5	na	na	na	na	na	3.7	H	2.0	2.2	2.2
ING	3.4		na	na		na	na	na	na	3.2	3.6	3.8	4.2	na	na	na	na	na	na	na	1.5	na	na	na		
NatWest Markets	3.1	L	6.3	L	na	3.2	L	3.4	3.5	3.6	3.1	3.4	4.0	4.6	4.8	5.7	4.5	6.3	na	na	2.1	1.8	1.4	1.3	L	
February Consensus	4.1	7.3	4.2	4.1	4.0	4.0	3.9	3.7	3.6	3.8	4.0	4.8	5.8	4.1	6.2	114.7	1.8	2.2	2.2	2.1						
Top 10 Avg.	4.5	7.6	4.5	4.4	4.4	4.3	4.3	4.1	4.1	4.2	4.4	5.2	6.1	4.4	6.6	116.4	2.4	2.7	2.6	2.4						
Bottom 10 Avg.	3.7	6.9	3.9	3.8	3.7	3.6	3.5	3.2	3.2	3.4	3.7	4.4	5.5	3.9	5.7	112.8	1.1	1.8	1.7	1.7						
January Consensus	4.1	7.2	4.2	4.1	4.0	4.0	3.9	3.7	3.6	3.8	4.0	4.8	5.8	4.1	6.3	114.4	1.8	2.2	2.2	2.1						
Number of Forecasts Changed From A Month Ago:																										
Down	10	7	6	3	8	8	11	9	10	11	11	6	8	4	11	7	10	10	6	7						
Same	19	16	12	13	18	14	11	14	15	14	11	8	6	9	11	7	17	20	22	22						
Up	8	7	7	5	6	6	6	9	7	8	9	7	6	4	5	4	10	5	8	6						
Diffusion Index	47%	50%	52%	55%	47%	46%	41%	50%	45%	45%	47%	52%	45%	50%	39%	42%	50%	43%	53%	49%						

FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 9

Second Quarter 2025

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For --Qtr.-- A.	(Q-Q % Change)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
	Short-Term					Intermediate-Term					Long-Term						Fed's Adv Fgn Econ \$ Index	B. Real GDP	C. Price Index	D. Cons. Price Index	E. PCE Price Index																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
	Federal Funds Rate	Prime Bank Rate	SOFR Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
	Rate	Rate																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
TS Lombard	4.5	H	7.6	H	4.5	4.5	H	4.4	4.5	H	4.6	H	4.8	H	5.2	H	5.3	H	5.4	H	6.1	H	7.0	H	5.3	H	7.1	120.0	2.0	3.5	H	3.5	H	3.5	H																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Chmura Economics & Analytics	4.4		7.5		4.4	4.4		4.3	4.4		4.5		4.6		4.4		4.4		4.5		5.2		na		na		na	6.2	na	2.7	2.4	2.5	2.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Economist Intelligence Unit	4.4		7.4		na	4.3		4.3	4.2		4.1		3.7		3.5		3.5		3.6		na		na		na		na	6.0	na	2.2	na	2.2	na																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Roberts Capital Advisors	4.4		7.6	H	4.4	4.5	H	4.5	4.3		4.2		4.0		4.0		4.0		4.3		5.2		6.2		4.5		6.1	115.0	2.2	2.2	2.3	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
Action Economics	4.3		7.4		4.8	H	4.3		4.2		4.1		3.8		3.9		4.0		4.2		4.7		5.7		4.1		7.2	H	117.2	1.7	1.9	2.4	1.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
BMO Capital Markets	4.1		7.2		4.0		4.1		4.1		4.0		3.8		3.6		3.7		4.1		4.7		5.7		4.2		6.3	113.4	1.9	2.0	2.3	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
Moody's Analytics	4.1		7.2		4.0		4.0		3.8		3.9		4.0		4.0		4.0		4.6		5.5		6.5		4.2		6.4	na	1.6	2.3	2.3	2.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
Oxford Economics	4.1		7.3		4.1		na		4.1		4.0		3.7		3.3		3.2		3.7		3.7	L	na		na		6.1	111.6	1.7	1.9	2.0	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
PNC Financial Services Corp.	4.1		7.3		4.1		na		4.0		4.0		4.0		4.0		4.0		4.2		na		5.9		4.6		6.3	121.2	H	1.4	1.9	1.9	1.7																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Santander Capital Markets	4.1		7.3		4.1		4.1		3.7		3.6		3.5		3.7		3.5		3.8		4.6		5.7		3.1	L	5.7	111.0	1.5	2.5	2.4	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
Regions Financial Corporation	4.0		7.0		4.0		4.1		4.0		4.1		4.2		3.4		3.5		3.7		4.0		4.7		5.7		4.1	6.3	113.9	2.6	2.2	2.3	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Via Nova Investment Mgt.	4.0		7.3		4.0		4.1		3.9		4.0		4.1		3.8		4.0		4.0		4.1		5.1		5.7		4.0	6.8	110.0	L	2.5	2.0	2.0	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Bank of America	3.9		na		na		na		na		na		na		na		na		na		na		na		na		na	na	na	2.0	2.3	2.1	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Barclays	3.9		na		na		na		na		na		na		na		na		na		na		na		na		na	na	na	1.5	2.3	2.3	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Chan Economics	3.9		6.9		3.8		3.8		3.9		4.0		3.8		3.3		2.8		2.9	L	3.1	L	4.1		5.1	L	3.5	5.7	113.0	1.0	L	2.0	2.2	1.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Comerica Bank	3.9		7.1		3.9		na		3.8		3.5		3.1		2.7	L	2.9		3.3		3.6		4.3		5.2		na	5.2	L	na	1.6	3.5	H	2.0	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
GLC Financial Economics	3.9		7.1		3.9		3.9		3.8		3.9		3.9		3.8		3.7		3.7		4.1		4.8		5.9		4.2	6.1	114.6	2.1	2.2	2.2	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Nomura Securities, Inc.	3.9		7.0		na		na		na		na		na		3.4		3.7		4.0		na		na		na		na	na	na	2.4	1.2	2.1	1.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Daiwa Capital Markets America	3.8		6.9		3.7		na		3.6		na		na		3.0		3.1		3.3		4.1		na		na		na	5.7	115.0	1.4	2.1	2.1	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
J.P. Morgan Chase	3.8		na		na		na		na		na		na		na		na		na		na		na		na		na	na	na	2.3	2.3	1.9	1.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
DePrince & Assoc.	3.7		6.8		3.7		3.7		3.7		3.7		3.3		3.2		3.3		3.7		4.1		5.0		5.8		4.2	5.8	115.7	2.2	2.4	2.5	2.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Fannie Mae	3.7		6.8		na		na		3.9		3.8		3.8		3.8		3.9		4.1		4.3		na		na		na	6.0	na	1.6	2.2	2.3	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
KPMG	3.7		6.8		3.7		3.3		3.5		3.6		3.4		3.3		3.1		3.3		3.6		4.1		5.4		na	5.4	na	1.6	2.2	1.7	1.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Goldman Sachs & Co.	3.6		na		na		na		4.3		na		na		3.6		3.7		4.0		4.2		na		na		na	na	na	2.1	2.2	2.4	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
MacroFin Analytics & Rutgers Bus School	3.6		6.8		3.6		3.6		3.4		3.7		3.8		3.8		3.7		3.7		3.8		4.8		5.6		3.9	6.7	114.3	2.0	2.0	2.0	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
S&P Global Market Intelligence	3.6		6.8		3.6		na		3.4		3.4		3.3		3.1		3.0		3.3		3.6		na		na		na	5.4	na	1.4	2.2	1.7	1.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
The Northern Trust Company	3.6		6.8		3.6		3.7		3.4		3.3		3.4		3.6		3.8		4.0		4.3		5.3		6.4		4.4	6.5	110.0	L	1.6	2.0	2.0	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Wells Fargo	3.6		6.8		3.7		3.6		3.6		3.5		3.4		3.3		3.4		3.5		3.8		4.7		5.7		4.1	5.8	na	2.2	2.1	2.3	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
EY-Parthenon	3.5		na		na		3.5		na		na		na		na		na		3.5		na		na		na		na	na	na	2.1	2.0	2.1	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Georgia State University	3.5		6.7		na		na		3.3		3.2		3.2		3.2		3.2		3.4		3.8		4.6		5.6		na	5.8	na	2.2	2.1	1.6	1.7																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Loomis, Sayles & Company	3.5		6.7		3.5		3.4		3.6		3.5		3.4		3.3		3.3		3.5		3.8		4.3		5.2		3.5	5.7	113.8	2.2	1.9	2.3	1.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Scotiabank Group	3.5		na		3.3		na		3.1		na		na		3.3		3.5		4.0		4.0		na		na		na	na	na	1.8	0.9	L	2.4	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
The Lonski Group	3.5		6.6		3.4		3.5		3.6		3.6		3.6		3.5		3.5		3.5		3.7		4.8		5.4		3.7	5.5	118.4	2.0	2.0	2.5	2.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Naroff Economics LLC	3.1		6.1	L	3.2		3.2	L	3.2		3.3		3.5		3.6		3.9		4.1		4.3		5.1		5.6		4.1	5.6	114.4	3.2	2.4	2.2	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
NatWest Markets	3.1		6.3		na		3.2	L	3.4		3.5		3.6		3.1		3.4		4.0		4.6		4.8		5.7		4.5	6.3	na	2.0	1.8	1.4	L	1.3	L																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Societe Generale	3.1		6.3		3.1	L	na		2.9	L	2.9	L	2.9	L	2.9		2.7	L	3.2		3.5		na		na		na	na	na	4.5	H	2.0	2.2	2.2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
ING	2.9	L	na		na		na		na		na		na		3.0		3.7		4.0		4.4		na		na		na	na	na	1.8	na	na	na																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
February Consensus	3.8		7.0		3.9		3.9		3.8		3.8		3.7		3.5		3.6		3.8		4.0		4.8		5.8		4.1	6.1	114.6	2.0	2.1	2.2	2.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Top 10 Avg.	4.3		7.4		4.2		4.2		4.2		4.2		4.1		4.1		4.1		4.2		4.5		5.2		6.1		4.4	6.6	116.6	2.7	2.6	2.5	2.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Bottom 10 Avg.	3.3		6.6		3.5		3.5		3.3		3.4		3.3		3.1		3.1		3.3		3.6		4.4		5.5		3.8	5.6	112.5	1.5	1.8	1.8	1.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
January Consensus	3.8		7.0		3.8		3.8		3.7		3.8		3.7		3.6		3.6		3.7		4.0		4.7		5.8		4.1	6.1	114.4	2.1	2.1	2.2	2.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Number of Forecasts Changed From A Month Ago:																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						

10 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	Fed Fund Target Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	5.13	4.88	--
BMO Capital Markets	5.38	5.13	4.38
ING Financial Markets	5.38	4.88	3.88
Moody's Analytics	5.38	5.18	4.57
Northern Trust	5.38	5.32	4.58
Oxford Economics	5.38	5.21	4.71
S&P Global Market Intelligence	--	--	--
Scotiabank	5.13	4.63	3.63
TS Lombard	5.25	4.50	4.00
Wells Fargo	5.38	4.83	4.13
February Consensus	5.31	4.95	4.24
High	5.38	5.32	4.71
Low	5.13	4.50	3.63
Last Months Avg.	5.30	5.02	4.27

Blue Chip Forecasters	Policy-Rate Balance Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	0.00	0.25	--
BMO Capital Markets	-0.10	0.00	0.00
ING Financial Markets	-0.10	0.00	0.00
Moody's Analytics	-0.10	-0.03	0.00
Nomura Securities	--	--	--
Northern Trust	-0.10	0.00	0.20
Oxford Economics	-0.04	0.00	0.00
S&P Global Market Intelligence	--	--	--
Scotiabank	--	--	--
TS Lombard	-0.01	0.00	0.10
Wells Fargo	-0.10	0.00	0.00
February Consensus	-0.07	0.03	0.04
High	0.00	0.25	0.20
Low	-0.10	-0.03	0.00
Last Months Avg.	-0.07	-0.01	0.00

Blue Chip Forecasters	Official Bank Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	5.00	4.50	--
BMO Capital Markets	5.00	4.75	4.25
ING Financial Markets	5.25	5.25	4.25
Moody's Analytics	5.25	5.25	4.57
Nomura Securities	--	--	--
Northern Trust	5.25	5.00	4.25
Oxford Economics	5.25	5.08	4.35
S&P Global Market Intelligence	--	--	--
Scotiabank	5.00	4.50	3.75
TS Lombard	5.25	5.00	4.75
Wells Fargo	5.25	5.00	4.00
February Consensus	5.17	4.93	4.27
High	5.25	5.25	4.75
Low	5.00	4.50	3.75
Last Months Avg.	5.25	5.09	4.20

Blue Chip Forecasters	SNB Policy Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	1.75	1.75	--
BMO Capital Markets	1.75	1.75	1.75
ING Financial Markets	1.75	1.75	1.75
Moody's Analytics	1.75	1.75	1.50
Nomura Securities	--	--	--
Northern Trust	1.50	1.25	1.25
Oxford Economics	1.75	1.75	1.38
S&P Global Market Intelligence	--	--	--
Scotiabank	--	--	--
TS Lombard	1.65	1.50	1.25
Wells Fargo	1.75	1.50	1.00
February Consensus	1.71	1.63	1.41
High	1.75	1.75	1.75
Low	1.50	1.25	1.00
Last Months Avg.	1.75	1.66	1.41

Blue Chip Forecasters	O/N MMkt Financing Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	5.00	4.75	--
BMO Capital Markets	5.00	4.50	4.00
ING Financial Markets	5.00	4.50	3.50
Moody's Analytics	4.93	4.45	3.50
Nomura Securities	--	--	--
Northern Trust	5.00	4.75	4.00
Oxford Economics	5.00	4.88	4.38
S&P Global Market Intelligence	--	--	--
Scotiabank	4.75	4.25	3.50
TS Lombard	5.00	4.25	3.75
Wells Fargo	5.00	4.75	4.00
February Consensus	4.96	4.56	3.83
High	5.00	4.88	4.38
Low	4.75	4.25	3.50
Last Months Avg.	5.00	4.66	3.77

United States			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
4.28	4.33	--	
3.93	3.82	3.74	
4.00	3.50	3.50	
4.24	4.18	4.11	
4.30	4.20	4.10	
4.07	3.95	3.81	
3.75	3.58	3.37	
3.70	3.80	4.00	
4.00	4.00	4.75	
3.95	3.85	3.60	
4.02	3.92	3.89	
4.30	4.33	4.75	
3.70	3.50	3.37	
4.26	4.09	3.83	

Japan			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
0.93	0.98	--	
0.80	0.89	0.97	
0.60	0.80	1.00	
0.84	0.84	0.84	
--	--	--	
0.75	0.85	0.95	
0.66	0.70	0.71	
--	--	--	
--	--	--	
0.72	0.72	1.47	
0.70	0.75	0.70	
0.75	0.82	0.95	
0.93	0.98	1.47	
0.60	0.70	0.70	
0.83	0.84	0.85	

United Kingdom			
10 Yr. Gilt Yields %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
4.10	4.03	--	
3.77	3.76	3.74	
3.80	3.65	3.65	
3.93	3.81	3.65	
--	--	--	
4.00	3.90	3.80	
3.77	3.69	3.60	
--	--	--	
--	--	--	
3.90	3.85	4.60	
3.85	3.80	3.60	
3.89	3.81	3.81	
4.10	4.03	4.60	
3.77	3.65	3.60	
4.06	3.94	3.65	

Switzerland			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
--	--	--	
0.90	0.85	1.10	
1.55	1.73	1.78	
--	--	--	
0.95	1.00	1.00	
0.86	1.03	1.32	
--	--	--	
--	--	--	
0.90	0.90	1.65	
--	--	--	
1.03	1.10	1.37	
1.55	1.73	1.78	
0.86	0.85	1.00	
0.95	1.03	1.09	

Canada			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
--	--	--	
3.19	3.08	3.00	
3.20	3.00	3.25	
4.00	4.04	4.04	
--	--	--	
3.50	3.40	3.30	
3.25	3.45	3.49	
--	--	--	
3.20	3.35	3.60	
3.50	3.25	2.75	
3.40	3.30	3.20	
3.41	3.36	3.33	
4.00	4.04	4.04	
3.19	3.00	2.75	
3.47	3.27	3.14	

Fed's AFE \$ Index			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
--	--	--	
114.3	114.1	113.6	
115.0	112.7	108.0	
--	--	--	
116.0	115.0	112.0	
114.1	114.6	113.6	
--	--	--	
--	--	--	
110.0	110.0	120.0	
--	--	--	
113.9	113.3	113.4	
116.0	115.0	120.0	
110.0	110.0	108.0	
115.4	114.3	112.9	

Yen per US\$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
152.3	150.0	--	
143.0	142.0	139.0	
140.0	135.0	130.0	
142.0	136.6	128.2	
142.0	140.0	135.0	
148.0	144.0	138.0	
146.2	144.0	137.2	
140.1	135.4	130.0	
150.0	140.0	135.0	
150.0	140.0	150.0	
--	--	--	
145.4	140.7	135.8	
152.3	150.0	150.0	
140.0	135.0	128.2	
145.2	142.6	137.2	

US\$ per Pound Sterling			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.22	1.26	--	
1.27	1.28	1.28	
1.23	1.24	1.28	
1.26	1.26	1.26	
1.27	1.28	1.30	
1.26	1.26	1.29	
1.28	1.26	1.27	
1.27	1.28	1.29	
1.25	1.30	1.32	
1.27	1.25	1.15	
--	--	--	
1.26	1.27	1.27	
1.28	1.30	1.32	
1.22	1.24	1.15	
1.25	1.25	1.26	

CHF per US\$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
0.92	0.91	--	
0.86	0.86	0.85	
0.88	0.86	0.83	
0.86	0.85	0.83	
0.88	0.87	0.86	
0.87	0.87	0.85	
0.85	0.87	0.89	
0.86	0.86	0.86	
0.86	0.88	0.88	
0.90	0.90	0.90	
--	--	--	
0.87	0.87	0.86	
0.92	0.91	0.90	
0.85	0.85	0.83	
0.89	0.88	0.86	

C\$ per US\$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.38	1.37	--	
1.33	1.33	1.31	
1.35	1.33	1.28	
1.33	1.30	1.26	
1.34	1.33	1.31	
1.36	1.34	1.30	
1.33	1.33	1.32	
1.33	1.31	1.30	
1.33	1.28	1.27	
1.35	1.35	1.35	
--	--	--	
1.34	1.33	1.30	
1.38	1.37	1.35	
1.33	1.28	1.26	
1.36	1.34	1.31	

FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 11

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	Official Cash Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	4.35	4.35	--
BMO Capital Markets	4.35	4.10	3.60
ING Financial Markets	4.35	4.10	3.60
Moody's Analytics	4.35	4.35	3.85
Nomura Securities	--	--	--
Northern Trust	4.35	4.35	3.60
Oxford Economics	4.46	4.60	4.48
S&P Global Market Intelligence	--	--	--
Scotiabank	--	--	--
TS Lombard	4.32	3.50	3.00
Wells Fargo	4.35	4.35	3.85
February Consensus	4.36	4.21	3.71
High	4.46	4.60	4.48
Low	4.32	3.50	3.00
Last Months Avg.	4.32	4.24	3.75

Australia			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
--	--	--	
--	--	--	
4.80	4.30	3.70	
4.72	4.47	4.14	
--	--	--	
4.30	4.20	4.10	
4.55	4.21	4.14	
--	--	--	
4.20	4.20	4.95	
--	--	--	
4.51	4.28	4.21	
4.80	4.47	4.95	
4.20	4.20	3.70	
4.51	4.17	3.86	

US\$ per A\$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
0.64	0.65	--	
0.67	0.67	0.67	
0.67	0.69	0.70	
0.67	0.69	0.72	
0.68	0.69	0.71	
0.65	0.66	0.69	
0.66	0.68	0.68	
0.68	0.68	0.69	
0.66	0.68	0.70	
0.65	0.65	0.65	
--	--	--	
0.66	0.67	0.69	
0.68	0.69	0.72	
0.64	0.65	0.65	
0.65	0.67	0.69	

Blue Chip Forecasters	Main Refinancing Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	4.25	3.75	--
BMO Capital Markets	4.50	4.25	3.75
ING Financial Markets	4.50	4.25	3.75
Moody's Analytics	4.50	4.45	3.53
Nomura Securities	--	--	--
Northern Trust	4.50	4.25	3.25
Oxford Economics	4.50	4.21	3.24
S&P Global Market Intelligence	--	--	--
Scotiabank	4.25	3.75	3.25
TS Lombard	4.00	4.00	3.50
Wells Fargo	4.00	3.50	2.75
February Consensus	4.33	4.05	3.38
High	4.50	4.45	3.75
Low	4.00	3.50	2.75
Last Months Avg.	4.34	3.93	3.32

Euro area

US\$ per Euro			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.06	1.07	--	
1.10	1.11	1.12	
1.08	1.10	1.15	
1.10	1.11	1.12	
1.12	1.13	1.15	
1.07	1.06	1.12	
1.09	1.08	1.09	
1.10	1.11	1.13	
1.10	1.12	1.15	
1.10	1.15	1.05	
--	--	--	
1.09	1.10	1.12	
1.12	1.15	1.15	
1.06	1.06	1.05	
1.08	1.09	1.12	

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	2.67	2.52	--	--	--	--	--	--	--	--	--	--
BMO Capital Markets	2.20	2.26	2.28	--	--	--	--	--	--	--	--	--
ING Financial Markets	2.20	2.10	2.30	2.80	2.70	2.85	4.00	4.00	3.95	3.30	3.20	3.30
Moody's Analytics	2.33	2.33	2.30	2.78	2.74	2.68	4.37	4.36	4.30	3.31	3.33	3.32
Northern Trust	2.35	2.25	2.15	2.85	2.75	2.65	3.90	3.80	3.70	3.25	3.15	3.05
Oxford Economics	2.16	2.17	2.12	2.71	2.70	2.57	3.85	3.89	3.97	3.15	3.16	3.15
TS Lombard	2.60	2.50	2.40	2.95	2.85	2.75	3.90	3.80	3.70	3.35	3.25	3.15
Wells Fargo	2.25	2.20	2.15	--	--	--	--	--	--	--	--	--
February Consensus	2.35	2.29	2.24	2.82	2.75	2.70	4.00	3.97	3.92	3.27	3.22	3.19
High	2.67	2.52	2.40	2.95	2.85	2.85	4.37	4.36	4.30	3.35	3.33	3.32
Low	2.16	2.10	2.12	2.71	2.70	2.57	3.85	3.80	3.70	3.15	3.15	3.05
Last Months Avg.	2.38	2.24	2.11	2.96	2.78	2.72	4.16	4.05	4.01	3.44	3.25	3.23

	Consensus Forecasts			
	10-year Bond Yields vs U.S. Yield			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-3.43	-3.27	-3.10	-2.94
United Kingdom	-0.09	-0.13	-0.11	-0.08
Switzerland	-3.28	-2.99	-2.82	-2.52
Canada	-0.63	-0.62	-0.56	-0.56
Australia	0.04	0.49	0.36	0.32
Germany	-1.85	-1.68	-1.63	-1.64
France	-1.37	-1.20	-1.17	-1.19
Italy	-0.32	-0.02	0.05	0.04
Spain	-0.90	-0.75	-0.70	-0.69

	Consensus Forecasts			
	Policy Rates vs U.S. Target Rate			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-5.48	-5.38	-4.98	-4.19
United Kingdom	-0.13	-0.14	-0.03	0.04
Switzerland	-3.63	-3.60	-3.33	-2.82
Canada	-0.38	-0.35	-0.39	-0.41
Australia	-1.03	-0.95	-0.74	-0.52
Euro area	-0.88	-0.98	-0.91	-0.86

Viewpoints:

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

Let's Get Real about GDP

US' real private-sector spending lagged real GDP ...

Real GDP outran real private sector spending on final products by 7/10th of a percentage point in 2023. The annual growth rate for real private-sector spending on final goods and services slowed from yearlong 2022's 2.3% to yearlong 2023's 1.8%. By contrast, real GDP growth quickened from 2022's 1.9% to 2023's 2.5%. (Real GDP adds government spending, the trade deficit and the change inventories to real private sector spending on final products.)

Remember real GDP's great head fake of 2022's first half. That was when real GDP's back-to-back annualized quarterly set-backs of -2.0% for Q1-2022 and -0.6% for Q2-2022 were incorrectly viewed by some as evidence of a recession. One of the principal reasons why the unemployment rate did not rise in a manner that would confirm a recession was because real private sector spending on final products posted back-to-back annualized quarterly increases of 1.5% for both the first and second quarters of 2022.

In terms of annualized quarterly growth rates, real private sector purchases of final products slowed from Q3-2023's 3.0% to Q4-2023's 2.6%, which differed considerably from real GDP's accompanying deceleration from 4.9% to 3.3%.

Also, in terms of year-to-year increases, real private sector spending on final products quickened from Q4-2022's 0.8% to Q4-2023's 2.7%, which was more muted than the comparably measured jump by yearly real GDP growth from 0.7% to 3.1%.

Real private sector spending shows highest correlation with US equity market performance ...

In terms of year-on-year growth rates, the market value of US common stock shows a slightly higher correlation of 0.49 with real US private sector purchases of final products compared to the common equity market's 0.45 correlation with real GDP.

Real private sector spending on final products approximates real GDP less real net exports less the change in real inventories less real government spending.

The nominal version of US private sector purchases of final products generates a correlation of 0.42 with the market value of US common stock, where the latter generates a lower correlation of 0.35 with nominal GDP.

Unexpected surge by government spending amplified real GDP's upside surprise ...

Though real GDP's annualized quarter-to-quarter growth rate slowed from Q3-2023's 4.9% to Q4-2023's 3.3%, the latter was well above the consensus projection of 2.0% growth. Calendar year 2023's 2.5% annual advance by real GDP far outpaced the consensus' year earlier prediction that called for a 0.5% rise by 2023's US economy.

At the start of 2023, the consensus was looking for a further deceleration of US real GDP following a plunge by real GDP's annual growth rate from 2021's post-COVID surge of 5.8% to 2022's 1.9%. Few expected the US economy would accelerate given monetary tightening that both ratcheted up the federal

funds rate from 0.13% to its current 5.38% and the Fed's reduced holdings of US Treasury bonds and mortgage-backed securities.

The upside growth surprise of 2023 owes something not only to the unexpected continuation of massive government stimulus, but also to the overhang of highly liquid assets stemming from 2020-2021's most rapid expansion of the money supply since World War II.

Of special importance to 2023's US economy was the rapid growth of government spending. Yearlong 2023's 4.0% annual advance by real government spending towered over the 2.5% rate of real GDP growth. Real government spending's 4.0% increase for 2023 consisted of gains of 4.2% for real federal spending and 3.8% for real spending by state and local governments.

Without the surge in real government spending, calendar year 2023's 2.5% increase by real GDP slows to an estimated 1.9% matching its 1.9% gain for 2022.

GDP's estimate of government spending excludes social security, Medicare, and Medicaid ...

Worth noting is how real government spending does not include government transfer payments such as social security, Medicare, and Medicaid. Transfer payments enter into GDP via personal spending. For example, while the sum of spending by federal, state, and local governments included in the GDP accounts approximated 17.4% of 2023's GDP, total gross federal outlays for calendar-year 2023 approached 23.0% of GDP.

Calendar-year (CY) 2023's 7.8% annual increase by the sum of outlays for social security, Medicare, and Medicaid was faster than CY 2023's 5.6% annual increase by nominal private sector spending on final goods and services. CY 2023's nominal government spending contained in the GDP accounts that excludes transfer payments grew by a much faster 6.6% annually compared to private sector spending on final products.

Among major categories of GDP's estimate of consumer spending, government support stands out in health care spending. CY 2023's 7.7% annual increase by nominal consumer spending on health care easily outran the 5.7% increase by the rest of consumer spending.

Moreover, government subsidies and tax breaks for green energy projects and electric vehicles explained why CY 2023's 19.4% annual increase by nominal business investment spending on structures was so much faster than the comparably measured gains of 4.2% for business purchases of equipment and 6.2% for business investment in intellectual property products (including software).

Unlike the switch in real government spending's annual percent change from 2022's -0.9% drop to 2023's 4.0% advance, the calendar year growth rates for each of real GDP's broad private-sector categories slowed from 2022 to 2023.

By private sector category, the growth of real consumer spending eased from CY 2022's 2.5% to CY 2023's 2.2%, real business investment spending in capital products slowed from 5.2% to 4.4%, and the annual contraction by real residential investment spending deepened from -9.0% to -10.7%.

Spending on recreational goods led real consumer spending growth in 2023 ...

I doubt if anyone can guess the fastest growing category for CY 2023's real consumer spending? The winner was the 7.6% annual advance by real spending on recreational goods and vehicles. This category has been hot for some time. After surging by 10.3% annually, on average, during the four years ended 2019, real outlays on recreational goods and vehicles accelerated to the 14.3% average annual advance of the four years ended 2023.

But some may view 2023's 7.6% annual advance by real spending on recreational goods and vehicles to be very misleading. Investors may view the 7.6% real increase to be useless information given how nominal, or actual, consumer spending on recreational goods and vehicles rose by a much slower 4.2% annually in 2023. Inflation adjusted, or real, data must be viewed with caution.

Dollar value of consumer spending slows appreciably year-to-year ...

From the perspective of the real world, nominal consumer spending has slowed noticeably from its unsustainably rapid pace of a year ago. The annual increase of nominal consumer spending slowed from CY 2022's 9.2% to CY 2023's 6.0%. In addition, the year-on-year growth rate for nominal consumer spending dropped from Q4-2022's 7.2% to Q4-2023's 5.4%. I think the deceleration by consumer spending is far from over given (i) rising consumer loan delinquency rates, (ii) a historically low personal savings rate, and (iii) the likelihood of slower growth rates for payrolls and employment-derived income.

The annualized quarterly growth rate for real consumer spending eased from Q3-2023's 3.1% to Q4-2023's 2.8%. The latter was slightly above the latest consensus projection of 2.5%. However, not that long ago, the consensus believed Q4-2023's annualized sequential growth rate for real consumer spending would be less than 2%.

Inventory build and thinner trade gap pushes Q4-2023's real GDP growth above 3%

The contribution to GDP from changes in unsold inventories supplied an unexpected lift to Q4-2023's real GDP. Early January's Blue Chip consensus expected the increase in real inventories would drop to \$33.2 billion in 2023's final quarter following a jump from Q2-2023's \$14.9 billion to Q3-2023's \$77.8 billion.

Much to the contrary, Q4-2023 showed an advance by real inventory accumulation to \$82.7 billion. So instead of conforming to the consensus forecast and reducing real GDP by -\$44.6 billion, the change in inventories added \$4.9 billion to Q4-2023's real GDP.

Moreover, the consensus was looking for a widening of Q4-2023's real trade deficit that would have subtracted nearly -\$10 billion from real GDP. Instead, the real trade deficit narrowed from Q3-2023's -\$930.7 billion to Q4-2023's -\$908.2 billion and, thereby, added +\$22.5 billion to GDP.

After excluding the volatile additions to real GDP stemming from changes in inventories and changes in the real trade deficit, the remainder of Q4-2023's real GDP grew by a slower 2.7% annualized from Q3-2023's pace. The latter was down from Q3-2023's 3.5% comparably measured gain.

In terms of calendar year growth rates, real GDP excluding the change in inventories and the trade deficit rose from 2022's 1.7% to 2023's 2.2%, where the latter was slower than the 2.5% rise for the entirety of 2023's real GDP.

Furthermore, if we exclude only the 0.6 percentage points of growth supplied CY 2023's US real GDP by a narrower trade deficit, the annual rate of real GDP growth slows to 1.9%, which represents a slowdown from the hybrid metric's 2.3% increase of CY 2022.

John Lonski (The Lonski Group)

U.S. Job Openings Up, Quits Down ...and Jobs are "Plentiful"

Between the two surveys released at the same time.... one on confidence (and jobs) and job availability... these days, I'll go with the job survey as being more important. The two big items to focus on: 1) jobs and 2) inflation expectations

Job openings actually rose in December (Side note: Anyone remember how exciting it was when the number of openings cracked 10 mln? And they stayed there for nearly two years!) We're back over the 9 million mark, which is a 3-month high... and the bulk of the gains were in the private sector. So the good news is that there are options out there... if one is still unemployed or is looking for extra work. The bad news is that it means that the consumer could spend more and that's not what the Fed wants right now.

Firms increased their hires (so they're finding the right person), while the number of people who quit (either for those options noted above or for other personal reasons) fell for the fourth month in a row, which is noteworthy as it suggests that there is less pressure to boost wages. So that is good news.

And, yes, the Conference Board's headline index of consumer confidence showed a bigger-than-expected 6.8 pt jump in January to a 7-month high of 114.8 (lots of excitement around the 'present situation' was it the potential for rate cuts?), but check out the jobs section of the survey. Inflation expectations for the next 12 months dropped for the third month in a row to a 46-month low.

"Show of hands! Anyone still finding jobs plentiful these days? How about hard to get?" More respondents found jobs plentiful and fewer found those jobs difficult to come by. Let's go back to the opening segment here the good news is that Americans are confident about their job situation; but, the bad news is that means the U.S. economy could stay resilient for longer. Not a bad thing in the grand scheme of things, but bad for Fed Chair Powell. Also, note this suggest that the January jobless rate could fall (we will find out on Friday).

Separately.... House prices are still rising but at a more modest pace.... the S&P CoreLogic Case-Shiller Home Price Index (say that quickly 3x) edged up just 0.2% in November (still sizeable gains in Vegas.... maybe the New Edition reunion is bringing more buyers into town... but they were offset by sizeable declines in San Francisco and Seattle), while the FHFA House Price Index continued to rise at a more sedate rate of 0.3% for the second month in a row.

Bottom Line: It will be challenging to push for earlier rate cuts in this environment.

Jennifer Lee (BMO Capital Markets)

14 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

Special Questions:

1. a. At what FOMC meeting will the first FFR cut occur?

<u>Mar 2024</u>	16%	<u>May 2024</u>	41%	<u>Jun 2024</u>	25%	<u>Jul 2024</u>	16%
<u>Sep 2024</u>	0%	<u>Nov 2024</u>	3%	<u>Dec 2024</u>	0%	<u>Later</u>	0%

- b. How much will the FFR target decline in 2024? 112 bps

2. a. What is your estimate of the long-term neutral fed funds rate? 2.86%

- b. Since before the pandemic, has it: increased 79% decreased 7% remained the same 14%

3. The Fed has been reducing its security holdings since the middle of 2022, known as quantitative tightening. Will it halt this reduction once it begins to lower the fed funds rate target? Yes 23% No 77%

4. Changes in monetary policy affect the economy with a lag, possibly long. Is there further meaningful restraint from earlier tightening that the US economy has yet to feel? Yes 80% No 20%

5. Is the US economy headed for a “soft landing,” that is a return of inflation to around the Fed’s 2% target without the economy experiencing a recession? Yes 81% No 19%

6. a. Did accommodative US fiscal policy play a key role in the resilience of the economy in 2023? Yes 93% No 7%

- b. Do you expect less accommodation in 2024? Yes 77% No 23%

- c. If so, will this slow the economy meaningfully? Yes 52% No 48%

7. What is your US unemployment rate forecast for: Jun 2024 4.1% Dec 2024 4.3%

8. What probability do you attach to a recession beginning over the next 12 months in the:

	<u>US</u>	<u>euro area</u>	<u>UK</u>
Consensus	39%	54%	56%
Top 10	53%	66%	69%
Bot 10	27%	42%	44%

9. a. When will the ECB begin cutting its policy rates?

<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q2 2024</u>	<u>Later</u>
9%	61%	26%	4%	0%

- b. When will the BoE begin cutting its Bank rate?

<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q2 2024</u>	<u>Later</u>
4%	39%	48%	9%	0%

- c. When will the first hike in the Bank of Japan’s short-term policy interest rate occur?

<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q2 2024</u>	<u>Later</u>
5%	57%	14%	5%	19%

FEBRUARY 1, 2024 ■ BLUE CHIP FINANCIAL FORECASTS ■ 15

Databank:

2024 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)												
Auto & Light Truck Sales (b)												
Personal Income (a, current \$)												
Personal Consumption (a, current \$)												
Consumer Credit (e)												
Consumer Sentiment (U. of Mich.)	78.8	....	....	....	....	....	....	....	....	....	....	....
Household Employment (c)												
Nonfarm Payroll Employment (c)												
Unemployment Rate (%)												
Average Hourly Earnings (All, cur. \$)												
Average Workweek (All, hrs.)												
Industrial Production (d)												
Capacity Utilization (%)												
ISM Manufacturing Index (g)												
ISM Nonmanufacturing Index (g)												
Housing Starts (b)												
Housing Permits (b)												
New Home Sales (1-family, c)												
Construction Expenditures (a)												
Consumer Price Index (nsa, d)												
CPI ex. Food and Energy (nsa, d)												
PCE Chain Price Index (d)												
Core PCE Chain Price Index (d)												
Producer Price Index (nsa, d)												
Durable Goods Orders (a)												
Leading Economic Indicators (a)												
Balance of Trade & Services (f)												
Federal Funds Rate (%)												
3-Mo. Treasury Bill Rate (%)												
10-Year Treasury Note Yield (%)												

2023 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	3.0	-0.7	-0.9	0.4	0.7	0.2	0.6	0.7	0.8	-0.3	0.3	0.6
Auto & Light Truck Sales (b)	15.11	14.88	14.93	15.68	15.52	16.06	15.94	15.30	15.77	15.49	15.39	15.89
Personal Income (a, current \$)	1.0	0.5	0.5	0.2	0.3	0.2	0.2	0.4	0.3	0.3	0.4	0.3
Personal Consumption (a, current \$)	1.6	0.4	-0.1	0.4	0.2	0.4	0.6	0.3	0.8	0.0	0.4	0.7
Consumer Credit (e)	5.4	2.7	4.6	3.5	-0.2	2.9	3.0	-3.5	2.6	1.4	5.7	....
Consumer Sentiment (U. of Mich.)	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7
Household Employment (c)	852	149	523	138	-255	297	205	291	50	-270	586	-683
Nonfarm Payroll Employment (c)	472	248	217	217	281	105	236	165	262	105	173	216
Unemployment Rate (%)	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7
Average Hourly Earnings (All, cur. \$)	33.02	33.11	33.20	33.34	33.45	33.60	33.73	33.82	33.91	34.00	34.12	34.27
Average Workweek (All, hrs.)	34.6	34.5	34.4	34.4	34.3	34.4	34.3	34.4	34.4	34.3	34.4	34.3
Industrial Production (d)	1.5	0.9	0.2	0.3	0.1	-0.4	0.1	0.0	-0.2	-0.9	-0.6	1.0
Capacity Utilization (%)	79.6	79.5	79.5	79.8	79.5	78.9	79.5	79.5	79.5	78.7	78.6	78.6
ISM Manufacturing Index (g)	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	49.0	46.7	46.7	47.4
ISM Nonmanufacturing Index (g)	55.2	55.1	51.2	51.9	50.3	53.9	52.7	54.5	53.6	51.8	52.7	50.6
Housing Starts (b)	1.340	1.436	1.380	1.348	1.583	1.418	1.451	1.305	1.356	1.376	1.525	1.460
Housing Permits (b)	1.354	1.482	1.437	1.417	1.496	1.441	1.443	1.541	1.471	1.498	1.467	1.493
New Home Sales (1-family, c)	649	625	640	679	710	683	728	654	698	676	615	664
Construction Expenditures (a)	2.2	0.4	0.6	0.3	2.0	0.5	0.7	2.1	0.4	1.2	0.4	....
Consumer Price Index (nsa, d)	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4
CPI ex. Food and Energy (nsa, d)	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9
PCE Chain Price Index (d)	5.5	5.2	4.4	4.4	4.0	3.2	3.3	3.3	3.4	2.9	2.6	2.6
Core PCE Chain Price Index (d)	4.9	4.8	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9
Producer Price Index (nsa, d)	5.7	4.7	2.7	2.3	1.1	0.3	1.1	1.9	2.0	1.2	0.8	1.0
Durable Goods Orders (a)	-1.3	-2.7	3.3	1.2	2.0	4.3	-5.6	-0.1	4.0	-5.1	5.5	0.0
Leading Economic Indicators (a)	-0.5	-0.6	-1.2	-0.7	-0.7	-0.7	-0.3	-0.4	-0.8	-1.0	-0.5	-0.1
Balance of Trade & Services (f)	-70.8	-70.6	-60.4	-72.9	-66.9	-64.0	-65.0	-58.6	-61.2	-64.5	-63.2	....
Federal Funds Rate (%)	4.33	4.57	4.65	4.83	5.06	5.08	5.12	5.33	5.33	5.33	5.33	5.33
3-Mo. Treasury Bill Rate (%)	4.69	4.79	4.86	5.07	5.31	5.42	5.49	5.56	5.56	5.60	5.52	5.44
10-Year Treasury Note Yield (%)	3.53	3.75	3.66	3.46	3.57	3.75	3.90	4.17	4.38	4.80	4.50	4.02

(a) month-over-month % change; (b) millions, saar; (c) month-over-month change, thousands; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

16 ■ BLUE CHIP FINANCIAL FORECASTS ■ FEBRUARY 1, 2024

Calendar of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
January 29 Texas Manufacturing Outlook Survey (Jan) Short-Term Energy Outlook (Dec)	30 FHFA HPI (Nov) Case-Shiller HPI (Nov) JOLTS (Dec) BED (Q2) Consumer Confidence (Jan) Housing Vacancies (Q4) Texas Service Sector Outlook Survey (Jan) FOMC Meeting	31 ADP Employment Report (Jan) Employment Cost Index (Q4) Chicago PMI (Jan) EIA Crude Oil Stocks Mortgage Applications FOMC Meeting	February 1 Productivity & Costs (Q4) ISM Manufacturing (Jan & Rev) S&P Global Mfg PMI (Jan) Construction (Dec) Challenger Employment Report (Jan) Weekly Jobless Claims	2 Employment Situation (Jan) Consumer Sentiment (Jan, Final) Manufacturers' Shipments, Inventories & Orders (Dec) BEA Auto and Truck Sales (Jan)
5 ISM Services PMI (Jan) S&P Global Services PMI (Jan) Senior Loan Officer Survey (Q1)	6 Public Debt (Jan) Kansas City Fed Labor Market Conditions Indicators (Jan) Interest on Public Debt (Jan)	7 International Trade (Dec) Transportation Services (Dec) Consumer Credit (Dec) Treasury Auction Allotments (Jan) EIA Crude Oil Stocks Mortgage Applications	8 Wholesale Trade (Dec) CEO Confidence Survey (Q1) Housing Affordability (Dec) Weekly Jobless Claims	9 Survey of Professional Forecasters (Q1) Seas Adj CPI Revisions Kansas City Financial Stress Index (Jan)
12 Monthly Treasury (Jan)	13 CPI & Real Earnings (Jan) Cleveland Fed Median CPI (Jan) NFIB (Jan) OPEC Crude Oil Spot Prices (Jan)	14 Seas Adj PPI Revisions EIA Crude Oil Stocks Mortgage Applications	15 Import & Export Prices (Jan) Advance Retail Sales (Jan) IP & Capacity Utilization (Jan) MTIS (Dec) Philadelphia Fed Mfg Business Outlook Survey (Feb) Empire State Mfg Survey (Feb) Home Builders (Feb) TIC Data (Dec) Weekly Jobless Claims	16 New Residential Construction (Jan) Producer Prices (Jan) Consumer Sentiment (Feb, Preliminary) Business Leaders Survey (Feb)
19 PRESIDENTS' DAY ALL MARKETS CLOSED	20 Retail E-Commerce Sales (Q4) Philly Fed Nonmanufacturing Business Outlook (Feb) Dallas Fed Banking Conditions Survey (Feb) Composite Indexes (Jan)	21 CEW (Q3)	22 Adv Quarterly Services (Q4) Existing Home Sales (Jan) S&P Global Flash PMIs (Feb) Chicago Fed National Activity Index (Jan) EIA Crude Oil Stocks Mortgage Applications Weekly Jobless Claims	23 Treasury Auction Allotments (Feb)
26 Final Building Permits (Jan) New Residential Sales (Jan) H.6 Money Stock (Jan) Texas Manufacturing Outlook Survey (Feb) NABE Outlook (Q1) Steel Imports for Consumption (Jan, Preliminary)	27 Adv Durable Goods (Jan) FHFA HPI (Dec & Q4) Case Shiller HPI (Dec) Richmond Fed Mfg & Service Sector (Feb) Texas Service Sector Outlook Survey (Feb) Consumer Confidence (Feb)	28 GDP (Q4, 2nd Estimate) Adv Trade & Inventories (Jan) EIA Crude Oil Stocks Mortgage Applications	29 Personal Income (Jan) Agricultural Prices (Jan) Dallas Fed Trimmed Mean (Jan) Underlying NIPA Tables (Q4, 2nd Estimate) Chicago PMI (Feb) Kansas City Fed Manufacturing Survey (Feb) Pending Home Sales (Jan) Weekly Jobless Claims	March 1 Construction (Jan) ISM Manufacturing (Feb) S&P Global Mfg PMI (Feb) Consumer Sentiment (Feb, Final) Strike Report (Feb)
4 BEA Auto and Truck Sales (Feb)	5 ISM Services PMI (Feb) S&P Global Services PMI (Feb) Manufacturers' Shipments, Inventories & Orders (Jan)	6 ADP Employment Report (Feb) Wholesale Trade (Jan) JOLTS (Jan) Public Debt (Feb) Interest on the Public Debt (Feb) EIA Crude Oil Stocks Mortgage Applications	7 International Trade (Jan) Productivity & Costs (Q4) Treasury Auction Allotments (Feb) Financial Accounts (Q4) Consumer Credit (Jan) Challenger Employment (Feb) Weekly Jobless Claims	8 Employment Situation (Feb)

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3/12/2021

Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks - Bloomberg

Markets

Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks

By Justina Lee

March 11, 2021, 10:08 AM EST

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- ▶ Investors fear sector has morphed into a big bet on low rates
 - ▶ Yet history shows tech's link with bonds is far more complex
-

Don't fear Treasury yields killing off the stock market's golden goose just yet.

As the Nasdaq 100 Index recovers from a \$1.5 trillion rout, there's good reason to think technology shares can defy machinations in U.S. bonds.

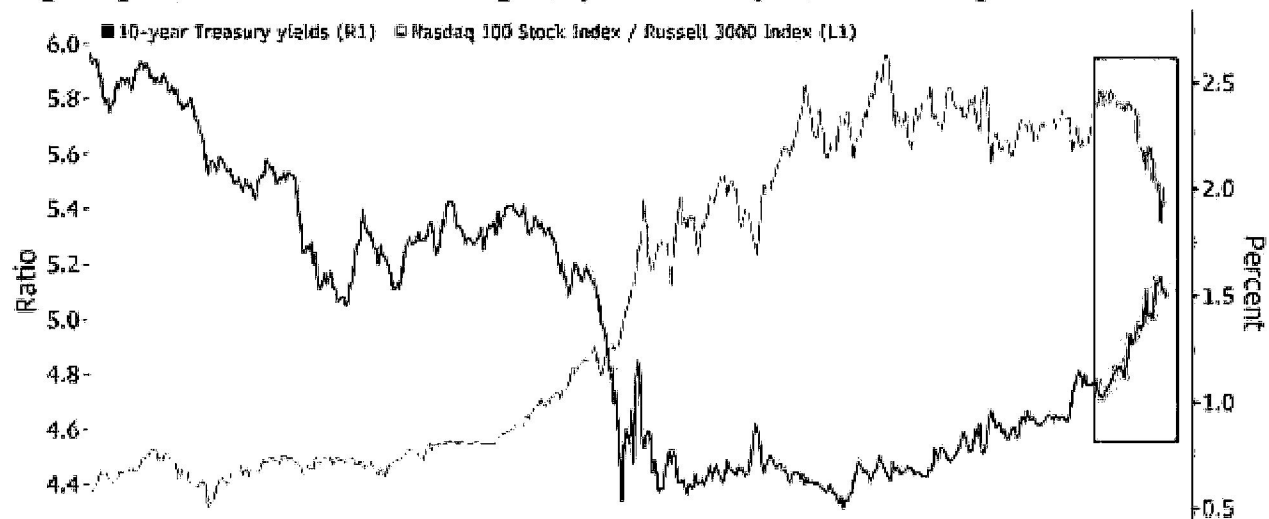
Studies from Deutsche Bank AG and Goldman Sachs Group Inc. show the world's biggest equity sector has a fickle relationship with Treasuries, if it has one at all. Quant powerhouse AQR Capital Management has found little evidence that yields drive how expensive megacaps trade relative to their cheaper counterparts.

And of course, secular economic trends have been powering the likes of Facebook Inc. and Amazon.com Inc. for years now -- when benchmark rates were far higher than current levels.

All that makes the Treasury-stock link more complex than it seems.

Low-Rate Trade?

Higher yields have made tech large-caps an underperformer lately



<https://www.bloomberg.com/news/articles/2021-03-11/wall-street-is-rethinking-the-treasury-threat-to-big-tech-stocks>

1/5

3/12/2021

Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks - Bloomberg



Put another way, while the recent Treasury selloff has pummeled Big Tech, that doesn't mean bonds are a natural foe for a sector hitched to secular trends from 5G to automation.

"Many tech companies will continue to benefit for many years from very strong themes that will result in outsized earnings growth," said Terry Ewing, head of equities at Mediolanum International Funds, which oversees about \$54 billion. "The dilemma for portfolio managers running a balanced mandate is that actually the de-rating we've seen in growth stocks has put them at a much more attractive level."

Ewing's funds began offloading a handful of tech stocks for cyclical names from the third quarter, just as rising expectations for an economic re-opening pushed yields higher in the world's biggest bond market.

As the U.S. yield curve steepened last month, \$1.5 trillion of value was wiped off tech shares, while assets deemed less sensitive to duration risk like value stocks -- banks, oil drillers and commodity producers -- surged.

The Nasdaq 100 jumped nearly 2% on Thursday morning in New York, as 10-year Treasury yields traded little changed around 1.5%.

Quant Perspective

From the perspective of quants who dissect equities by their factors, there are a few ways to explain the last month's rotation.

Technology companies are typically dubbed growth stocks thanks to their strong expected profit expansion, often far into the future. That's in contrast to value shares, which trade with lower multiples due to their riskier businesses.

When rates fall, economic growth is typically muted. That makes a company like Netflix Inc. look like a safer bet since it's riding the secular trend of streaming rather than ups and downs of the business cycle. Meanwhile the likes of Exxon Mobil Corp., tied to oil demand, look riskier.

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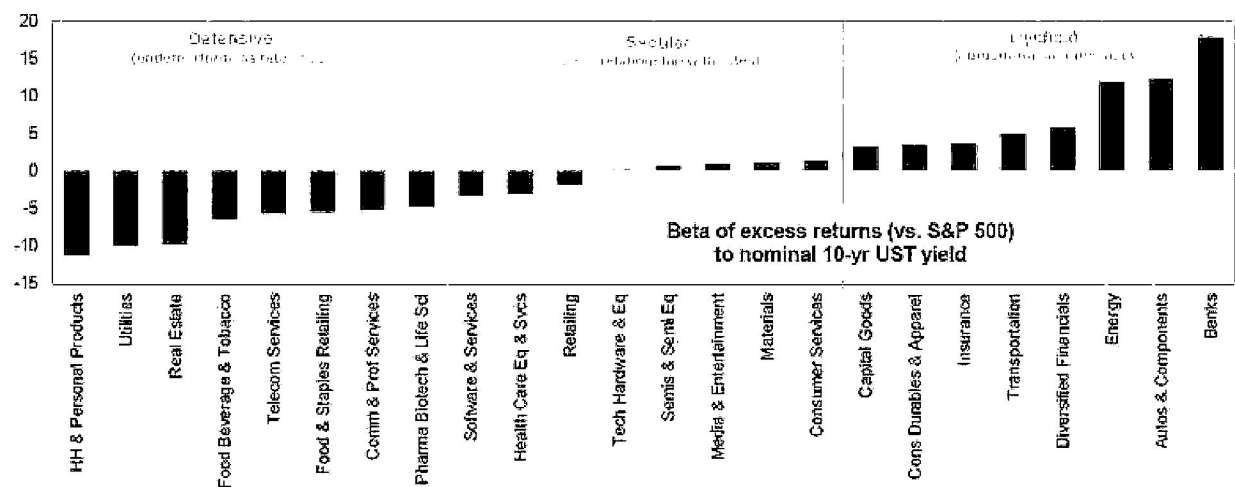
Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks - Bloomberg

In the post-crisis era of monetary easing, that's how the valuation dynamic played out: Netflix's long-term earnings were discounted at lower rates -- making it more expensive.

Now, opposing forces are in play. Rising yields are making the near-term cash flows of cheaper equities like Exxon Mobil more attractive.

"Sooner or later we will see pretty decent economic growth," said Georg Elsaesser, a quant portfolio manager at Invesco. "I would be more than surprised if that wouldn't be favorable for high-risk factors like value."

Exhibit 12: Sensitivity of industry group relative returns to nominal 10-year UST yield
beta calculated using monthly changes during last 5 years



Source: FactSet, Goldman Sachs Global Investment Research

Source: Goldman Sachs

Yet all these relationships are volatile -- and have far less explanatory power than commonly asserted.

Interest-rate changes only explain 19% of the returns posted by the growth factor versus value since 2018, Goldman Sachs strategists wrote in a note last month. That compares with 54% for cyclical versus defensive.

In other words, industry-specific trends, not bonds, seem to be driving this tech-heavy part of the market.

3/12/2021

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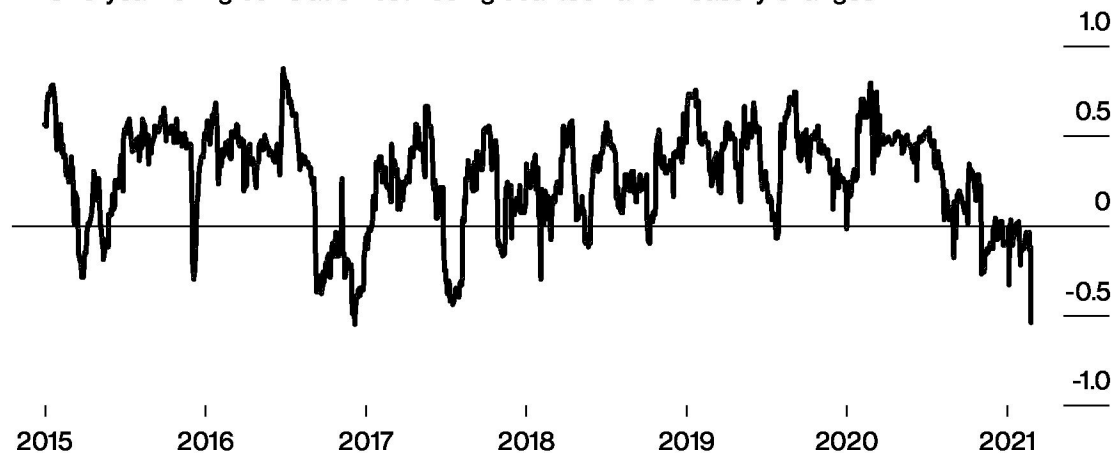
Similarly Deutsche Bank's quants find a zero beta, or sensitivity, between bonds and tech since 2015. In contrast, financials and energy had the most positive links with yields, and utilities and real estate the most negative.

According to Andreas Farmakas, a quantitative strategist at Deutsche Bank, this shows how the tech sector and Treasuries lack a direct and consistent link. In fact, these stocks in the past often rose with rates, with the latter seen as a sign of economic strength that could benefit corporate earnings.

It's Complicated

Tech stocks' relationship with Treasuries has been volatile in the short run

One-year rolling correlation between global tech and Treasury changes

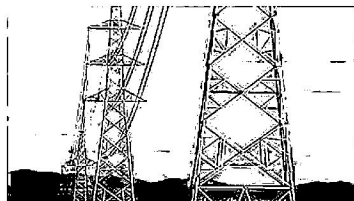


Source: Deutsche Bank

Data show one-year rolling correlation between daily moves in global tech and in 10-year Treasury yields

That's not to say there isn't reason to fret recent co-movements.

"Given the ties between technology, the overbought Covid trade and ultimately equity indices -- they take up a large chunk -- the correlation flipped," Farmakas said.



Paid Post

Inside GE's \$400M Bet on Offshore Wind Energy

GE

In other words, bonds have lately turned from friend to foe -- and that's why quants like Invesco's Elsaesser are so reluctant to time markets.

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Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks - Bloomberg

For its part, AQR last year called the link between interest rates and value -- which involves a bet against growth -- “suspect” since it varies greatly depending on the period, the markets and measurements studied.

All this suggests that once the initial reflation frenzy settles, there’s no reason to fear bond yields will necessarily doom the tech trade. In fact Ewing at Mediolanum is eyeing some bargains in the months ahead.

“Somewhere along the second-half of this year going into next year it’ll be prudent for investors to start considering moving to higher-quality names rather than cyclical recovery,” he said.

In this article

GS

GOLDMAN SACHS GP

343.12 USD ▲ +1.10 +0.32%

DBK

DEUTSCHE BANK-RG

10.52 EUR ▼ -0.20 -1.88%

CL1

WTI Crude

65.45 USD/bbl. ▲ +1.01 +1.57%

NFLX

NETFLIX INC

512.64 USD ▲ +8.10 +1.60%

XOM

EXXON MOBIL CORP

62.46 USD ▲ +0.69 +1.11%

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Commentary | Fourth Quarter 2023

Investment Research Update

From the desk of

Denise Chisholm
*Director of Quantitative
Market Strategy*

Performance summary: Stocks gave back some year-to-date gains

The technology-heavy S&P 500 index gave back some of its year-to-date gain in the third quarter amid a stalling pattern in disinflationary trends and concern that the U.S. Federal Reserve may keep interest rates higher for longer. Nine of 11 sectors in the index posted a negative return for the three months, with utilities and real estate leading to the downside. Energy and communication services each posted a gain.

Sector	Performance as of 9/30/23				Weight in S&P 500®
	Latest Quarter	1-Year	3-Year Annualized	Dividend Yield	
 Communication Services	3.1%	38.5%	5.3%	0.8%	8.9%
 Consumer Discretionary	-4.8%	13.8%	2.4%	0.9%	10.7%
 Consumer Staples	-6.0%	7.3%	6.1%	2.7%	6.6%
 Energy	12.2%	30.2%	51.4%	3.6%	4.7%
 Financials	-1.1%	11.7%	13.6%	1.9%	12.8%
 Health Care	-2.7%	8.2%	8.6%	1.7%	13.4%
 Industrials	-5.2%	24.6%	11.4%	1.7%	8.3%
 Information Technology	-5.6%	41.1%	13.3%	0.9%	27.5%
 Materials	-4.8%	18.0%	9.5%	2.1%	2.4%
 Real Estate	-8.7%	-1.9%	2.3%	3.8%	2.4%
 Utilities	-9.2%	-7.0%	2.9%	3.6%	2.4%
S&P 500®	-3.3%	21.6%	10.2%	1.6%	

Past performance is no guarantee of future results. Sectors defined by the Global Industry Classification Standard (GICS®); see Index Definitions for details. Performance metrics reflect S&P 500 sector indexes. Changes were made to the GICS framework on 9/24/18; historical S&P 500 communication services sector data prior to 9/24/18 reflect the legacy telecommunication services sector. The top three performing sectors over each period are shaded green; the bottom three are shaded red. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not total 100% due to rounding.

2 Source: Haver Analytics, Morningstar, FactSet, Fidelity Investments, as of 9/30/2023.



Scorecard: A nearly even look across sectors

The signals continued to appear mixed overall. That said, there may be a higher margin of safety in several cyclically oriented sectors, mainly due to relative valuations. With interest rates potentially nearing the end of the tightening cycle, sectors, including consumer discretionary, and industrials may offer opportunities.

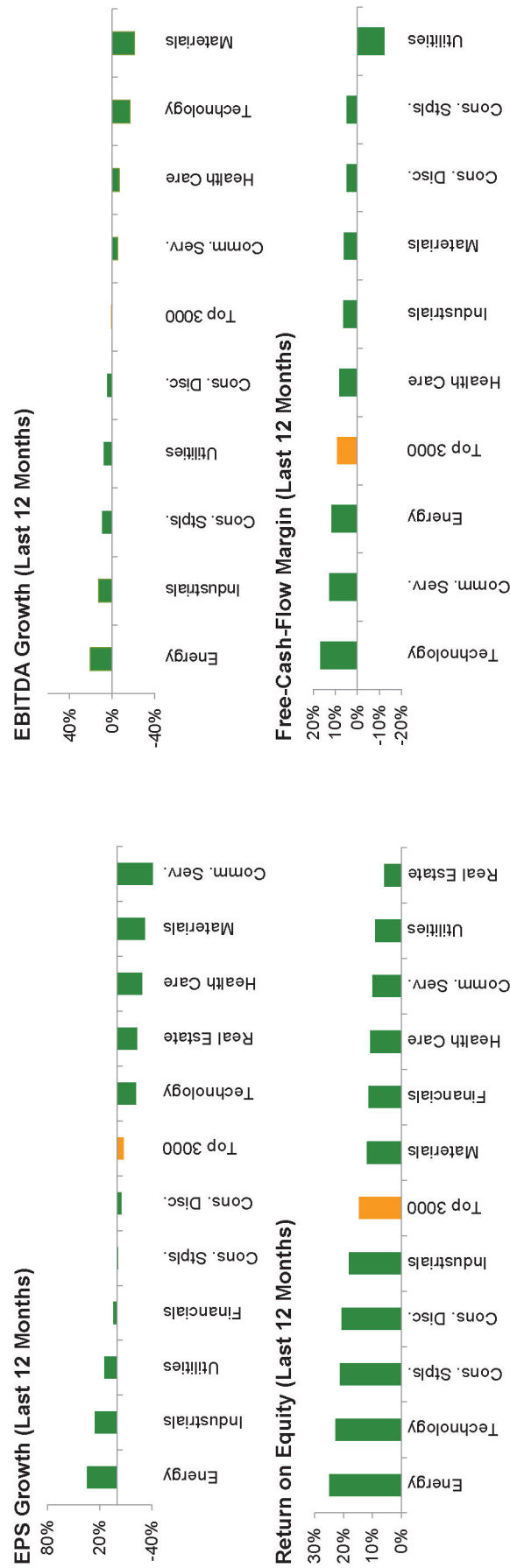
Sector	Strategist View		Longer	Time Horizon View		Shorter	Comments
	Overweight	Neutral	Fundamentals	Valuations	Relative Strength		
 Communication Services	Overweight		—	—	+	Defensive characteristics may hinder performance	
 Consumer Discretionary	Overweight			—	+	Increasingly constructive contrarian indicators, median valuation compelling	
 Consumer Staples	Overweight		+			Earnings growth likely to lag in a broader recovery	
 Energy	Overweight		+	+	—	Increasingly mixed signals from macro and fundamental	
 Financials	Overweight		—	+	—	Relative valuation may limit further deterioration	
 Health Care	Overweight					Good combination of fundamentals and valuation	
 Industrials	Overweight		+			Other predictive valuation indicators still compelling	
 Information Technology	Overweight			—	+	Earnings increasingly likely to recover	
 Materials	Overweight				—	Valuation and economic indicators are supportive	
 Real Estate	Overweight		—	+		Elevated valuation likely to be a headwind	
 Utilities	Overweight					Defensive characteristics may hinder performance	

Past performance is no guarantee of future results. Strategist view, fundamentals, valuations, and relative strength are based on the top 3,000 U.S. stocks by market capitalization. Sectors defined by the GICS; see Index Definitions for details. Historical communication services data has been restated back to 1962 to account for changes to the GICS framework made on 9/24/18. Strategist view is as of the date indicated based on the information available at that time and may change based on market or other conditions. This is not necessarily the opinion of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information. Overweight and underweight views represent opportunistic tilts in a hypothetical portfolio relative to broad market sector weights. Sector weights may vary depending on an individual's risk tolerance and goals. Time horizon view factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. The top three sectors based on each time horizon view metric are shaded green; the bottom three are shaded red. See Glossary and Methodology for details. It is not possible to invest directly in an index. All indexes are unmanaged. Source: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23.



Fundamentals: Energy and industrials continued to lead

Energy led the fundamentals rankings, coming in first in earnings per share (EPS) growth, EBITDA (earnings before interest, taxes, depreciation, and amortization) growth, and return on equity (ROE). Industrials also scored well in the EPS and EBITDA growth categories. Communication services performed poorly from a fundamental standpoint, coming in last in EPS growth and ranking in the bottom half for EBITDA growth and return on equity.



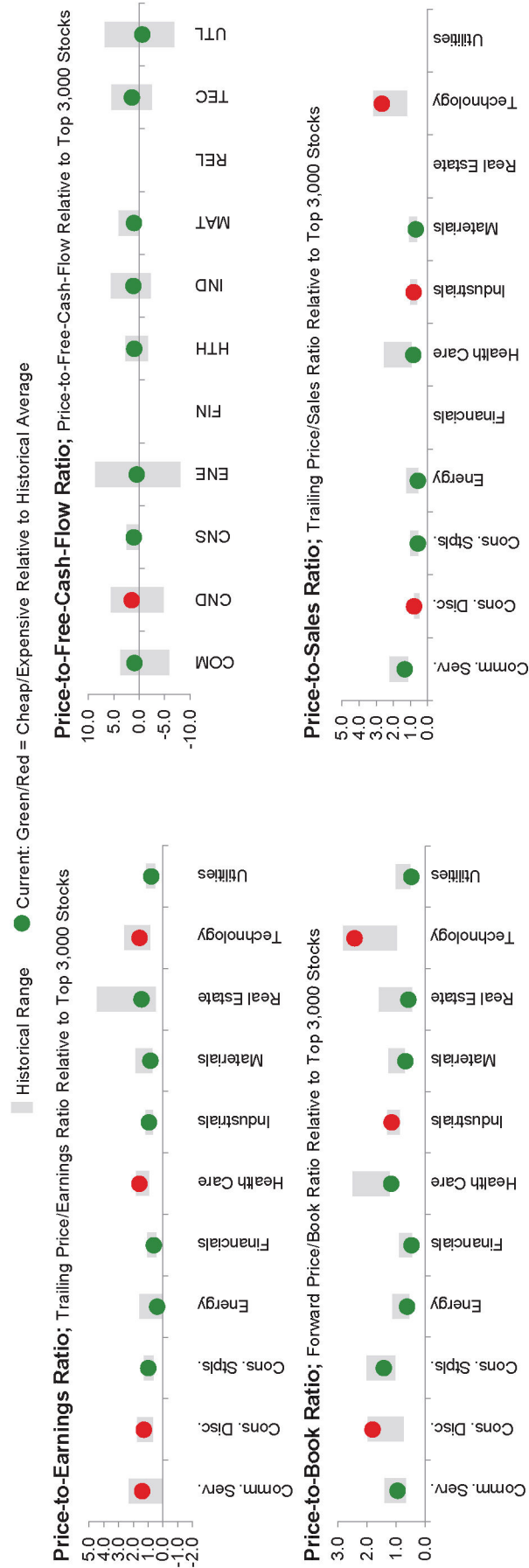
Fundamentals: Strong and improving fundamentals historically have been an intermediate-term indicator of sector performance.
Our analysis gives a view of how each sector has done in terms of growth and profitability.

Past performance is no guarantee of future results. The financials and real estate sectors are not represented in the EBITDA growth or free-cash-flow margin charts because of differences in their business models and accounting standards. See Glossary and Methodology for further explanation. Sectors based on the top 3,000 U.S. stocks by market capitalization and defined by GICS. Communication services data restated back to 1962. Source: Haver Analytics, Fidelity Investments, as of 9/30/23.



Valuations: Energy and financials looked cheap

Energy had the cheapest quarter-end valuations, ranking least expensive in price-to-earnings ratio. Financials' valuations also ranked relatively low on price-to-earnings and price-to-book. Consumer discretionary and technology had some of the highest aggregate valuations.



Valuations: On their own, valuations are only a moderately effective indicator of future sector performance, but when combined with other factors, they can be a useful tool in determining the risk-and-reward profile.

Past performance is no guarantee of future results. Trailing is trailing 12 months. Forward is forward 12 months. Free-cash-flow yield reflects free cash flow divided by market price per share (the inverse of the price-to-free-cash-flow ratio). Historical range excludes the top and bottom 5%. Green or red circles indicate if current levels are below or above the historical average, which excludes the top and bottom 5%. The financials and real estate sectors are not represented in the free-cash-flow yield or price-to-sales charts because of differences in their business models and accounting standards. See the Glossary and Methodology for further explanation. Historical range since January 1962. Sectors based on the top 3,000 U.S. stocks by market capitalization and defined by GICS. Communication services data restated back to 1962. Source: Haver Analytics, Fidelity Investments, as of 9/30/23.

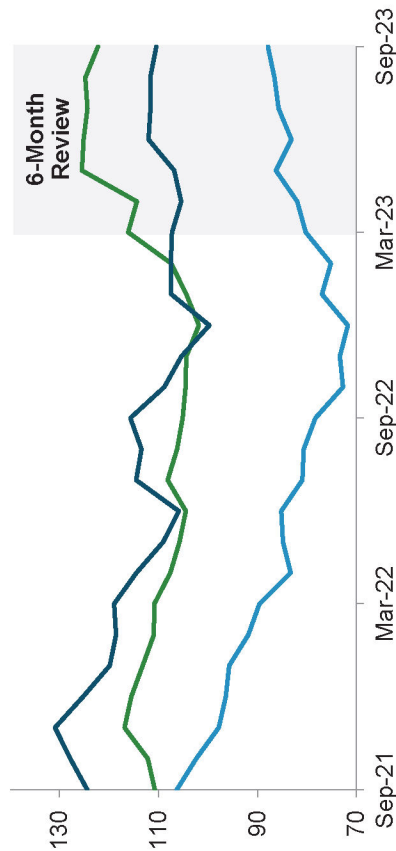


Relative strength faded for real estate, consumer staples, utilities Communication services, information technology, and consumer discretionary continued to lead from a relative strength perspective. Conversely, real estate, consumer staples, and utilities each exhibited relative stock weakness vs. the Russell 3000 Index.

Sectors Exhibiting Relative Strength

Price Relative to the Russell 3000 Index

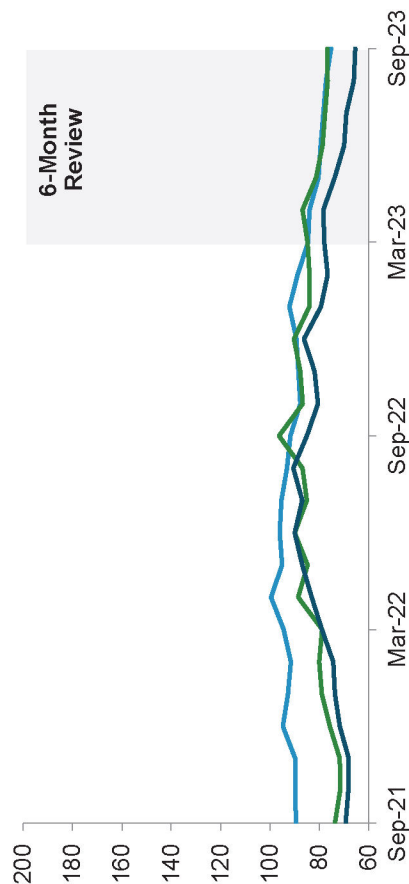
— Communication Services — Information Technology
— Consumer Discretionary



Sectors Exhibiting Relative Weakness

Price Relative to the Russell 3000 Index

— Real Estate — Consumer Staples — Utilities



Relative Strength: Stocks and sectors that have outperformed the broader market have tended to continue to do so.

Past performance is no guarantee of future results. Relative strength compares the performance of each sector with the performance of the broad market, based on changes in the ratio of the securities' respective prices over time. See Glossary and Methodology for further explanation. Charts represent performance of sectors based on the top 3,000 stocks by market capitalization relative to the Russell 3000 Index. It is not possible to invest directly in an index. All indexes are unmanaged. Source: FactSet, Fidelity Investments, as of 9/30/23.

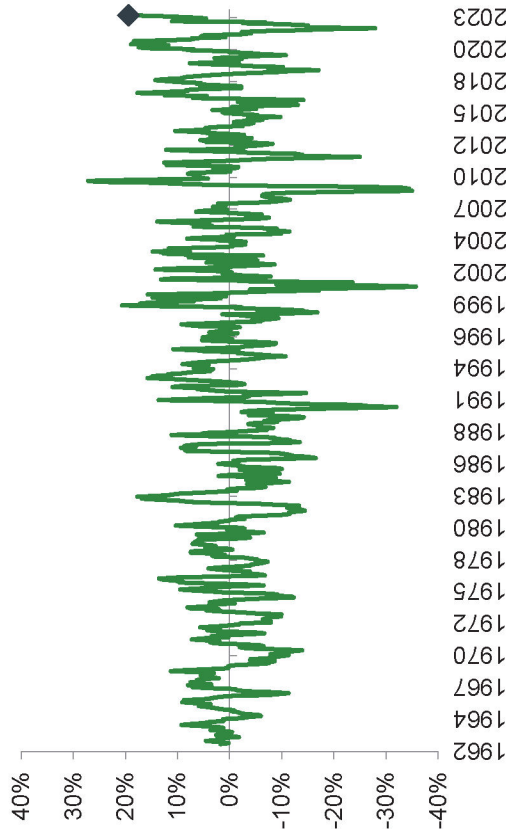


The rotation to cyclical

Investors shifted toward cyclical stocks and away from defensives from February through July. The size of the rotation was in the top 5% of all six-month periods since 1962—a scale usually reserved for recession recoveries (left). In this time frame, the bigger the rotation into cyclical, the more likely the rotation continued over the next six months, and the stronger the cyclical performance relative to the market, on average (right).

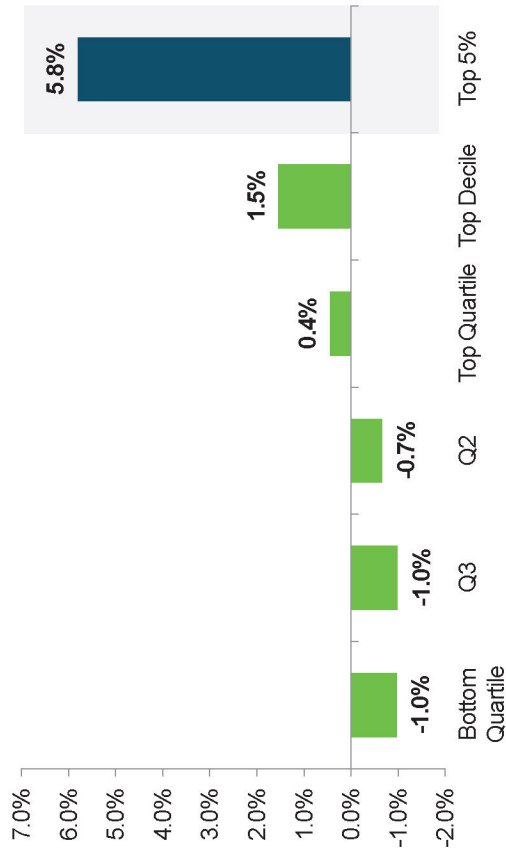
A Huge Shift toward Cyclical Stocks

Six-Month Percentage Change in Cyclical Sector Performance vs. Defensive Sectors



In the Past, Strong Cyclical Rotations Had Staying Power

Next-Six-Month Average Cyclical Relative Performance in Cohorts of Prior-Six-Month Relative Performance, 1962–Present



Past performance is no guarantee of future results. Data analyzed monthly since January 1962. Analysis based on Fidelity top 3,000 U.S. stocks by market capitalization. Source: Haver Analytics, FactSet, Fidelity Investments, as of 7/31/23. Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology. Defensive sectors include consumer staples, health care, and utilities.

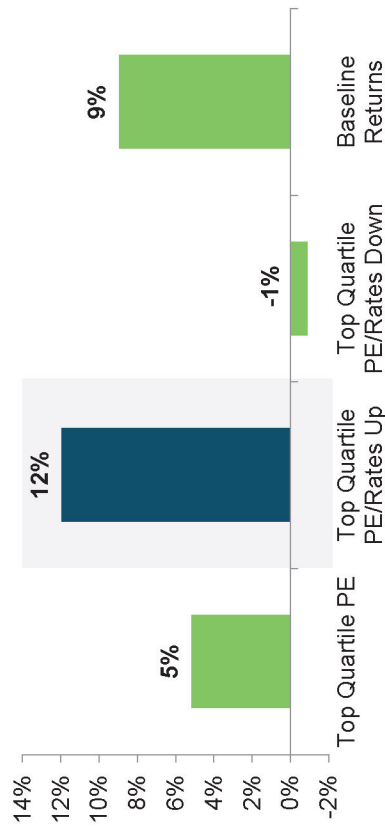


Stocks outperformed through high valuations and rising rates before

Top-quartile price-to-earnings ratios (P/Es) and rising interest rates may seem like a poor setup for stocks. Historically, however, this scenario has been surprisingly positive. Since 1962, stocks returned an average of 12% for the 12 months following periods of rising interest rates and after the market P/E had reached the top quartile of its historical range (left). One likely reason: The rising-rate, high-P/E combination tended to happen when economic weakness had already occurred (right).

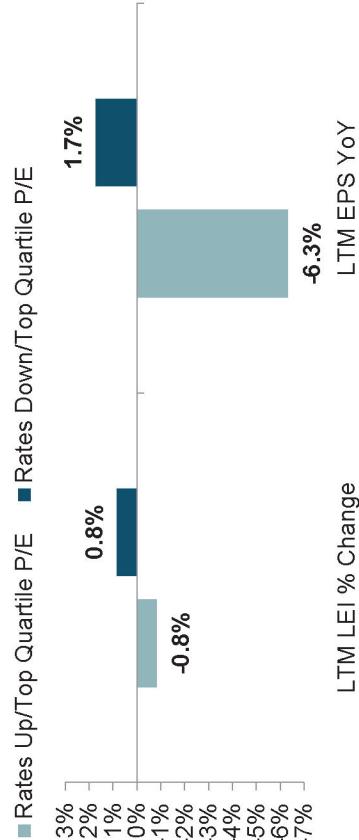
Stock Performance after Top-Quartile Valuations and Rising Rates

NTM S&P 500 Average Returns after Top Quartile Trailing P/E with 10-Year Yields Up or Down, 1962–Present



High P/Es and Rising Rates Have Signaled Previous Weakness

LTM Average Change in Leading Economic Indicators (LEI) and Earnings Per Share (EPS) When P/Es Are Top-Quartile and 10-Year Yields Are Up or Down, 1962–Present



Past performance is no guarantee of future results. Data analyzed quarterly since April 1962. Analysis based on the S&P 500 index. Rising or falling rates determined by the change in the yield on the 10-year Treasury note over the previous 12 months. Source: Haver Analytics, FactSet, Fidelity Investments, as of 6/30/23. LEFT: NTM: Next 12 months. Trailing P/E: Trailing price to earnings, calculated by dividing the current share price by the earnings per share over the previous 12 months. RIGHT: Past performance is no guarantee of future results. LTM: Last 12 months. P/E: Price to prior twelve months' earnings. Rising or falling rates determined by the change in the yield on the 10-year Treasury note over the previous 12 months. LEIs: Leading economic indicators, measured by the average historical percentiles of the OECD LEI, NAPM, consumer expectations, CEO Confidence, and Yield Curve. OECD U.S. CLI: Organization for Economic Co-operation and Development Composite Leading Indicator for the United States. The composite leading indicator (CLI) is designed to provide early signals of turning points in business cycles showing fluctuation of the economic activity around its long-term potential level. NAPM: National Association of Purchasing Managers index, a monthly survey of 250 companies in 21 sectors that measures growth or declines in deliveries, inventories, jobs, order, and production. The information is aggregated and represented as a number between one and 100. A value above 50 indicates manufacturing growth, while a value below 50 indicates decline. 10s/1s: 10-year Treasury yield over 1-year Treasury yield. Real GDP: Real gross domestic product, the value of U.S. economic output adjusted for inflation. EPS: Earnings per share. Analysis based on the S&P 500. All data gathered and analyzed quarterly from 1962 to June 2023. Source: Haver Analytics and Fidelity Investments, as of June 30, 2023.

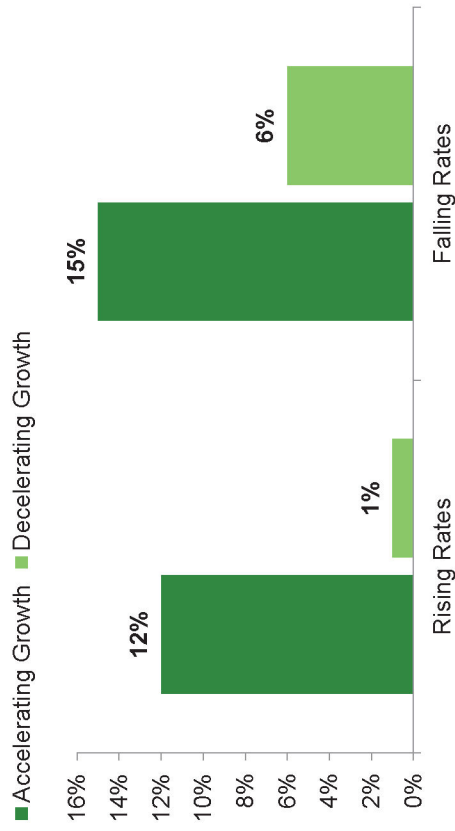


GDP has mattered more than rising rates

Over time, the health of the economy has had a more consistent influence on stock returns than the rate cycle. Since 1962, stocks posted double-digit gains, on average, in periods of accelerating real (adjusted for inflation) economic growth, regardless of the rate environment (left). Cyclical returns tended to perform better than defensive stocks during periods of accelerating real gross domestic product (GDP) growth, whether interest rates rose or fell (right).

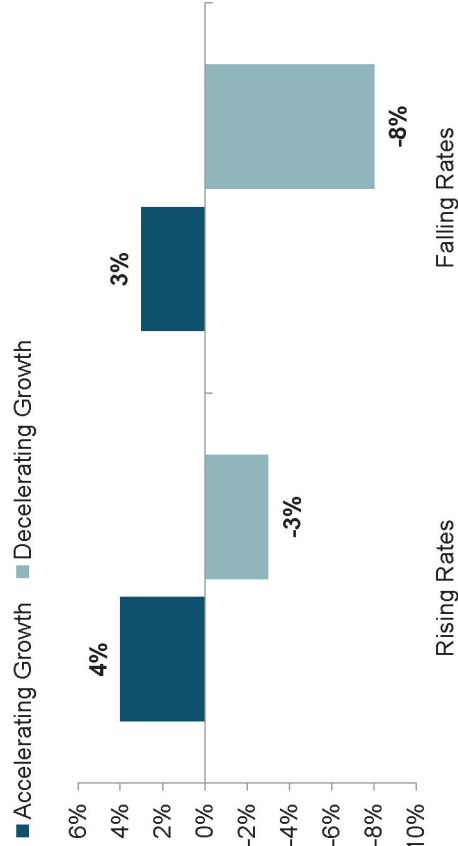
Stocks Outperformed in Periods of Accelerating Growth

S&P 500 Average Returns in 12-Month Periods with Accelerating or Decelerating Real GDP Growth and Rising or Falling Interest Rates, 1962–June 2023



During Strong Real GDP Growth, Cyclical Outperformed Defensive

Average Relative Returns of Cyclical Sectors Vs. Defensive Sectors in 12-Month Periods with Accelerating or Decelerating Real GDP Growth and Rising or Falling Interest Rates, 1962–June 2023



Past performance is no guarantee of future results. Real GDP: Real gross domestic product, the value of U.S. economic output adjusted for inflation. Analysis based on the S&P 500. Accelerating Growth includes periods with accelerating real GDP growth; Decelerating Growth includes periods with decelerating real GDP growth. Rising or falling rates determined by the change in the yield on the 10-year Treasury note over the previous 12 months. Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology. Defensive sectors include consumer staples, health care, and utilities. All data gathered and analyzed quarterly January 1962 to June 2023. Source: Haver Analytics and Fidelity Investments, as of June 30, 2023.

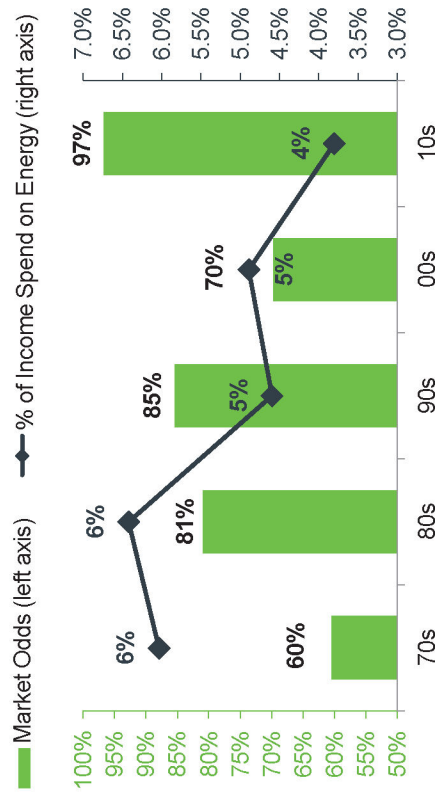


Rising oil prices and the market

Crude-oil prices rose 18% over the six months through August, and they gained 3% year over year. The market's historical odds of advancing when oil prices rose have increased since the 1970s—possibly because the percentage of people's average income spent on energy has declined over this time frame (left). When the magnitude of 12-month oil price increases reached the third quartile, as it did recently, the market had 77% historical odds of advancing over the next 12 months (right).

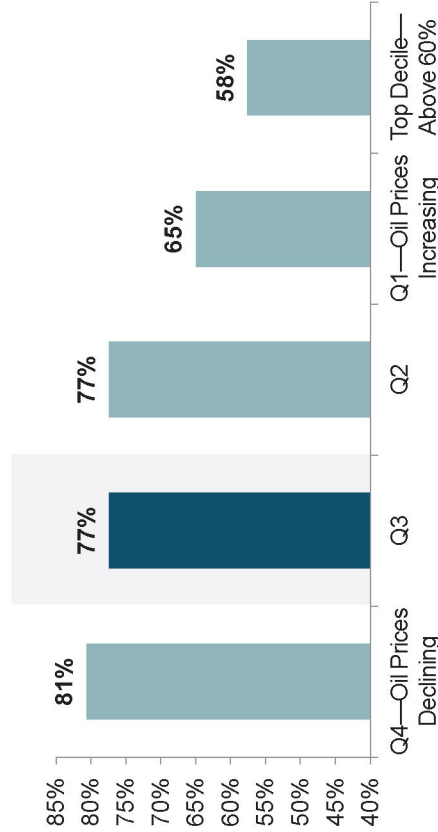
The Market Historically Advanced when Crude Rose

One-Year Historical Odds of Market Advance When Oil Prices Increased, with Percentage of Consumer Income Spent on Energy, 1970–Present



In the Past, the Market Gained after Comparable 12-Month Oil Price Increases

Average NTM Historical Odds of Market Advance by Quartiles of Previous Year-Over-Year Increase in Oil Prices, 1970–Present



Past performance is no guarantee of future results. Data analyzed quarterly since 1970. Analysis based on Fidelity top 3,000 U.S. stocks by market capitalization. Oil prices measured by spot prices of West Texas Intermediate Crude. Source: Haver Analytics, FactSet, Fidelity Investments, as of 8/31/23. LEFT: NTM: Next 12 months. Percentage of Income Spent on Energy measured by data from Haver Analytics. RIGHT: NTM: Next 12 months.

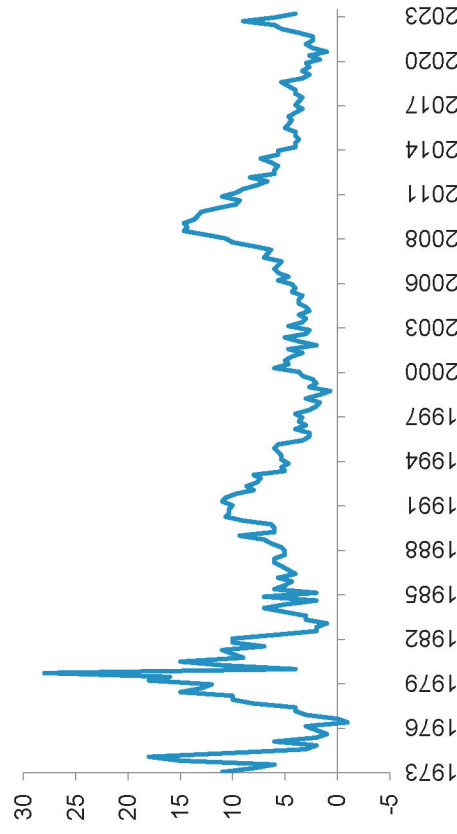


Lending showed glimmers of improvement

Fewer small businesses reported that credit was hard to get, based on the National Federation of Independent Businesses (NFIB) Credit Sentiment Survey, which reached the top 5% of six-month improvement dating to 1970 (left). Many market observers prefer the U.S. Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending (SLOOS), which showed tight lending conditions at its last reading. But big moves for the NFIB often have been prefaced by improvement in the SLOOS (right).

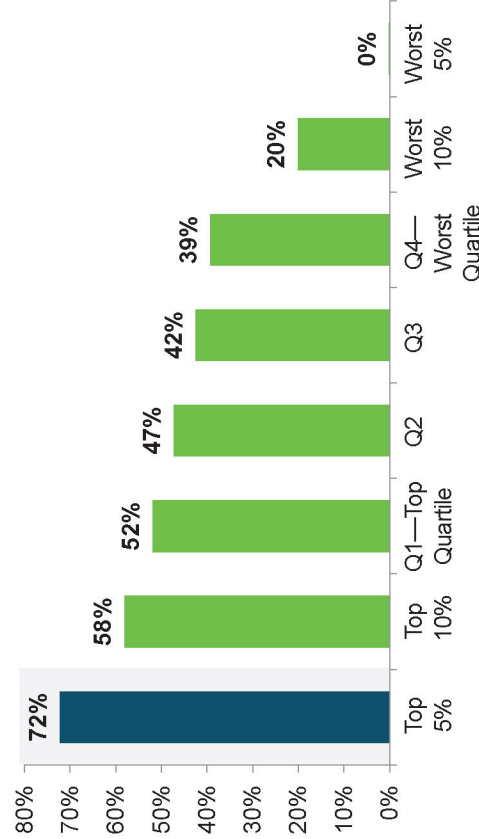
Fewer Business Reported Trouble Getting Credit

NFIB Credit Sentiment Survey, Percentage of Business Reporting That Credit Was Harder to Secure



Big Shifts in NFIB Survey Were a Positive Leading Indicator for Lending

Quarterly Historical Odds of Improving Bank Willingness to Lend after NFIB Credit Sentiment Improved, in Cohorts of NFIB Six-Month Change, 1972–Present



Past performance is no guarantee of future results. All data gathered quarterly March 1970 to June 2023. NFIB: National Federation of Independent Businesses. Source: Haver Analytics, FactSet, Fidelity Investments, as of 6/30/23. RIGHT: Bank willingness to lend measured by the U.S. Federal Reserve Senior Loan Officer Opinion Survey.

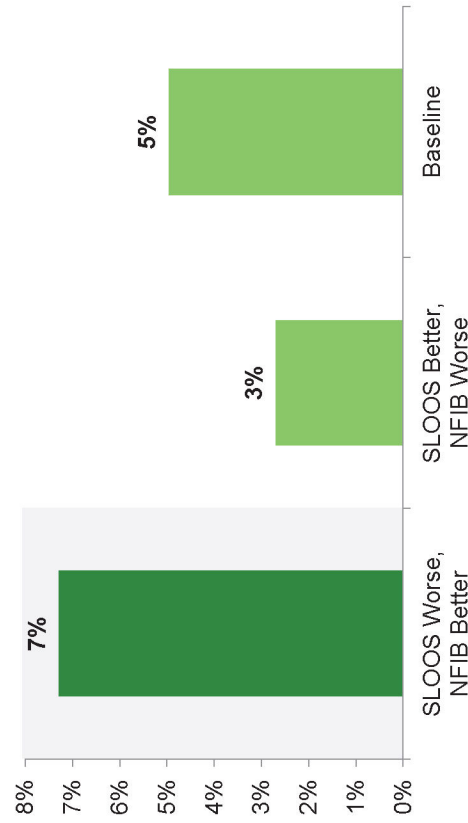


In the past, NFIB Survey gains corresponded with market gains

The NFIB and SLOOS surveys have pointed in opposite directions in recent months, with the NFIB suggesting credit loosened and SLOOS suggesting it tightened. After similar starting points since 1970, the market gained an average of 7% over the next six months (left). This could be because improved credit conditions weren't quickly reflected by the market. Cyclical gains have tended to lead after the NFIB credit survey improved dramatically, as it did recently, whereas defensives lagged (right).

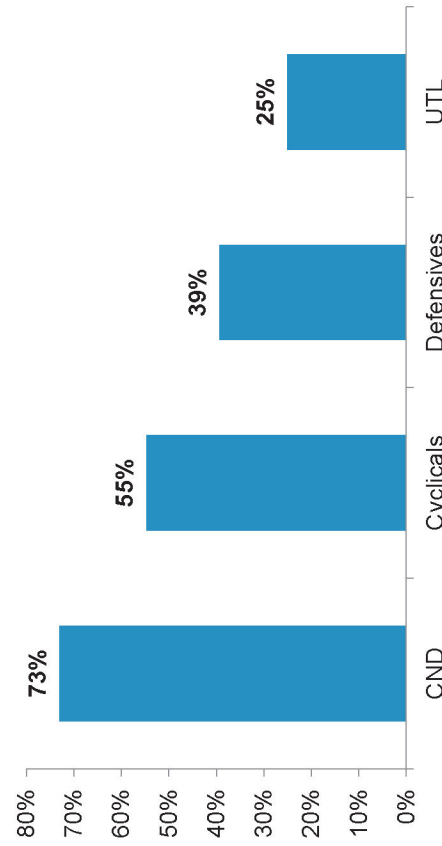
When NFIB Improve and SLOOS Slumped, the Market Outperformed

Average Six-Month Percentage Change in the S&P 500, 1970–Present



Big NFIB Credit Sentiment Survey Moves Signaled Cyclical Outperformance

Historical Odds of NTM Outperformance after Top 5% Improvement in NFIB Credit Sentiment, 1970–Present



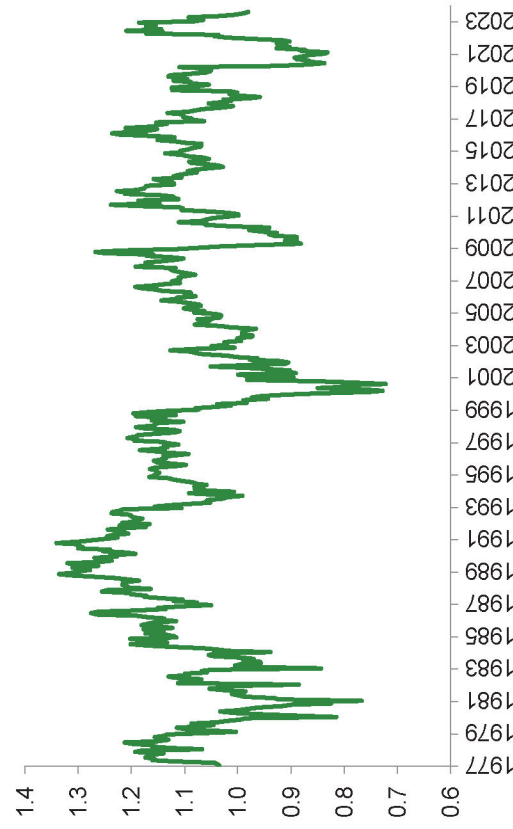
Past performance is no guarantee of future results. Data gathered quarterly March 1970 to June 2023. NFIB: National Federation of Independent Businesses. SLOOS: Federal Reserve Senior Loan Officer Survey. Analysis based on the S&P 500. Source: Haver Analytics, FactSet, Fidelity Investments, as of 6/30/23. LEFT: NFIB Better/Worse and SLOOS Better/Worse based on year-over-year changes. RIGHT: NTM: Next 12 months; CND: Consumer discretionary; UTL: Utilities. Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology. Defensive sectors include consumer staples, health care, and utilities.



Staples got cheap. Historically, that wasn't good for staples stocks. Consumer staples stocks have reached the cheapest quartile of their valuation range going back to 1977, based on forward earnings (left). This might not be a positive sign. Over the last 20 years, staples had only 45% historical odds of advancing in the 12 months after forward P/Es for the sector reached their historical least-expensive quartile, and 20% odds of an advance if earnings for the market were to accelerate in the next 12 months (right).

Staples Got Cheap

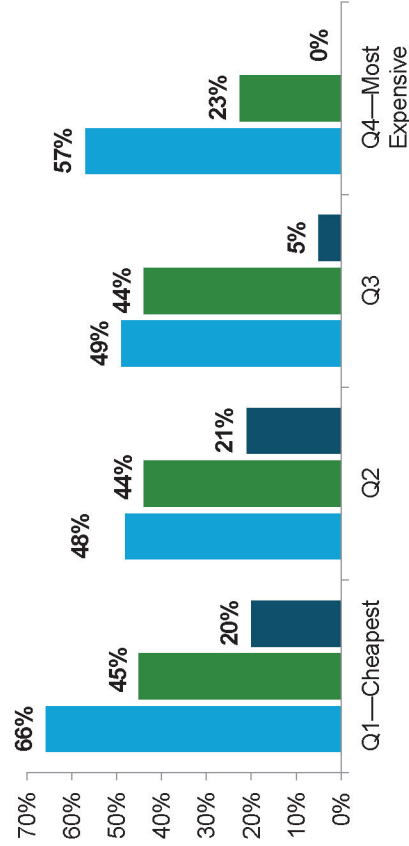
Consumer Staples Relative Forward P/E



Staples Underperformed from Comparable Levels in Recent Decades

Historical Odds of Outperformance in Quartiles of Relative Forward P/E, 1977–Present

■ Odds, 77–Present ■ Odds, Last 20 Years ■ Odds, Last 20, EPS Accelerating



Past performance is no guarantee of future results. Data analyzed monthly since 1977. Fwd P/E: Forward price-to-earnings ratio. A forward P/E ratio typically uses an average of analysts' published earnings estimates for the next 12 months. Analysis based on a Fidelity list of the top 3,000 U.S. stocks by market capitalization. Source: Haver Analytics, FactSet, Fidelity Investments, as of 8/31/23. RIGHT: EPS: Earnings per share.

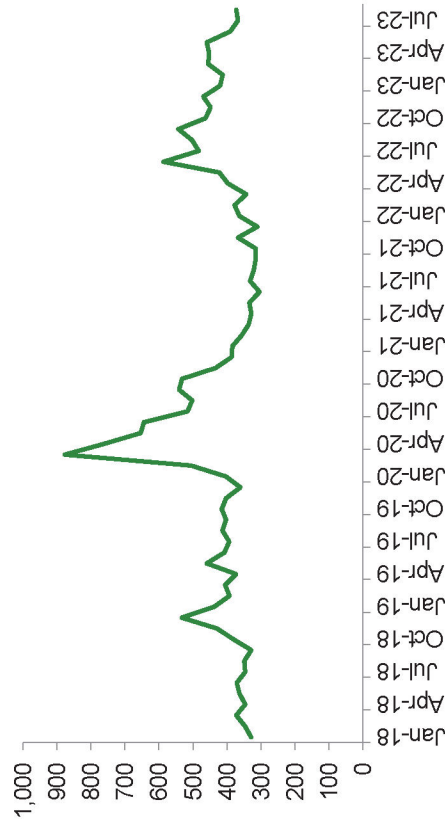


Credit spreads have given insight into staples in the past

Historically, the time to invest in staples has been when the economic outlook looked poor. High-yield credit spreads narrowed over the last 12 months, suggesting bond investors may think overall economic conditions could improve (left). Historically, falling high-yield spreads were bad for staples (right).

High-Yield Spreads Fell the Past 12 Months

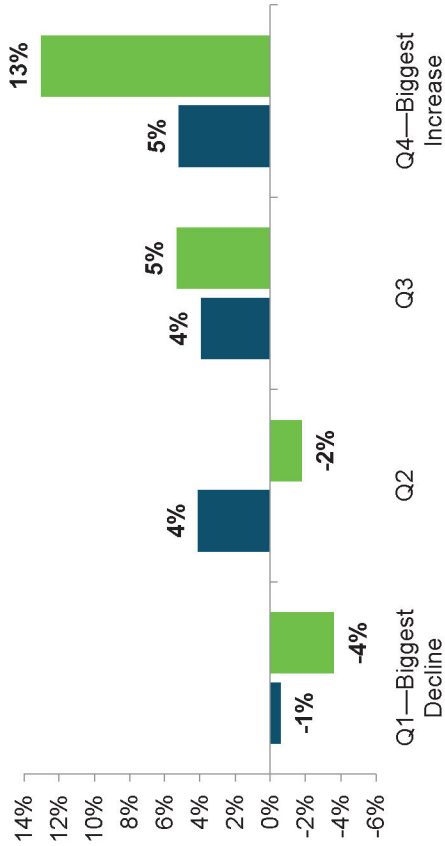
High-Yield Credit Spreads



Staples Underperformed after Credit Spreads Fell

Average Relative Performance in Quartiles of LTM Change and NTM Change in High Yield Credit Spreads, 1980–Present

■ Last 12-Month Change ■ Next 12-Month Change



Past performance is no guarantee of future results. Data analyzed monthly since 1977. Source: Haver Analytics, FactSet, Fidelity Investments, as of 8/31/23. LEFT: High-yield credit spreads measured by data from Fidelity Investments and Haver Analytics. RIGHT: Analysis based on consumer discretionary stocks in Fidelity's list of the top 3,000 U.S. stocks by market capitalization. LTM: Last 12 months. NTM: Next 12 months.

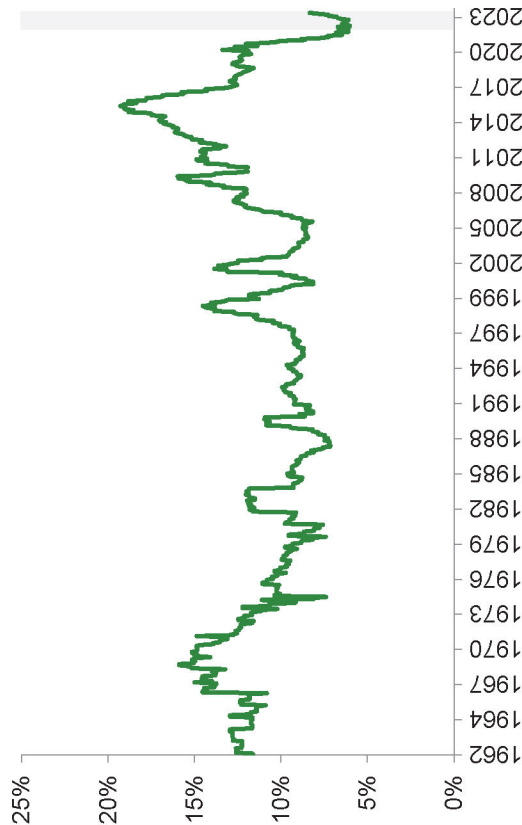


Energy capex-to-sales rose, a historic negative for the sector

The energy sector's ratio of capital expenditures (capex) to sales recently rose, although it remained near the low end of its range since 1962 (left). The combination of low capex to sales and high oil and gas prices may seem like a winning combination. But historically, the direction of the capex-to-sales ratio mattered more than its absolute level. When it has risen sharply, the sector has tended to slump (right).

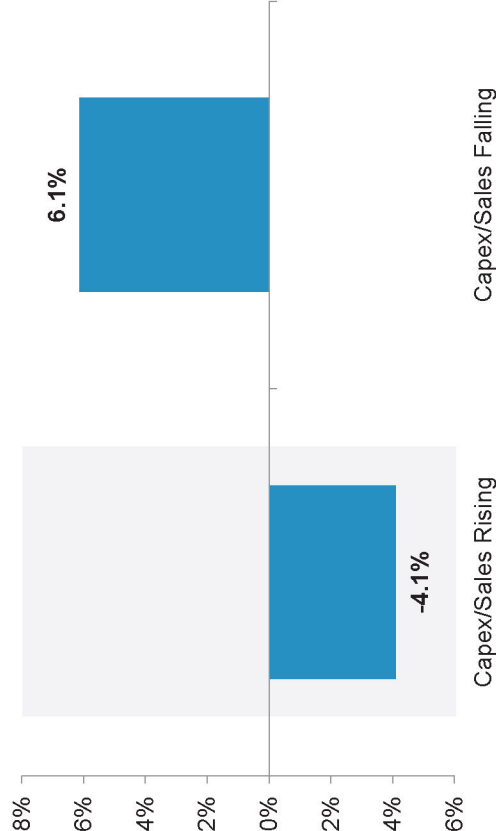
Energy Capex to Sales Rose but Remained Low

Energy Sector Capex-to-Sales Ratio



But Increases Were a Bad Sign in the Past

Average NTM Relative Performance, 1962–Present



Past performance is no guarantee of future results. Data analyzed monthly since June 1962. Analysis based on Fidelity top 3,000 U.S. stocks by market capitalization. Source: Haver Analytics, FactSet, Fidelity Investments, as of 8/31/23. LEFT: Capex to sales: Energy sector capital expenditures divided by energy sector sales. RIGHT: NTM: Next 12 months. Capex to sales: Energy sector capital expenditures divided by energy sector sales.



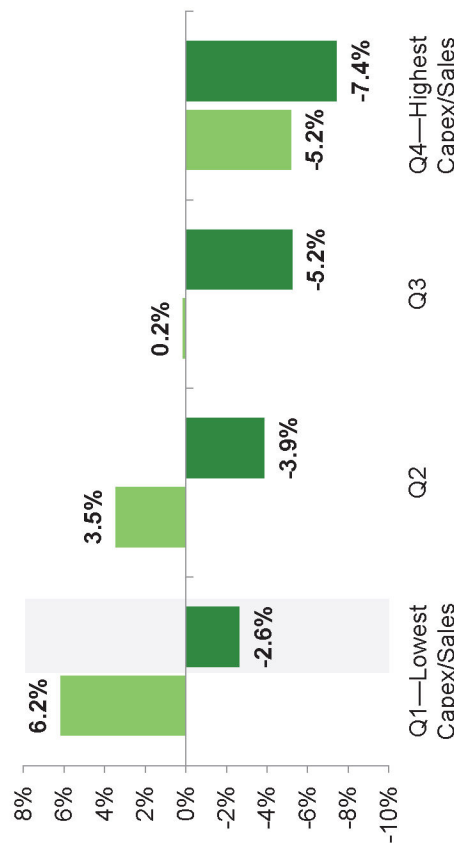
Rising capex to sales has been a headwind

Increases in the energy sector's capex-to-sales ratio historically has hurt the sector's returns, even when they started at very low levels (left). This ratio recently rose; both capex and sales fell, although sales fell more. This has been the worst scenario for energy stocks since 1962 (right).

Energy Underperformed as Capex to Sales Increased

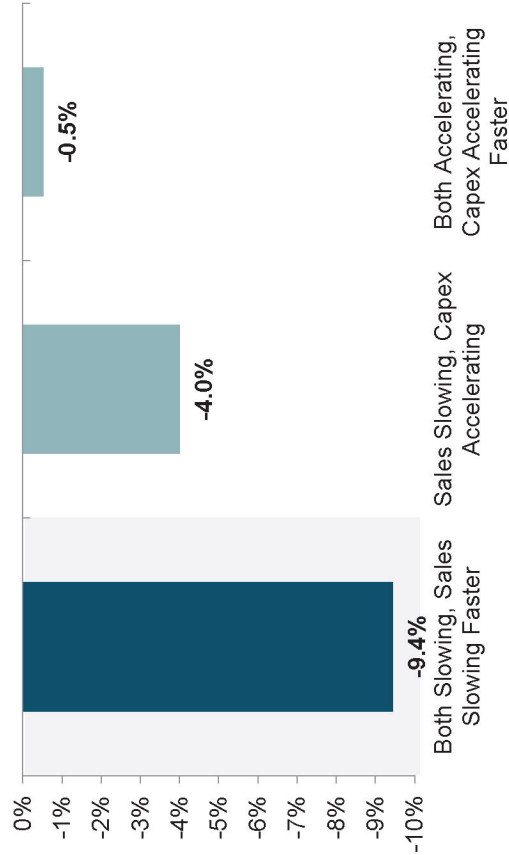
Average NTM Relative Performance, 1962-Present

■ Average Relative Performance
■ Average Relative Performance, Capex/Sales Up



Sales Slowing Faster Than Capex Was the Worst Scenario for Energy

Average NTM Relative Performance, 1962–Present



Past performance is no guarantee of future results. Data gathered monthly since 1962. Analysis based on a Fidelity list of the top 3,000 U.S. stocks by market capitalization. NTM is next 12 months. Capex to sales: Energy sector capital expenditures divided by energy sector sales. Capex to sales ratio rate of change measured in rolling 12-month periods using monthly data. Source: Haver Analytics, FactSet, Fidelity Investments, as of 8/31/23.



Glossary and methodology

Glossary

- Cycle Hit Rate:** Calculates the frequency of a sector outperforming the broader equity market over each business cycle phase since 1962.
- Dividend Yield:** Annual dividends per share divided by share price.
- Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA):** A non-GAAP measure often used to compare profitability between companies and industries, because it eliminates the effects of financing and accounting decisions.
- Earnings-per-Share Growth:** Measures the growth in reported earnings per share over the specified past time period.
- Earnings Yield:** Earnings per share divided by share price. It is the inverse of the price-to-earnings (P/E) ratio.
- Enterprise Value:** A measure of a company's total value that includes its market capitalization as well as short- and long-term debt and cash on its balance sheet.
- Free Cash Flow (FCF):** The amount of cash a company has remaining after expenses, debt service, capital expenditures, and dividends. High free cash flow typically suggests stronger company value.
- Free-Cash-Flow Margin:** The amount of free cash flow as a percentage of revenue. High FCF margin often denotes strong profitability.
- Free-Cash-Flow Yield:** Free cash flow per share divided by share price. A high FCF yield often represents a good investment opportunity, because investors would be paying a reasonable price for healthy cash earnings.
- Full-Phase Average Performance:** Calculates the (geometric) average performance of a sector in a particular phase of the business cycle and subtracts the performance of the broader equity market.
- Median Monthly Difference:** Calculates the difference in the monthly performance of a sector compared with the broader market, and then takes the midpoint of those observations.
- Price-to-Book (P/B) Ratio:** The ratio of a company's share price to reported accumulated profits and capital.

- Price-to-Earnings (P/E) Ratio:** The ratio of a company's current share price to its reported earnings. A forward P/E ratio typically uses an average of analysts' published earnings estimates for the next 12 months.
- Price-to-Sales (P/S) Ratio:** The ratio of a company's current share price to reported sales.
- Relative Strength:** The comparison of a security's performance relative to a benchmark, typically a market index.
- Return on Equity (ROE):** The amount, expressed as a percentage, earned on a company's common stock investment for a given period.
- Risk Decomposition:** A mathematical analysis that estimates the relative contribution of various sources of volatility.
- ## Methodology
- Strategist View:** Our sector strategist, Denise Chisholm, tracks key indicators that have influenced the historical likelihood of outperformance of each sector. This historical probability analysis informs the Strategist Views.
- Fundamentals:** Sector rankings are based on equally weighting the following four fundamental factors: EBITDA growth, earnings growth, ROE, and FCF margin. However, we evaluate the financials and real estate sectors only on earnings growth and ROE because of differences in their business models and accounting standards.
- Relative Strength:** Compares the strength of a sector versus the S&P 500 index over a six-month period, with a one-month reversal on the latest month, identifying relative strength patterns can be a useful indicator of short-term sector performance.
- Relative Valuations:** Valuation metrics for each sector are relative to the S&P 500. Ratios compute the current relative valuation divided by the 10-year historical average relative valuation, eliminating the top 5% and bottom 5% values to reduce the effect of potential outliers. Sectors are then ranked by their weighted average ratios, weighted as follows: P/E: 37%; P/B: 21%; P/S: 21%; and FCF yield: 21%. However, the financials and real estate sectors are weighted as follows: P/E: 65% and P/B: 35%.





Appendix

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or a solicitation to buy or sell any securities. Views expressed are as 9/30/23, based on the information available at that time, and may change based on market and other conditions. Unless otherwise noted, the opinions provided are those of the authors and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

References to specific investment themes are for illustrative purposes only and should not be construed as recommendations or investment advice. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

This piece may contain assumptions that are "forward-looking statements," which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual returns or results will not be materially different from those described here.

Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

All indexes are unmanaged. You cannot invest directly in an index. Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

Because of its narrow focus, sector investing tends to be more volatile than investments that diversify across many sectors and companies. Sector investing is also subject to the additional risks associated with its particular industry. The Energy sector is defined as companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, or other energy-related services and equipment, including seismic data collection; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. Financials: companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, and insurance and investments.

The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

The technology industries can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, and general economic condition.

Index Definitions: The Russell 3000® Index is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the U.S. equity market.

The S&P 500® index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. S&P 500 is a registered service mark of Standard & Poor's Financial Services LLC. Sectors and industries are defined by the Global Industry Classification Standard (GICS).

The S&P 500 sector indexes include the standard GICS sectors that make up the S&P 500 index. The market capitalization of all S&P 500 sector indexes together comprises the market capitalization of the parent S&P 500 index; each member of the S&P 500 index is assigned to one (and only one) sector.

Appendix

Sectors are defined as follows: **Communication Services:** companies that facilitate communication or provide access to entertainment content and other information through various types of media. **Consumer Discretionary:** companies that provide goods and services that people want but don't necessarily need, such as televisions, cars, and sporting goods; these businesses tend to be the most sensitive to economic cycles. **Consumer Staples:** companies that provide goods and services that people use on a daily basis, like food, household products, and personal-care products; these businesses tend to be less sensitive to economic cycles. **Energy:** companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, or other energy-related services and equipment, including seismic data collection; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. **Financials:** companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, and insurance and investments. **Health Care:** companies in two main industry groups: health care equipment suppliers and manufacturers, and providers of health care services; and companies involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products. **Industrials:** companies whose businesses manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. **Materials:** companies that are engaged in a wide range of commodity-related manufacturing. **Real Estate:** companies in two main industry groups—real estate investment trusts (REITs), and real estate management and development companies. **Technology:** companies in technology software and services and technology hardware and equipment. **Utilities:** companies considered to be electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.

Third-party marks are the property of their respective owners; all other marks are the property of FMR LLC.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number	Registrant, State or Other Jurisdiction of Incorporation or Organization Address of Principal Executive Offices, Zip Code and Telephone Number	I.R.S. Employer Identification No.
1-31447	CenterPoint Energy, Inc. (a Texas corporation) 1111 Louisiana Houston, Texas 77002 (713) 207-1111	74-0694415
1-3187	CenterPoint Energy Houston Electric, LLC (a Texas limited liability company) 1111 Louisiana Houston, Texas 77002 (713) 207-1111	22-3865106
1-13265	CenterPoint Energy Resources Corp. (a Delaware corporation) 1111 Louisiana Houston, Texas 77002 (713) 207-1111	76-0511406

Registrant	Securities registered pursuant to Section 12(b) of the Act: Title of each class	Trading symbol(s)	Name of each exchange on which registered
CenterPoint Energy, Inc.	Common Stock, \$0.01 par value	CNP	New York Stock Exchange
CenterPoint Energy Houston Electric, LLC	6.95% General Mortgage Bonds due 2033	n/a	NYSE Chicago
CenterPoint Energy Resources Corp.	6.625% Senior Notes due 2037	n/a	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CenterPoint Energy, Inc.	Yes	☐	No	☐
CenterPoint Energy Houston Electric, LLC	Yes	☐	No	☐
CenterPoint Energy Resources Corp.	Yes	☐	No	☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CenterPoint Energy, Inc.	Yes	☐	No	☐
CenterPoint Energy Houston Electric, LLC	Yes	☐	No	☐
CenterPoint Energy Resources Corp.	Yes	☐	No	☐

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CenterPoint Energy, Inc.	Yes	☒	No ☐
CenterPoint Energy Houston Electric, LLC	Yes	☒	No ☐
CenterPoint Energy Resources Corp.	Yes	☒	No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

CenterPoint Energy, Inc.	Yes	☒	No ☐
CenterPoint Energy Houston Electric, LLC	Yes	☒	No ☐
CenterPoint Energy Resources Corp.	Yes	☒	No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
CenterPoint Energy, Inc.	☒	☐	☐	☐	☐
CenterPoint Energy Houston Electric, LLC	☐	☐	☒	☐	☐
CenterPoint Energy Resources Corp.	☐	☐	☒	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

CenterPoint Energy, Inc.	☐
CenterPoint Energy Houston Electric, LLC	☐
CenterPoint Energy Resources Corp.	☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

CenterPoint Energy, Inc.	☐
CenterPoint Energy Houston Electric, LLC	☐
CenterPoint Energy Resources Corp.	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CenterPoint Energy, Inc.	Yes	☐	No ☒
CenterPoint Energy Houston Electric, LLC	Yes	☐	No ☒
CenterPoint Energy Resources Corp.	Yes	☐	No ☒

The aggregate market values of the voting stock held by non-affiliates of the Registrants as of June 30, 2023 are as follows:

CenterPoint Energy, Inc. (using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to Securities Exchange Act of 1934 and excluding shares held by directors and executive officers)	\$ 18,251,183,835
CenterPoint Energy Houston Electric, LLC	None
CenterPoint Energy Resources Corp.	None

Indicate the number of shares outstanding of each of the issuers' classes of common stock as of February 12, 2024:

CenterPoint Energy, Inc.	631,594,706	shares of common stock outstanding, excluding 166 shares held as treasury stock
CenterPoint Energy Houston Electric, LLC	1,000	common shares outstanding, all held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy, Inc.
CenterPoint Energy Resources Corp.	1,000	shares of common stock outstanding, all held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Houston Electric, LLC and CenterPoint Energy Resources Corp. meet the conditions set forth in general instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the 2024 Annual Meeting of Shareholders of CenterPoint Energy, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2023, are incorporated by reference in Item 10, Item 11, Item 12, Item 13 and Item 14 of Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

	<u>Page</u>
Item 1. Business	<u>1</u>
Item 1A. Risk Factors	<u>18</u>
Item 1B. Unresolved Staff Comments	<u>38</u>
Item 1C. Cybersecurity	<u>38</u>
Item 2. Properties	<u>40</u>
Item 3. Legal Proceedings	<u>43</u>
Item 4. Mine Safety Disclosures	<u>43</u>

PART II

Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>43</u>
Item 6. [Reserved]	<u>44</u>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>44</u>
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	<u>82</u>
Item 8. Financial Statements and Supplementary Data	<u>84</u>
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>172</u>
Item 9A. Controls and Procedures	<u>172</u>
Item 9B. Other Information	<u>175</u>
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	<u>175</u>

PART III

Item 10. Directors, Executive Officers and Corporate Governance	<u>176</u>
Item 11. Executive Compensation	<u>176</u>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>177</u>
Item 13. Certain Relationships and Related Transactions, and Director Independence	<u>177</u>
Item 14. Principal Accounting Fees and Services	<u>177</u>

PART IV

Item 15. Exhibits and Financial Statement Schedules	<u>178</u>
Item 16. Form 10-K Summary	<u>178</u>

GLOSSARY

<i>ACE</i>	Affordable Clean Energy
<i>AFUDC</i>	Allowance for funds used during construction
<i>AGC</i>	Alcoa Generating Corporation, a subsidiary of Alcoa, Inc.
<i>AI</i>	Artificial intelligence
<i>AMAs</i>	Asset Management Agreements
<i>AMS</i>	Advanced Metering System
<i>Arevon</i>	Arevon Energy, Inc., which was formed through the combination of Capital Dynamics, Inc.'s U.S. Clean Energy Infrastructure business unit and Arevon Asset Management
<i>ARO</i>	Asset retirement obligation
<i>AROK Asset Purchase Agreement</i>	Asset Purchase Agreement, dated as of April 29, 2021, by and between CERC Corp. and Southern Col Midco, LLC, a Delaware limited liability company and an affiliate of Summit Utilities, Inc.
<i>ARP</i>	Alternative revenue program
<i>ASC</i>	Accounting Standards Codification
<i>ASU</i>	Accounting Standards Update
<i>AT&T</i>	AT&T Inc.
<i>AT&T Common</i>	AT&T common stock
<i>ATM Forward Purchasers</i>	Bank of America, N.A., Barclays Bank PLC, Citibank, N.A., Goldman Sachs & Co. LLC, JPMorgan Chase Bank, National Association, Mizuho Markets Americas LLC, MUFG Securities EMEA plc and Royal Bank of Canada
<i>ATM Forward Sellers</i>	BofA Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc. and RBC Capital Markets, LLC
<i>ATM Managers</i>	BofA Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc. and RBC Capital Markets, LLC
<i>Bcf</i>	Billion cubic feet
<i>Board</i>	CenterPoint Energy's Board of Directors
<i>Bond Companies</i>	Bond Company IV and Restoration Bond Company, each a wholly-owned, bankruptcy remote entity formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of Securitization Bonds
<i>Bond Company IV</i>	CenterPoint Energy Transition Bond Company IV, LLC, a wholly-owned subsidiary of Houston Electric
<i>BTA</i>	Build Transfer Agreement
<i>CAMT</i>	Corporate Alternative Minimum Tax
<i>CARES Act</i>	Coronavirus Aid, Relief, and Economic Security Act
<i>CCN</i>	Certificate of Convenience and Necessity
<i>CCR</i>	Coal Combustion Residuals
<i>CECA</i>	Clean Energy Cost Adjustment
<i>CEIP</i>	CenterPoint Energy Intrastate Pipelines, LLC, a wholly-owned subsidiary of CERC Corp.
<i>CenterPoint Energy</i>	CenterPoint Energy, Inc., and its subsidiaries
<i>CERC Corp.</i>	CenterPoint Energy Resources Corp.
<i>CERC</i>	CERC Corp., together with its subsidiaries
<i>CERCLA</i>	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
<i>CES</i>	CenterPoint Energy Services, Inc. (now known as Symmetry Energy Solutions, LLC), previously a wholly-owned subsidiary of CERC Corp. until its divestiture on June 1, 2020
<i>Charter Common</i>	Charter Communications, Inc. common stock
<i>CIP</i>	Conservation Improvement Program
<i>CNG</i>	Compressed natural gas
<i>Code</i>	The Internal Revenue Code of 1986, as amended
<i>CODM</i>	Chief Operating Decision Maker
<i>Common Stock</i>	CenterPoint Energy, Inc. common stock, par value \$0.01 per share
<i>Compensation Committee</i>	Compensation Committee of the Board

GLOSSARY

Convertible Notes	CenterPoint Energy's 4.25% Convertible Senior Notes due 2026
COVID-19	Novel coronavirus disease 2019, and any mutations or variants thereof, and related global outbreak that was subsequently declared a pandemic by the World Health Organization
CPCN	Certificate of public convenience and necessity
CPP	Clean Power Plan
CSIA	Compliance and System Improvement Adjustment
DCRF	Distribution Cost Recovery Factor
DE&I Council	Diversity, Equity and Inclusion Council
DOC	U.S. Department of Commerce
DOT	U.S. Department of Transportation
DRR	Distribution Replacement Rider
DSMA	Demand Side Management Adjustment
Dth	Dekatherms
ECA	Environmental Cost Adjustment
EDF Renewables	EDF Renewables Development, Inc.
EDIT	Excess deferred income taxes
EECR	Energy Efficiency Cost Recovery
EECRF	Energy Efficiency Cost Recovery Factor
EEFC	Energy Efficiency Funding Component
EEFR	Energy Efficiency Funding Rider
ELG	Effluent Limitation Guidelines
EIA	U.S. Energy Information Administration
Elk GP Merger Sub	Elk GP Merger Sub LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Energy Transfer
Elk Merger Sub	Elk Merger Sub LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Energy Transfer
Enable	Enable Midstream Partners, LP
Enable Common Units	Enable common units, representing limited partnership interests in Enable
Enable GP	Enable GP, LLC, a Delaware limited liability company and the general partner of Enable
Enable Merger	The merger of Elk Merger Sub with and into Enable and the merger of Elk GP Merger Sub with and into Enable GP, in each case on the terms and subject to the conditions set forth in the Enable Merger Agreement, with Enable and Enable GP surviving as wholly-owned subsidiaries of Energy Transfer, which closed on December 2, 2021
Enable Merger Agreement	Agreement and Plan of Merger by and among Energy Transfer, Elk Merger Sub, Elk GP Merger Sub, Enable, Enable GP and, solely for the purposes of Section 2.1(a)(i) therein, Energy Transfer GP, and solely for the purposes of Section 1.1(b)(i) therein, CenterPoint Energy
Enable Series A Preferred Units	Enable's 10% Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred Units, representing limited partner interests in Enable
Energy Services	Offered competitive variable and fixed-priced physical natural gas supplies primarily to commercial and industrial customers and electric and natural gas utilities through CES and CEIP
Energy Services Disposal Group	Substantially all of the businesses within CenterPoint Energy's and CERC's Energy Services reporting unit that were sold under the Equity Purchase Agreement
Energy Systems Group	Energy Systems Group, LLC, a wholly-owned subsidiary of Vectren
Energy Transfer	Energy Transfer LP, a Delaware limited partnership
Energy Transfer Common Units	Energy Transfer common units, representing limited partner interests in Energy Transfer
Energy Transfer GP	LE GP, LLC, a Delaware limited liability company and sole general partner of Energy Transfer
Energy Transfer Series G Preferred Units	Energy Transfer Series G Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Units, representing limited partner interests in Energy Transfer
EPA	Environmental Protection Agency
Equity Distribution Agreement	Equity Distribution Agreement, dated as of January 10, 2024, by and between CenterPoint Energy, the ATM Managers, the ATM Forward Purchasers and the ATM Forward Sellers
Equity Purchase Agreement	Equity Purchase Agreement, dated as of May 21, 2023, by and between Vectren Energy Services and ESG Holdings Group

GLOSSARY

<i>ERCOT</i>	Electric Reliability Council of Texas
<i>ERCOT ISO</i>	ERCOT Independent System Operator
<i>ERISA</i>	Employee Retirement Income Security Act of 1974
<i>ERG</i>	Employee Resource Group
<i>ERO</i>	Electric Reliability Organization
<i>ESG Holdings Group</i>	ESG Holdings Group, LLC a Delaware limited liability company, and an affiliate of Oaktree Capital Management
<i>FAC</i>	Fuel Adjustment Clause
<i>FASB</i>	Financial Accounting Standards Board
<i>February 2021 Winter Storm Event</i>	The extreme and unprecedented winter weather event in February 2021 (also known as Winter Storm Uri) resulting in electricity generation supply shortages, including in Texas, and natural gas supply shortages and increased wholesale prices of natural gas in the United States, primarily due to prolonged freezing temperatures.
<i>FERC</i>	Federal Energy Regulatory Commission
<i>Fitch</i>	Fitch Ratings, Inc.
<i>Form 10-K</i>	Annual Report on Form 10-K
<i>FPA</i>	Federal Power Act
<i>General Mortgage</i>	General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank, as Trustee, as supplemented
<i>GHG</i>	Greenhouse gases
<i>GRIP</i>	Gas Reliability Infrastructure Program
<i>GWh</i>	Gigawatt-hours
<i>HLPESA</i>	Hazardous Liquid Pipeline Safety Act of 1979
<i>Houston Electric</i>	CenterPoint Energy Houston Electric, LLC and its subsidiaries
<i>HVAC</i>	Heating, ventilation and air conditioning
<i>IBEW</i>	International Brotherhood of Electrical Workers
<i>ICPA</i>	Inter-Company Power Agreement
<i>IDEM</i>	Indiana Department of Environmental Management
<i>Indiana Electric</i>	Operations of SIGECO's electric transmission and distribution services, and includes its power generating and wholesale power operations
<i>Indiana Gas</i>	Indiana Gas Company, Inc., a wholly-owned subsidiary of CERC Corp.
<i>Indiana North</i>	Gas operations of Indiana Gas
<i>Indiana South</i>	Gas operations of SIGECO
<i>Indiana Utilities</i>	Indiana Electric, Indiana North and Indiana South, collectively
<i>IRA</i>	Inflation Reduction Act of 2022
<i>IRP</i>	Integrated Resource Plan
<i>IRS</i>	Internal Revenue Service
<i>IURC</i>	Indiana Utility Regulatory Commission
<i>kV</i>	Kilovolt
<i>LAMS Asset Purchase Agreement</i>	Asset Purchase Agreement, dated as of February 19, 2024, by and among CERC Corp. and the LAMS Buyers
<i>LAMS Buyers</i>	Delta Utilities No. LA, LLC, a Delaware limited liability company, Delta Utilities S. LA, LLC, a Delaware limited liability company, Delta Utilities MS, LLC, a Delaware limited liability company, and Delta Shared Services Co., LLC, a Delaware limited liability company
<i>LDC</i>	Local Distribution Company
<i>LIBOR</i>	London Interbank Offered Rate
<i>LNG</i>	Liquefied natural gas
<i>Load Shed</i>	Curtailing the amount of electricity a TDU can transmit and distribute to its customers
<i>LPSC</i>	Louisiana Public Service Commission
<i>LTIPs</i>	Long-term incentive plans
<i>MCRA</i>	MISO Cost and Revenue Adjustment

GLOSSARY

<i>M&DOT</i>	Mortgage and Deed of Trust, dated November 1, 1944, between Houston Lighting and Power Company and Chase Bank of Texas, National Association (formerly, South Texas Commercial National Bank of Houston), as Trustee, as amended and supplemented
<i>Merger</i>	The merger of Merger Sub with and into Vectren on the terms and subject to the conditions set forth in the Merger Agreement, with Vectren continuing as the surviving corporation and as a wholly-owned subsidiary of CenterPoint Energy, Inc., which closed on the Merger Date
<i>Merger Agreement</i>	Agreement and Plan of Merger, dated as of April 21, 2018, among CenterPoint Energy, Vectren and Merger Sub
<i>Merger Date</i>	February 1, 2019
<i>Merger Sub</i>	Pacer Merger Sub, Inc., an Indiana corporation and wholly-owned subsidiary of CenterPoint Energy
<i>MES</i>	CenterPoint Energy Mobile Energy Solutions, Inc. (now known as Mobile Energy Solutions, Inc.), previously a wholly-owned subsidiary of CERC Corp.
<i>MGP</i>	Manufactured gas plant
<i>MISO</i>	Midcontinent Independent System Operator
<i>MMBtu</i>	One million British thermal units
<i>MMcf</i>	Million cubic feet
<i>Moody's</i>	Moody's Investors Service, Inc.
<i>MPUC</i>	Minnesota Public Utilities Commission
<i>MPSC</i>	Mississippi Public Service Corporation
<i>Mva</i>	Megavolt amperes
<i>MW</i>	Megawatts
<i>Natural Gas</i>	Natural gas distribution businesses
<i>NECA</i>	National Electrical Contractors Association
<i>NERC</i>	North American Electric Reliability Corporation
<i>NGA</i>	Natural Gas Act of 1938
<i>NGLs</i>	Natural gas liquids
<i>NGPA</i>	Natural Gas Policy Act of 1978
<i>NGPSA</i>	Natural Gas Pipeline Safety Act of 1968
<i>NOLs</i>	Net operating losses
<i>NRG</i>	NRG Energy, Inc.
<i>NYSE</i>	New York Stock Exchange
<i>OPEIU</i>	Office & Professional Employees International Union
<i>Oriden</i>	Oriden LLC
<i>Origis</i>	Origis Energy USA Inc.
<i>OUCC</i>	Indiana Office of Utility Consumer Counselor
<i>OVEC</i>	Ohio Valley Electric Corporation
<i>PHMSA</i>	Pipeline and Hazardous Materials Safety Administration
<i>PIPES Act</i>	Protecting Our Infrastructure of Pipelines and Enhancing Safety Act of 2020
<i>PPA</i>	Power purchase agreement
<i>PRPs</i>	Potentially responsible parties
<i>PTCs</i>	Production Tax Credits
<i>PUCO</i>	Public Utilities Commission of Ohio
<i>PUCT</i>	Public Utility Commission of Texas
<i>Railroad Commission</i>	Railroad Commission of Texas
<i>RCRA</i>	Resource Conservation and Recovery Act of 1976
<i>Registrants</i>	CenterPoint Energy, Houston Electric and CERC, collectively
<i>REP</i>	Retail electric provider
<i>Restoration Bond Company</i>	CenterPoint Energy Restoration Bond Company, LLC, a wholly-owned subsidiary of Houston Electric

GLOSSARY

Restructuring	CERC Corp.'s common control acquisition of Indiana Gas and VEDO from VUH on June 30, 2022
ROE	Return on equity
ROU	Right of use
RRA	Rate Regulation Adjustment
RSP	Rate Stabilization Plan
Scope 1 emissions	Direct source of emissions from a company's operations
Scope 2 emissions	Indirect source of emissions from a company's energy usage
Scope 3 emissions	Indirect source of emissions from a company's end-users
SEC	Securities and Exchange Commission
Securitization Bonds	Transition and system restoration bonds issued by the Bond Companies and SIGECO Securitization Bonds issued by the SIGECO Securitization Subsidiary
Series A Preferred Stock	CenterPoint Energy's previously outstanding Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$1,000 per share
Series B Preferred Stock	CenterPoint Energy's previously outstanding 7.00% Series B Mandatory Convertible Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$1,000 per share
Series C Preferred Stock	CenterPoint Energy's previously outstanding Series C Mandatory Convertible Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$1,000 per share
SIGECO	Southern Indiana Gas and Electric Company, a wholly-owned subsidiary of Vectren
SIGECO Securitization Bonds	SIGECO Securitization Subsidiary's Series 2023-A Senior Secured Securitization Bonds
SIGECO Securitization Subsidiary	SIGECO Securitization I, LLC, a direct, wholly-owned subsidiary of SIGECO
SOFR	Secured Overnight Financing Rate
S&P	S&P Global Ratings, a division of S&P Global Inc.
SRC	Sales Reconciliation Component
TBD	To be determined
TCJA	Tax reform legislation informally called the Tax Cuts and Jobs Act of 2017
TCOS	Transmission Cost of Service
TCRF	Transmission Cost Recovery Factor
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TDU	Transmission and distribution utility
TEEEF	Assets leased or costs incurred as "temporary emergency electric energy facilities" under Section 39.918 of the Public Utility Regulatory Act, also referred to as mobile generation
Texas RE	Texas Reliability Entity
Topic 326	Accounting Standards Update 2016-13 - Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
TSA	Transportation Security Administration
USW	United Steelworkers Union
UWUA	Utility Workers Union of America
Utility Holding	Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy
Vectren	Vectren, LLC, which converted its corporate structure from Vectren Corporation to a limited liability company on June 30, 2022, a wholly-owned subsidiary of CenterPoint Energy as of the Merger Date, and, after the Restructuring, is held indirectly by CenterPoint Energy through Vectren Affiliated Utilities, Inc.
Vectren Energy Services	Vectren Energy Services Corporation, an Indiana corporation and a wholly-owned subsidiary of CenterPoint Energy
VEDO	Vectren Energy Delivery of Ohio, LLC, which converted its corporate structure from Vectren Energy Delivery of Ohio, Inc. to a limited liability company on June 13, 2022, formerly a wholly-owned subsidiary of Vectren, acquired by CERC on June 30, 2022
VIE	Variable interest entity
Visra Energy Corp.	Texas-based energy company focused on the competitive energy and power generation markets.
VRP	Voluntary Remediation Program

GLOSSARY

<i>VUH</i>	Vectren Utility Holdings, LLC, which converted its corporate structure from Vectren Utility Holdings, Inc. to a limited liability company on June 30, 2022, a wholly-owned subsidiary of Vectren
<i>WBD Common</i>	Warner Bros. Discovery, Inc. Series A common stock
<i>Winter Storm Elliott</i>	From December 21 to 26, 2022, a historic extratropical cyclone created winter storm conditions, including blizzards, high winds, snowfall and record cold temperatures across the majority of the United States and parts of Canada.
<i>ZENS</i>	2.0% Zero-Premium Exchangeable Subordinated Notes due 2029
<i>ZENS-Related Securities</i>	As of December 31, 2023 and December 31, 2022, consisted of AT&T Common, Charter Common and WBD Common
<i>2022 Form 10-K</i>	Annual Report on Form 10-K for the fiscal year ended December 31, 2022
<i>2022 Annuity Lift-Out</i>	The irrevocable group annuity contract purchased in December 2022 from an insurance company to transfer \$138 million of CenterPoint Energy's pension plan's outstanding benefit obligation

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time the Registrants make statements concerning their expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “target,” “will” or other similar words.

The Registrants have based their forward-looking statements on management’s beliefs and assumptions based on information reasonably available to management at the time the statements are made. The Registrants caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, the Registrants cannot assure you that actual results will not differ materially from those expressed or implied by the Registrants’ forward-looking statements. In this Form 10-K, unless context requires otherwise, the terms “our,” “we” and “us” are used as abbreviated references to CenterPoint Energy, Inc. together with its consolidated subsidiaries, including Houston Electric, CERC and SIGECO.

Some of the factors that could cause actual results to differ from those expressed or implied by the Registrants’ forward-looking statements are described under “Risk Factors” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings” and “ — Liquidity and Capital Resources — Other Matters — Other Factors That Could Affect Cash Requirements” in Item 7 of Part II of this report, which discussions are incorporated herein by reference.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and the Registrants undertake no obligation to update or revise any forward-looking statements.

SUMMARY OF RISK FACTORS

An investment in CenterPoint Energy’s securities involves a significant degree of risk. Below is a summary of certain risk factors to consider in evaluating CenterPoint Energy as well as its Common Stock. However, this list is not exhaustive. Before investing in CenterPoint Energy, carefully consider the risk factors discussed or referenced below and in Item 1A. “Risk Factors” of this combined report on Form 10-K. If any of the risks discussed below and in Item 1A. “Risk Factors” were actually to occur, CenterPoint Energy’s, Houston Electric’s and CERC’s business, financial condition, results of operations or cash flows could be adversely affected. In that case, CenterPoint Energy might not be able to pay dividends on its Common Stock, or the trading price of its Common Stock could decline.

Risk Factors Affecting Operations

Electric Generation, Transmission and Distribution (CenterPoint Energy and Houston Electric)

- Disruptions at power generation facilities, generation inadequacy or directives issued by regulatory authorities could cause interruptions in Houston Electric’s and Indiana Electric’s ability to provide transmission and distribution services and adversely affect their reputation, financial condition, results of operations and cash flows.
- Houston Electric’s receivables are primarily concentrated in a small number of REPs, and any delay or default in payments of these receivables could adversely affect Houston Electric’s financial condition, results of operations and cash flows.
- Indiana Electric’s execution of its generation transition plan, including its IRP, is subject to various risks, including timely recovery of capital investments and increased costs and risks related to the timing and cost of development and/or construction of new generation facilities.
- The occurrence of extreme weather events, including winter storms and record hot temperatures, or other causes could lead to additional reforms to the Texas electric market, some measure of which, if implemented, could have an adverse impact on Houston Electric.
- Houston Electric’s use of TEEEF is subject to various risks, including failure to obtain and deploy sufficient TEEEF resources, potential performance issues and allegations about Houston Electric’s deployment of the resources (including the planning, execution and effectiveness of the same), regulatory and environmental requirements, and timely recovery of capital.

Natural Gas (CenterPoint Energy and CERC)

- Access to natural gas supplies and pipeline transmission and storage capacity are essential components of reliable service for Natural Gas' customers.
- Natural Gas is subject to fluctuations in natural gas prices, which could affect the ability of its suppliers and customers to meet their obligations or may impact its operations, which could adversely affect CERC's financial condition, results of operations and cash flows.
- Natural Gas must compete with alternate energy sources, which could result in less natural gas delivered and have an adverse impact on CenterPoint Energy's and CERC's financial condition, results of operations and cash flows.

Risk Factors Affecting Regulatory, Environmental and Legal Risks

- Rate regulation of Registrants' Electric and Natural Gas businesses may delay or deny their ability to earn an expected return and fully and timely recover their costs.
- We are subject to operational and financial risks and liabilities arising from environmental laws and regulations, including regulation of CCR, climate change legislation and certain local initiatives that seek to limit fossil fuel usage.
- CenterPoint Energy is subject to operational and financial risks and liabilities associated with the implementation of and efforts to achieve its carbon emissions reduction goals.
- We are involved in numerous legal proceedings, the outcomes of which are uncertain, and resolution adverse to us could negatively affect our financial results.

Risk Factors Affecting Financial, Economic and Market Risks

- Disruptions to the global supply chain may lead to higher prices for goods and services and impact our operations, which could have an adverse impact on our ability to execute our capital plan and on our financial condition, results of operations and cash flows.
- CenterPoint Energy is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, CenterPoint Energy depends on the performance of and distributions from its subsidiaries to meet its payment obligations and to pay dividends on its common stock, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.
- If we are unable to arrange future financings on acceptable terms, our ability to finance our capital expenditures or refinance outstanding indebtedness could be limited.
- If CenterPoint Energy redeems the ZENS prior to their maturity in 2029, its ultimate tax liability and redemption payments would result in significant cash payments, which would adversely impact its cash flows. Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy's cash flows.

Risk Factors Affecting Safety and Security Risks

- The Registrants' businesses have safety risks.
- Cyberattacks, physical security breaches, acts of terrorism or other disruptions could adversely impact our reputation, financial condition, results of operations and cash flows.

General and Other Risks

- Our revenues and results of operations are seasonal.
- Climate change could adversely impact financial results from our businesses and result in more frequent and more severe weather events that could adversely affect our results of operations.
- Aging infrastructure may lead to increased costs and disruptions in operations that could negatively impact our financial results.
- Our businesses will continue to have to adapt to technological change and may not be successful or may have to incur significant expenditures to adapt to technological change.

PART I

Item 1. *Business*

This combined Form 10-K is filed separately by three registrants: CenterPoint Energy, Inc., CenterPoint Energy Houston Electric, LLC and CenterPoint Energy Resources Corp. Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants or the subsidiaries of CenterPoint Energy other than itself or its subsidiaries. Except as discussed in Note 13 to the consolidated financial statements, no registrant has an obligation in respect of any other registrant's debt securities, and holders of such debt securities should not consider the financial resources or results of operations of any registrant other than the obligor in making a decision with respect to such securities.

The discussion of CenterPoint Energy's consolidated financial information includes the financial results of Houston Electric and CERC, which, along with CenterPoint Energy, are collectively referred to as the Registrants. Where appropriate, information relating to a specific registrant has been segregated and labeled as such. Unless the context indicates otherwise, specific references to Houston Electric and CERC also pertain to CenterPoint Energy. In this Form 10-K, the terms "our," "we" and "us" are used as abbreviated references to CenterPoint Energy, Inc. together with its consolidated subsidiaries.

OUR BUSINESS

Overview

CenterPoint Energy is a public utility holding company. CenterPoint Energy's operating subsidiaries own and operate electric transmission, distribution and generation facilities and natural gas distribution facilities.

As of December 31, 2023, CenterPoint Energy's indirect, wholly-owned subsidiaries include:

- Houston Electric, which provides electric transmission service to transmission service customers in the ERCOT region and distribution service to REPs serving the Texas gulf coast area that includes the city of Houston. Bond Companies are wholly-owned, bankruptcy remote entities formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of Securitization Bonds.
- CERC Corp., which (i) directly owns and operates natural gas distribution systems in Louisiana, Minnesota, Mississippi and Texas, (ii) indirectly, through Indiana Gas and VEDO, owns and operates natural gas distribution systems in Indiana and Ohio, respectively, and (iii) owns and operates permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies through CEIP.
- SIGECO, which provides energy delivery services to electric and natural gas customers located in and near Evansville in southwestern Indiana and owns and operates electric generation assets to serve its electric customers and optimizes those assets in the wholesale power market.

As of December 31, 2023, CenterPoint Energy's reportable segments were Electric, Natural Gas and Corporate and Other. Houston Electric and CERC each consist of one reportable segment. For a description of CenterPoint Energy's reportable segments, see Note 17. For a discussion of net income by segment, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations by Reportable Segment" in Item 7 of Part II of this report.

Discontinued Operations. From time to time, we consider the acquisition or the disposition of assets or businesses. For a discussion of discontinued operations and divestitures, see Note 4 to the consolidated financial statements.

Subsequent Events. On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

The Registrants' principal executive offices are located at 1111 Louisiana, Houston, Texas 77002 (telephone number: 713-207-1111).

We make available free of charge on our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the

Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Additionally, we make available free of charge on our Internet website:

- our Code of Ethics for our Chief Executive Officer and Senior Financial Officers;
- our Ethics and Compliance Code;
- our Supplier Code of Conduct;
- our Corporate Governance Guidelines; and
- the charters of the audit, compensation, and governance, environmental and sustainability committees of our Board of Directors.

Any shareholder who so requests may obtain a printed copy of any of these documents from us. Changes in or waivers of our Code of Ethics for our Chief Executive Officer and Senior Financial Officers and waivers of our Ethics and Compliance Code for directors or executive officers will be posted on our Internet website within five business days of such change or waiver and maintained for at least 12 months or timely reported on Item 5.05 of Form 8-K.

Our website address is www.centerpointenergy.com. Investors should also note that we announce material financial information in SEC filings, press releases and public conference calls. Based on guidance from the SEC, we may use the investor relations section of our website to communicate with our investors. It is possible that the financial and other information posted there could be deemed to be material information. Except to the extent explicitly stated herein, documents and information on our website are not incorporated by reference herein.

Electric (CenterPoint Energy)

The Electric reportable segment is comprised of Houston Electric and Indiana Electric.

For information regarding the properties of the Electric reportable segment, please read “Properties — Electric (CenterPoint Energy and Houston Electric)” in Item 2 of this report, which information is incorporated herein by reference.

Houston Electric (CenterPoint Energy and Houston Electric)

Houston Electric is a transmission and distribution electric utility that operates wholly within the state of Texas. Houston Electric does not make direct retail or wholesale sales of electric energy or own or operate any power generation generating facilities other than TEEEF.

Electric Transmission

On behalf of REPs, Houston Electric delivers electricity from power plants to substations, from one substation to another and to retail electric customers taking power at or above 69 kV in locations throughout Houston Electric’s certificated service territory. Houston Electric constructs and maintains transmission facilities and provides transmission services under tariffs approved by the PUCT.

Electric Distribution

Houston Electric’s distribution network receives electricity from the transmission grid through power distribution substations and delivers electricity for REPs in its certificated service area by carrying lower-voltage power from the substation to the retail electric customer through distribution feeders. Houston Electric’s operations include construction and maintenance of distribution facilities, metering services, outage response services and call center operations. Houston Electric provides distribution services under tariffs approved by the PUCT. PUCT rules and market protocols govern the commercial operations of distribution companies and other market participants. Rates for these services are established pursuant to rate proceedings conducted before municipalities that have original jurisdiction and the PUCT.

Bond Companies

Houston Electric has special purpose subsidiaries consisting of the Bond Companies, which it consolidates. These consolidated special purpose subsidiaries are wholly-owned, bankruptcy remote entities that were formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of Securitization Bonds, and conducting activities incidental thereto. The Securitization Bonds issued by Bond Company IV are repaid through charges imposed on customers in Houston Electric's service territory. On August 15, 2022, Restoration Bond Company repaid in full its last outstanding system restoration bonds at maturity. For further discussion of the Securitization Bonds issued by Bond Company IV and the outstanding balances as of December 31, 2023 and 2022, see Note 13 to the consolidated financial statements.

Customers

Houston Electric serves nearly all of the Houston/Galveston metropolitan area near the Texas gulf coast. Houston Electric's customers consist of REPs, which sell electricity to metered customers in Houston Electric's certificated service area, and municipalities, electric cooperatives and other distribution companies located outside Houston Electric's certificated service area. Each REP is licensed by, and must meet minimum creditworthiness criteria established by, the PUCT. Houston Electric does not have long-term contracts with any of its customers. It operates using a continuous billing cycle, with meter readings being conducted and invoices being distributed to REPs each business day. For information regarding Houston Electric's major customers, see Note 17 to the consolidated financial statements.

The table below reflects the number of REPs and metered customers in Houston Electric's service area as of December 31, 2023:

	REPs	Residential	Commercial/ Industrial	Total Customers
Texas gulf coast	65	2,455,309	308,226	2,763,535

Competition

There are no other electric transmission and distribution utilities in Houston Electric's service area. For another provider of transmission and distribution services to provide such services in Houston Electric's territory, it would be required to obtain a certificate of convenience and necessity from the PUCT and, depending on the location of the facilities, may also be required to obtain franchises from one or more municipalities. Houston Electric is not aware of any other party intending to enter this business in its service area at this time. Distributed generation (i.e., power generation located at or near the point of consumption) could result in a reduction of demand for Houston Electric's distribution services but has not been a significant factor to date.

Seasonality

Houston Electric's revenues are primarily derived from rates that it collects from each REP based on the amount of electricity it delivers on behalf of that REP. Houston Electric's revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months when more electricity is used for cooling purposes.

Franchises

Houston Electric holds non-exclusive franchises from certain incorporated municipalities in its service territory. In exchange for the payment of fees, these franchises give Houston Electric the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain its transmission and distribution system and to use that system to conduct its electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 30 to 40 years.

Indiana Electric (CenterPoint Energy)

Indiana Electric consists of SIGECO's electric transmission and distribution services, including its power generating and wholesale power operations. As of December 31, 2023, Indiana Electric supplied electric service to the following:

	Residential	Commercial/Industrial	Total Customers
Southwestern Indiana	133,201	19,292	152,493

System Load

Total load and the related reserve margin at the time of the system summer peak on August 25, 2023, is presented below in MW, except for reserve margin at peak.

	2023
Total load at peak	1,020
Generating capability	1,205
Purchase supply (effective capacity) (1)	659
Interruptible contracts & direct load control	4
Total power supply capacity	1,868
Reserve margin at peak	83 %

(1) Indiana Electric procured bi-lateral capacity contracts starting in the 2023-2024 MISO planning year to support the generation transition. These contracts were procured before MISO moved to a seasonal construct, which allowed several generating units to receive accreditation in the summer season that would not have received any accreditation under MISO's previous annual construct. This resulted in a reserve margin that is higher than normal in the summer, but was limited to the summer season.

The winter peak load for the 2022-2023 season of approximately 785 MW occurred on December 23, 2022.

Solar

Indiana Electric has entered into various PPAs to purchase solar power to meet its future generation needs as reported in the table below.

PPA with	Location	Expected Date in Service	Capacity (MW)	Term (in Years)
Clenera	Warrick County, Indiana	2025	100	25
Oriden	Vermillion County, Indiana	2025	185	15
Origen	Knox County, Indiana	2025	150	20
			435	

For further information about Indiana Electric's solar power activities, see "Item 2. Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference

Coal Purchases

Coal for coal-fired generating stations has been supplied from operators of nearby coal mines as there are substantial coal reserves in the southern Indiana area. Major suppliers are those that account for greater than 10% of Indiana Electric's coal purchases. For the year ended December 31, 2023, Sunrise LLC accounted for 98% of Indiana Electric's coal purchases, with the remaining 2% being purchased from other suppliers.

The table below presents information related to coal purchases during the year ended December 31, 2023 and coal inventory as of December 31, 2023.

	(In tons, except average cost per ton)
Coal purchased for generating electricity	1,945,593
Coal inventory as of December 31, 2023	345,784
Average cost of coal per ton	\$55.26

Firm Purchase Supply

Indiana Electric enters into long-term purchase supply agreements to meet its generation needs as disclosed below:

Fuel Type	Provider	Location	Contract Expiration	Capacity (MW)	Purchased in 2023 (in GWh)
Coal	OVEC (1)	Indiana and Ohio	n/a	32	186
Wind	Benton County Wind Farm, LLC	Benton County, Indiana	2028	30	76
Wind	Fowler Ridge II Wind Farm, LLC	Benton/Tippecanoe Counties, Indiana	2029	50	116
				112	378

- (1) As part of its power portfolio, Indiana Electric is a 1.5% shareholder in the OVEC. Based on its participation in the ICPA between OVEC and its shareholder companies, Indiana Electric has the right to 1.5% of OVEC's generating capacity output and shares in 1.5% of the operating expenses and debt obligations of OVEC.

MISO Related Activity

Indiana Electric is a member of the MISO, a FERC approved regional transmission organization. The MISO serves the electric transmission needs of much of the Midcontinent region and maintains operational control over Indiana Electric's electric transmission facilities as well as other utilities in the region. Indiana Electric is an active participant in the MISO energy markets, where it bids its generation into the Day Ahead and Real Time markets and procures power for its retail customers at Locational Marginal Price as determined by the MISO market. MISO-related purchase and sale transactions are recorded using settlement information provided by the MISO. These purchase and sale transactions are accounted for on at least a net hourly position.

MISO related activity for the year ended December 31, 2023 was as follows:

	In GWh
Net purchases (1)	397
Net sales (2)	510

- (1) Represents volume intervals when purchases from the MISO were in excess of generation sold to the MISO.
(2) Represents volume intervals when sales to the MISO were in excess of purchases from the MISO.

Interconnections

As of December 31, 2023, Indiana Electric had interconnections with Louisville Gas and Electric Company, Duke Energy Shared Services, Inc., Indianapolis Power & Light Company, Hoosier Energy Rural Electric Cooperative, Inc. and Big Rivers Electric Corporation providing the ability to simultaneously interchange approximately 645 MW during peak load periods. Indiana Electric, as required as a member of the MISO, has turned over operational control of the interchange facilities and its own transmission assets to the MISO. Indiana Electric, in conjunction with the MISO, must operate the bulk electric transmission system in accordance with NERC Reliability Standards. As a result, interchange capability varies based on regional transmission system configuration, generation dispatch, seasonal facility ratings and other factors. Indiana Electric is in compliance with reliability standards promulgated by NERC.

SIGECO Securitization Subsidiary

SIGECO has a special purpose subsidiary, SIGECO Securitization Subsidiary, which it consolidates. This consolidated special purpose subsidiary is a wholly-owned, bankruptcy remote entity that was formed solely for the purpose of facilitating the securitization financing of qualified costs in the second quarter of 2023 associated with the completed retirement of SIGECO's A.B. Brown coal generation facilities through the issuance of SIGECO Securitization Bonds. The obligations of the SIGECO Securitization Bonds are repaid through charges imposed on customers in Indiana Electric's service territory. For further discussion of the SIGECO Securitization Bonds and the outstanding balance as of December 31, 2023, see Note 13 to the consolidated financial statements.

Competition

There are no other electric transmission and distribution utilities in Indiana Electric's service area. Indiana Electric is a vertically integrated utility that owns the generation, transmission, and distribution components of a utility.

For another provider of transmission and distribution services to provide such services in Indiana Electric's territory, it would be required to obtain IURC approval of such service territory. Indiana service territory certificates are exclusive. Distributed generation (i.e., power generation located at or near the point of consumption) could result in reduced demand for Indiana Electric's distribution services but has not been a significant factor to date.

Seasonality

Indiana Electric's revenues are primarily derived from rates that it collects from customers in its service territory based on the amount of electricity it delivers. Indiana Electric's revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months when more electricity is used for cooling purposes, and during the cooler months when more electricity is used for heating purposes.

Natural Gas (CenterPoint Energy and CERC)

CenterPoint Energy's and CERC's Natural Gas engage in regulated intrastate natural gas sales to, and natural gas transportation and storage for, residential, commercial, industrial and transportation customers. CenterPoint Energy's and CERC's Natural Gas provide permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies through CEIP. CenterPoint Energy's and CERC's Natural Gas also provided services in Minnesota consisting of residential appliance repair and maintenance services along with HVAC equipment sales and home repair protection plans to natural gas customers in Indiana, Mississippi, Ohio and Texas through a third party as of December 31, 2023.

For information regarding the properties of the Natural Gas reportable segment, please read "Properties — Natural Gas (CenterPoint Energy and CERC)" in Item 2 of this report, which information is incorporated herein by reference.

On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

Customers

The table below reflects the number of CenterPoint Energy's and CERC's Natural Gas customers by state as of December 31, 2023:

	Residential	Commercial/ Industrial/Transportation	Total Customers
Indiana (Indiana Gas)	597,315	55,171	652,486
Louisiana	230,833	16,204	247,037
Minnesota	848,909	72,634	921,543
Mississippi	122,306	13,140	135,446
Ohio	308,622	24,543	333,165
Texas	1,797,403	111,543	1,908,946
Total CERC Natural Gas	3,905,388	293,235	4,198,623
Indiana (SIGECO)	104,725	10,606	115,331
Total CenterPoint Energy Natural Gas	4,010,113	303,841	4,313,954

The largest metropolitan areas served in each state were Houston, Texas; Minneapolis, Minnesota; Shreveport, Louisiana; Biloxi, Mississippi; Evansville, Indiana; and Dayton, Ohio.

The table below reflects the percentage of total throughput by customer type for the year ended December 31, 2023.

	CenterPoint Energy	CERC
Residential	32 %	33 %
Commercial/Industrial and Transportation	68 %	67 %
Total Throughput	100 %	100 %

Seasonality

The demand for natural gas sales to residential customers and natural gas sales and transportation for commercial and industrial customers is seasonal and affected by variations in weather conditions. In 2023, approximately 65% and 66%, respectively, of CenterPoint Energy's and CERC's Natural Gas total throughput occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during the colder months.

Supply and Transportation

In 2023, CenterPoint Energy's Natural Gas purchased virtually all of its natural gas supply pursuant to contracts with remaining terms varying from a few months to three-year terms. Major suppliers are those that account for greater than 10% of CenterPoint Energy's or CERC's annual natural gas supply purchases.

Major suppliers of natural gas for the year ended December 31, 2023 were as follows:

	CenterPoint Energy	CERC
Tenaska Marketing Ventures, LLC	39 %	44 %
Macquarie Energy, LLC	15 %	19 %
Koch Energy Services, LLC	8 %	10 %
Total of major suppliers	62 %	73 %

Numerous other suppliers provided the remainder of CenterPoint Energy's and CERC's natural gas supply requirements.

CenterPoint Energy's and CERC's Natural Gas transports their natural gas supplies through various intrastate and interstate pipelines under contracts with remaining terms, including extensions, varying from one to ten years. CenterPoint Energy's and CERC's Natural Gas anticipates that these gas supply and transportation contracts will be renewed or replaced prior to their expiration.

CenterPoint Energy's and CERC's Natural Gas actively engage in commodity price stabilization pursuant to annual gas supply plans presented to and/or filed with each of its state regulatory authorities. These price stabilization activities include use of storage gas and contractually establishing structured prices (e.g., fixed price, costless collars and caps) with CenterPoint Energy's and CERC's Natural Gas' physical gas suppliers. Their gas supply plans generally call for 50–75% of normal winter supplies to be stabilized in some fashion.

The regulations of the states in which CenterPoint Energy's and CERC's Natural Gas operate allow them to pass through changes in the cost of natural gas, including savings and costs of financial derivatives associated with the index-priced physical supply, to their customers under purchased gas adjustment provisions in their tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from monthly to semi-annually. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

CenterPoint Energy's and CERC's Natural Gas use various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather. CenterPoint Energy's and CERC's Natural Gas may also supplement contracted supplies and storage from time to time with stored LNG and propane-air plant production.

On an ongoing basis, CenterPoint Energy's and CERC's Natural Gas enter into contracts to provide sufficient supplies and pipeline capacity to meet their customer requirements. However, it is possible for limited service disruptions to occur from time to time due to weather conditions, transportation constraints and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply constraints or other factors.

CenterPoint Energy's and CERC's Natural Gas businesses continue to utilize AMAs associated with their utility distribution service in Indiana, Louisiana, Minnesota, Mississippi and Texas. Generally, AMAs are contracts between CenterPoint Energy's and CERC's Natural Gas and an asset manager that are intended to transfer the working capital obligation and maximize the utilization of the assets. In these agreements, CenterPoint Energy's and CERC's Natural Gas agrees to release transportation and storage capacity to other parties to manage natural gas storage, supply and delivery arrangements for CenterPoint Energy's and CERC's Natural Gas and to use the released capacity for other purposes when it is not needed for CenterPoint Energy's and CERC's Natural Gas. CenterPoint Energy's and CERC's Natural Gas may receive compensation from the asset manager through payments made over the life of the AMAs. CenterPoint Energy's and CERC's Natural Gas has an obligation to purchase their winter storage requirements that have been released to the asset manager under these AMAs. The AMAs have varying terms, the longest of which expires in 2029. Pursuant to the provisions of the agreements, CenterPoint Energy's and CERC's Natural Gas either sells natural gas to the asset manager and agrees to repurchase an equivalent amount of natural gas throughout the year at the same cost, or simply purchases its full natural gas requirements at each delivery point from the asset manager. For amounts outstanding under these AMAs, see Note 13 to the consolidated financial statements.

Competition

CenterPoint Energy's and CERC's Natural Gas compete primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other gas distributors and marketers also compete directly for gas sales to end users. In addition, as a result of federal regulations affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass CenterPoint Energy's and CERC's Natural Gas' facilities and market, sell and/or transport natural gas directly to commercial and industrial customers.

Corporate and Other (CenterPoint Energy)

CenterPoint Energy's Corporate and Other consists of corporate support operations that support CenterPoint Energy's business operations and also includes office buildings and other real estate used for business operations. CenterPoint Energy's Corporate and Other also consisted of energy performance contracting and sustainable infrastructure services by Energy Systems Group through June 30, 2023, the date of the sale of Energy Systems Group.

REGULATION

The Registrants are subject to regulation by various federal, state and local governmental agencies, including the regulations described below. The following discussion is based on regulation in the Registrants' businesses as of December 31, 2023.

Federal Energy Regulatory Commission

FERC has jurisdiction under the NGA and the NGPA, as amended, to regulate the transportation of natural gas in interstate commerce and natural gas sales for resale in interstate commerce that are not first sales. FERC regulates, among other things, the construction of pipeline and related facilities used in the transportation and storage of natural gas in interstate commerce, including the extension, expansion or abandonment of these facilities. FERC also regulates the transmission and wholesale sales of electricity in interstate commerce, mergers, acquisitions and corporate transactions by electricity companies, energy markets, reliability standards and the issuance of short-term debt by public utilities regulated by FERC. FERC has authority to prohibit market manipulation in connection with FERC-regulated transactions, to conduct audits and investigations, and to impose significant civil penalties (up to approximately \$1.6 million per day per violation, subject to periodic adjustment to account for inflation) for statutory violations and violations of the FERC's rules or orders.

Indiana Electric is a "public utility" under the FPA and is subject to regulation by FERC. Houston Electric is not a "public utility" under the FPA and, therefore, is not generally regulated by FERC, although certain of its transactions are subject to limited FERC jurisdiction. FERC has certain responsibilities with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by Houston Electric and other utilities within ERCOT. FERC has designated NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system. The ERO and FERC have authority to (a) impose fines and other sanctions on applicable entities that fail to comply with approved standards and (b) audit compliance with approved standards. FERC has approved the delegation by NERC of authority for reliability in ERCOT to the Texas RE and in MISO to ReliabilityFirst Corporation. Neither Houston Electric nor Indiana Electric anticipate that the reliability standards proposed by NERC and approved by FERC will have a material adverse impact on their operations. To the extent that Houston Electric and Indiana Electric are required to make additional expenditures to comply with these standards, it is anticipated that Houston Electric and Indiana Electric will seek to recover those costs through the transmission charges that are imposed on all distribution service providers within ERCOT and the MISO, respectively, for electric transmission provided.

As a public utility holding company, under the Public Utility Holding Company Act of 2005, CenterPoint Energy and its consolidated subsidiaries are subject to reporting and accounting requirements and are required to maintain certain books and records and make them available for review by FERC and state regulatory authorities in certain circumstances.

For a discussion of the Registrants' ongoing regulatory proceedings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

State and Local Regulation – Electric Transmission & Distribution (CenterPoint Energy and Houston Electric)

Houston Electric is a member of ERCOT, which serves as the independent system operator and regional reliability coordinator for member electric power systems in most of Texas. The ERCOT market represents approximately 90% of the demand for power in Texas and is one of the nation's largest power markets. The ERCOT market operates under the reliability standards developed by NERC, approved by FERC and monitored and enforced by the Texas RE. The PUCT has primary jurisdiction over the ERCOT market to ensure the adequacy and reliability of electricity supply across the state's main interconnected power transmission grid.

The ERCOT ISO is responsible for operating the bulk electric power supply system in the ERCOT market. Houston Electric's transmission business, along with those of other owners of transmission facilities in Texas, supports the operation of the ERCOT ISO. Houston Electric participates with the ERCOT ISO and other ERCOT utilities to plan, design, obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing constraints on the ERCOT transmission grid.

Houston Electric conducts its operations pursuant to a CCN issued by the PUCT that covers its present service area and facilities. The PUCT and certain municipalities have the authority to set the rates and terms of service provided by Houston Electric under cost-of-service rate regulation. Houston Electric holds non-exclusive franchises from certain incorporated municipalities in its service territory. In exchange for payment of fees, these franchises give Houston Electric the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain its transmission and distribution system and to use that system to conduct its electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 30 to 40 years.

In ERCOT, end users purchase their electricity directly from certificated REPs. Houston Electric's distribution rates charged to REPs for residential and small commercial customers are primarily based on amounts of energy delivered, whereas

distribution rates for a majority of large commercial and industrial customers are primarily based on peak demand. All REPs in Houston Electric's service area pay the same rates and other charges for transmission and distribution services. This regulated delivery charge may include the transmission and distribution rate (which includes municipal franchise fees), a DCRF mechanism for recovery of incremental distribution-invested capital above that which is already reflected in the base distribution rate, a TEEEF mechanism for recovery of costs associated with leasing and operating TEEEF, a TCRF mechanism for recovery of approved wholesale transmission cost changes billed by a transmission service provider, a nuclear decommissioning charge associated with decommissioning the South Texas nuclear generating facility, an EECRF charge, and charges associated with securitization of regulatory assets, stranded costs and restoration costs. Transmission rates charged to distribution companies are based on amounts of energy transmitted under "postage stamp" rates that do not vary with the distance the energy is being transmitted. All distribution companies in ERCOT pay Houston Electric the same rates and other charges for transmission services.

With the IURC's approval, Indiana Electric is a member of the MISO, a FERC-approved regional transmission organization. The MISO serves the electrical transmission needs of much of the Midcontinent region and maintains operational control over Indiana Electric's electric transmission and generation facilities as well as those of other utilities in the region. Indiana Electric is an active participant in the MISO energy markets, bidding its owned generation into the Day Ahead and Real Time markets and procuring power for its retail customers at Locational Marginal Pricing as determined by the MISO market. Indiana Electric also receives transmission revenue that results from other members' use of Indiana Electric's transmission system. Generally, these transmission revenues, along with costs charged by the MISO, are considered components of base rates and any variance from that included in base rates is recovered from or refunded to retail customers through tracking mechanisms.

For a discussion of certain of Houston Electric's and Indiana Electric's ongoing regulatory proceedings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

State and Local Regulation – Electric Generation (CenterPoint Energy)

The energy and capacity secured from Indiana Electric's available generation resources are utilized primarily to serve the needs of retail electric customers residing within Indiana Electric's franchised service territory. Costs of operating Indiana Electric's generation facilities are recovered through IURC-approved base rates as well as periodic rate recovery mechanisms including the CECA, ECA, FAC, MCRA, and RCRA mechanism. Costs that are deemed unreasonable or imprudent by the IURC may not be recoverable through retail electric rates. Indiana Electric also receives revenues from the MISO to compensate it for benefits the generation facilities provide to the transmission system. Proceeds from the sales of energy from Indiana Electric's generation facilities that exceed the requirements of retail customers are shared by Indiana Electric and retail electric customers.

The generation facilities owned and operated by Indiana Electric are subject to various environmental regulations enforced by the EPA and the IDEM. Operations of Indiana Electric's generation facilities are subject to regulation by the EPA and the IDEM as it pertains to the discharge of constituents from the generation facilities. For further discussion, see "Our Business — Environmental Matters" below.

For a discussion of Indiana Electric's ongoing regulatory proceedings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

State and Local Regulation – Natural Gas (CenterPoint Energy and CERC)

In almost all communities in which CenterPoint Energy's and CERC's Natural Gas provides natural gas distribution services, they operate under franchises, certificates or licenses obtained from state and local authorities. The original terms of the franchises, with various expiration dates, typically range from 20 to 30 years. CenterPoint Energy's and CERC's Natural Gas expects to be able to renew expiring franchises. In most cases, franchises to provide natural gas utility services are not exclusive.

Substantially all of CenterPoint Energy's and CERC's Natural Gas is subject to cost-of-service rate regulation by the relevant state public utility commissions and, in Texas, by those municipalities that have retained original jurisdiction. In certain of the jurisdictions in which they operate, CenterPoint Energy's and CERC's Natural Gas has annual rate adjustment mechanisms that provide for changes in rates dependent upon certain changes in invested capital, earned returns on equity or actual margins realized.

For a discussion of certain of CenterPoint Energy's and CERC's Natural Gas' ongoing regulatory proceedings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference

Department of Transportation (CenterPoint Energy and CERC)

CenterPoint Energy and CERC are subject to regulation by PHMSA under the NGPSA and the HLPESA. The NGPSA delegated to PHMSA through DOT the authority to regulate gas pipelines. The HLPESA delegated to PHMSA through DOT the authority to develop, prescribe and enforce federal safety standards for the transportation of hazardous liquids by pipeline. Every four years PHMSA is up for reauthorization by Congress and with that reauthorization comes changes to the legislative requirements that Congress sets forth for the oversight of natural gas and hazardous liquid pipelines. In 2020, the PIPES Act was enacted. The PIPES Act reauthorized PHMSA through 2023 and imposed a few new mandates on the agency. The law establishes a PHMSA technology pilot, authorizes a new idled pipe operating status and contains process protections for operators during PHMSA enforcement proceedings. Section 114 of the PIPES Act is a self-mandating rule for natural gas pipeline operations like CERC's that focuses on processes and procedures to eliminate or reduce emissions during normal operations. Further, Section 113 of the PIPES Act directed PHMSA to develop regulations to require natural gas pipeline operators to implement leak detection and repair programs, as well as requirements for mitigating emissions in operations. A proposed rule was published on May 18, 2023. Additional sections of the PIPES Act directed PHMSA to develop regulations requiring natural gas distribution operators to identify and address specific risks associated with piping materials with known issues. Over-pressurization, extreme weather and geohazards require certain actions associated with emergency response and require operators to identify and maintain certain records associated with system operating characteristics and controls. A proposed rule was published on September 7, 2023. The PIPES Act of 2023 was approved by the House Transportation and Infrastructure Committee on December 6, 2023 to reauthorize PHMSA's safety programs for the next four years.

In January 2021, PHMSA published a final rule amending the federal Pipeline Safety Regulations to ease regulatory burdens on the construction, operation, and maintenance of gas transmission, distribution, and gathering systems.

CenterPoint Energy and CERC anticipate that compliance with PHMSA's regulations, performance of the remediation activities by CenterPoint Energy's and CERC's Natural Gas and intrastate pipelines, and verification of records on maximum allowable operating pressure will continue to require increases in both capital expenditures and operating costs. The level of expenditures will depend upon several factors, including age, location and operating pressures of the facilities. In particular, the cost of compliance with the DOT's integrity management rules will depend on integrity testing and the repairs found to be necessary by such testing. Changes to the amount of pipe subject to integrity management, whether by expansion of the definition of the type of areas subject to integrity management procedures or of the applicability of such procedures outside of those defined areas, may also affect the costs incurred. Implementation by PHMSA of the PIPES Act, in particular Section 113, acts reauthorizing PHMSA or other future acts may result in other regulations or the reinterpretation of existing regulations that could impact compliance costs. In addition, CenterPoint Energy and CERC may be subject to the DOT's enforcement actions and penalties if they fail to comply with pipeline regulations.

ENVIRONMENTAL MATTERS

The following discussion is based on environmental matters in the Registrants' businesses as of December 31, 2023. The Registrants' operations are subject to stringent and complex laws and regulations pertaining to the environment. As an owner or operator of natural gas pipelines, distribution systems and storage, electric transmission and distribution systems, steam electric and renewable generation systems and the facilities that support these systems, the Registrants must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact the Registrants' business activities in many ways, including, but not limited to:

- restricting the way the Registrants can handle or dispose of wastes, including wastewater discharges and air emissions;
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions or areas inhabited by endangered species;
- requiring remedial action and monitoring to mitigate environmental conditions caused by the Registrants' operations or attributable to former operations;
- enjoining the operations of facilities with permits issued pursuant to such environmental laws and regulations; and
- impacting the demand for the Registrants' services by directly or indirectly affecting the use or price of fossil fuels, including, but not limited to, natural gas.

To comply with these requirements, the Registrants may need to spend substantial amounts and devote other resources from time to time to, among other activities:

- construct or acquire new facilities and equipment;
- acquire permits for facility operations or purchase emissions allowances;
- modify, upgrade or replace existing and proposed equipment; and
- decommission or remediate waste management areas, fuel storage facilities and other locations.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, revocation of permits, the imposition of remedial actions and monitoring and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to assess, clean up and restore sites where hazardous substances have been stored, disposed or released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and/or property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Increasingly, environmental regulation has resulted in more restrictions and limitations on activities that may impact the environment. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation and monitoring, and actual future expenditures may be different from the amounts currently anticipated. The Registrants try to anticipate future regulatory requirements that might be imposed and plan accordingly to maintain compliance with changing environmental laws and regulations.

Based on current regulatory requirements and interpretations, the Registrants do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on their business, financial position, results of operations or cash flows. In addition, the Registrants believe that their current environmental remediation activities will not materially interrupt or diminish their operational ability. The Registrants cannot provide assurances that future events, such as changes in existing laws, the promulgation of new laws, or the development or discovery of new facts or conditions will not cause them to incur significant costs. The following is a discussion of material current environmental and safety issues, laws and regulations that relate to the Registrants' operations. The Registrants believe that they are in substantial compliance with these environmental laws and regulations.

Global Climate Change

There is increasing attention being paid in the United States and worldwide to the issue of climate change. As a result, from time to time, regulatory agencies have considered the modification of existing laws or regulations or the adoption of new laws or regulations addressing the emissions of GHG on the state, federal, or international level. On August 3, 2015, the EPA released its CPP rule, which required a 32% reduction in carbon emissions from 2005 levels. The final rule was published in the Federal Register on October 23, 2015, and that action was immediately followed by litigation ultimately resulting in the U.S. Supreme Court staying implementation of the rule. On July 8, 2019, the EPA published the ACE rule, which (i) repealed the CPP rule; (ii) replaced the CPP rule with a program that requires states to implement a program of energy efficiency improvement targets for individual coal-fired electric generating units; and (iii) amended the implementing regulations for Section 111(d) of the Clean Air Act. On January 19, 2021, the majority of the ACE rule — including the CPP repeal, CPP replacement, and the timing-related portions of the Section 111(d) implementing rule — was struck down by the U.S. Court of Appeals for the D.C. Circuit and on October 29, 2021, the U.S. Supreme Court agreed to consider four petitions filed by various coal interests and a coalition of 19 states. On June 30, 2022, the U.S. Supreme Court ruled that the EPA exceeded its authority in promulgating the CPP. On May 11, 2023, the EPA announced proposed emission limits and guidelines for carbon dioxide from fossil fuel-fired power plants under Section 111 of the Clean Air Act which, if finalized, apply new GHG performance standards for those existing coal-fired units expected to continue operation beyond December 31, 2029. We will continue to evaluate the applicability of the rule to the existing and new gas-fired generating units, but would note that CenterPoint Energy does not currently have plans to operate any of its coal-fired units beyond December 2029.

The Biden administration recommitted the United States to the Paris Agreement, which has driven a renewed regulatory push to require further GHG emission reductions from the energy sector. On April 22, 2021, President Biden announced new goals of 50% reduction of economy-wide GHG emissions, and 100% carbon-free electricity by 2035, which formed the basis of the United States' commitments announced in Glasgow, and most recently the international climate negotiations held in Dubai, and concluded in December 2023, included for the first time language in the agreement to "transition away from fossil fuels" so as to achieve net zero emissions by 2050.

In September 2021, CenterPoint Energy announced its net zero emissions goals for both Scope 1 emissions and certain Scope 2 emissions by 2035 as well as a goal to reduce certain Scope 3 emissions by 20% to 30% by 2035. Because Texas is an

unregulated market and customers choose their generation providers, CenterPoint Energy's Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and, in addition, exclude emissions related to purchased power in Indiana between 2024 and 2026 as estimated. CenterPoint Energy's Scope 3 emissions estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) Form EIA-176 reports and do not take into account the emissions of transport customers and emissions related to upstream extraction. These emission goals are expected to be used to position CenterPoint Energy to comply with anticipated future regulatory requirements from the current and future administrations to further reduce GHG emissions. For more information regarding CenterPoint Energy's net zero and carbon emission reduction goals and their related risks, see "Risk Factors — Risk Factors Affecting Regulatory, Environmental and Legal Risks — CenterPoint Energy is subject to operational and financial risks ...". CenterPoint Energy's and CERC's revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of their operations or would have the effect of reducing the consumption of natural gas. The IRA established the Methane Emissions Reduction Program, which imposes a charge on methane emissions from certain natural gas transmission facilities, and on December 2, 2023, the EPA finalized rules that target reductions in methane emissions, which are likely to increase costs related to production, transmission and storage of natural gas. Houston Electric, in contrast to some electric utilities including Indiana Electric, does not generate electricity, other than TEEEF, and thus is not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity. CenterPoint Energy's net zero emissions goals are aligned with Indiana Electric's generation transition plan and are expected to position Indiana Electric to comply with anticipated future regulatory requirements related to GHG emissions reductions. Nevertheless, Houston Electric's and Indiana Electric's revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within their respective service territories. Likewise, incentives to conserve energy or to use energy sources other than natural gas could result in a decrease in demand for the Registrants' services. For example, Minnesota has enacted the Natural Gas Innovation Act that seeks to provide customers with access to renewable energy resources and innovative technologies, with the goal of reducing GHG emissions. Further, certain local government bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain specified dates. For example, Minneapolis has adopted carbon emission reduction goals in an effort to decrease reliance on fossil natural gas. Additionally, cities in Minnesota within CenterPoint Energy's Natural Gas operational footprint are considering initiatives focused on electrification that could eliminate natural gas use in buildings. Also, Minnesota cities may consider seeking legislative authority for the ability to enact voluntary enhanced energy standards for all development projects. These initiatives could have a significant impact on CenterPoint Energy and its operations, and this impact could increase if other cities and jurisdictions in its service area enact similar initiatives. Further, our third-party suppliers, vendors and partners may also be impacted by climate change laws and regulations, which could impact CenterPoint Energy's business by, among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to CenterPoint Energy. Conversely, regulatory actions that effectively promote the consumption of natural gas because of its lower emissions characteristics would be expected to benefit CenterPoint Energy and CERC and their natural gas-related businesses. At this time, however, we cannot quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on the Registrants' businesses.

Compliance costs and other effects associated with climate change, reductions in GHG emissions and obtaining renewable energy sources remain uncertain. Although the amount of compliance costs remains uncertain, any new regulation or legislation relating to climate change will likely result in an increase in compliance costs. While the requirements of a federal or state rule remain uncertain, CenterPoint Energy will continue to monitor regulatory activity regarding GHG emission standards that may affect its business. Currently, CenterPoint Energy does not purchase carbon credits. In connection with its net zero emissions goals, CenterPoint Energy expects to purchase carbon credits in the future; however, CenterPoint Energy does not currently expect the number of credits, or cost for those credits, to be material.

To the extent climate changes may occur and such climate changes result in warmer temperatures in the Registrants' service territories, financial results from the Registrants' businesses could be adversely impacted. For example, CenterPoint Energy's and CERC's Natural Gas could be adversely affected through lower natural gas sales. On the other hand, warmer temperatures in CenterPoint Energy's and Houston Electric's electric service territory may increase revenues from transmission and distribution and generation through increased demand for electricity for cooling. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes and flooding. Since many of the Registrants' facilities are located along or near the Texas gulf coast, increased or more severe hurricanes or tornadoes could increase costs to repair damaged facilities and restore service to customers. When the Registrants cannot deliver electricity or natural gas to customers, or customers cannot receive services, the Registrants' financial results can be impacted by lost revenues, and they generally must seek approval from regulators to recover restoration costs. To the extent the Registrants are unable to recover those costs, or if higher rates resulting from recovery of such costs result in reduced demand for services, the Registrants' future financial results may be adversely impacted.

Air Emissions

The Registrants' operations are subject to the federal Clean Air Act and comparable state laws and regulations. These laws and regulations regulate emissions of air pollutants from various industrial sources, including electric generating facilities and natural gas processing plants and compressor stations, and also impose various monitoring and reporting requirements. Such laws and regulations may require pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions. The Registrants may be required to obtain and strictly comply with air permits containing various emissions and operational limitations, or utilize specific emission control technologies to limit emissions. Failure to comply with these requirements could result in monetary penalties, injunctions, conditions or restrictions on operations, and potentially criminal enforcement actions. The Registrants may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions.

Water Discharges

The Registrants' operations are subject to the Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous state laws and regulations. These laws and regulations impose detailed requirements and strict controls regarding the discharge of pollutants into waters of the United States. The unpermitted discharge of pollutants, including discharges resulting from a spill or leak incident, is prohibited. The Clean Water Act and regulations implemented thereunder also prohibit discharges of dredged and fill material into wetlands and other waters of the United States unless authorized by an appropriately issued permit. Any unpermitted release of petroleum or other pollutants from the Registrants' pipelines or facilities could result in fines or penalties as well as significant remedial obligations.

Waters of the United States

Under the Obama administration, the EPA promulgated a set of rules that included a comprehensive regulatory overhaul of defining "waters of the United States" for the purposes of determining federal jurisdiction. The Trump administration signaled its intent to repeal and replace the Obama-era rules. In accordance with this intent, the EPA promulgated a rule in early 2018 that postponed the effectiveness of the Obama-era rules until 2020. Thereafter, the EPA proposed a new set of rules that would narrow the Clean Water Act's jurisdiction, which were finalized on April 21, 2020. That set of rules was vacated by decisions in the U.S. federal district courts in New Mexico and Arizona, and on November 18, 2021, the EPA released a proposal to reestablish the pre-2015 definition of "waters of the United States" which will become effective upon finalization and publication. On December 30, 2022, the EPA and the U.S. Army Corps of Engineers announced the final "Revised Definition of 'waters of the United States'" rule, which was published on January 18, 2023 and became effective on March 20, 2023. However, on May 25, 2023, the U.S. Supreme Court issued a decision limiting the scope of federal jurisdiction over wetlands, and on August 29, 2023, the EPA issued a final rule that seeks to conform with the U.S. Supreme Court decision.

ELG

In 2015, the EPA finalized revisions to the existing steam electric wastewater discharge standards which set more stringent wastewater discharge limits and effectively prohibited further wet disposal of coal ash in ash ponds. These new standards are applied at the time of permit renewal and an affected facility must comply with the wastewater discharge limitations no later than December 31, 2023, and the prohibition of wet sluicing of bottom ash no later than December 31, 2025. In February 2019, the IURC approved Indiana Electric's ELG compliance plan for its F.B. Culley Generating Station, which was completed in a timely manner and in compliance with the requirements of ELG .

Cooling Water Intake Structures

Section 316 of the federal Clean Water Act requires steam electric generating facilities use "best technology available" to minimize adverse environmental impacts on a body of water. In May 2014, the EPA finalized a regulation requiring installation of "best technology available" to mitigate impingement and entrainment of aquatic species in cooling water intake structures. Indiana Electric is currently completing the required ecological studies and anticipates timely compliance in 2025.

Hazardous Waste

The Registrants' operations generate wastes, including some hazardous wastes, that are subject to the federal RCRA, and comparable state laws, which impose detailed requirements for the handling, storage, treatment, transport and disposal of hazardous and solid waste. RCRA currently exempts many natural gas gathering and field processing wastes from classification

as hazardous waste. Specifically, RCRA excludes from the definition of hazardous waste waters produced and other wastes associated with the exploration, development or production of crude oil and natural gas. However, these oil and gas exploration and production wastes are still regulated under state law and the less stringent non-hazardous waste requirements of RCRA. Moreover, ordinary industrial wastes such as paint wastes, waste solvents, laboratory wastes and waste compressor oils may be regulated as hazardous waste. The transportation of natural gas in pipelines may also generate some hazardous wastes that would be subject to RCRA or comparable state law requirements.

Coal Ash

Indiana Electric has three ash ponds, two at the F.B. Culley facility (Culley East and Culley West) and one at the A.B. Brown facility. In 2015, the EPA finalized its CCR Rule, which regulates coal ash as non-hazardous material under the RCRA. The final rule allows beneficial reuse of ash, and the majority of the ash generated by Indiana Electric's remaining generating units will continue to be beneficially reused. The EPA continues to propose amendments to the CCR Rule; however, under the CCR Rule as it is currently in effect, Indiana Electric is required to perform integrity assessments, including ground water monitoring, at its F.B. Culley and A.B. Brown generating stations. The ground water studies were necessary to determine the remaining service life of the ponds and whether a pond must be retrofitted with liners or closed in place. Groundwater monitoring indicates potential groundwater impacts adjacent to Indiana Electric's ash impoundments, and further analysis is ongoing. The CCR Rule required companies to complete location restriction determinations by October 18, 2018. Indiana Electric completed its evaluation and determined that one F.B. Culley pond (Culley East) and the A.B. Brown pond fail the aquifer placement location restriction. As a result of this failure, Indiana Electric was required to cease disposal of new ash in the ponds and commence closure of the ponds by April 11, 2021. Indiana Electric filed timely requests for extensions available under the CCR Rule that would allow Indiana Electric to continue to use the ponds through October 15, 2023. On January 22, 2021, Indiana Electric received letters from the EPA for both the F.B. Culley and A.B. Brown facilities that determined Indiana Electric's extension submittals complete and extended the compliance deadline of April 11, 2021 until the EPA issues a final decision on the extension requests. On October 5, 2022, SIGECO received a proposed conditional approval of its extension request for the A.B. Brown facility. Both the Culley East and A.B. Brown facility have been taken out of service in a timely manner per the commitments made to the EPA in the extension requests filed for both ponds. The Culley West pond was closed under CCR provisions applicable to inactive ponds, and closure activities were completed in December 2020. For further discussion about Indiana Electric's ash ponds, please see Note 15(d) to the consolidated financial statements.

On May 18, 2023, the EPA issued a proposed revision to the CCR rule that could potentially expand the scope of units regulated under the federal CCR rule (the CCR "Legacy" rule). The CCR Legacy rule seeks to include legacy CCR surface impoundments (inactive surface impoundments at inactive generating facilities) as well as new "CCR management units" at active or inactive facilities otherwise subject to federal CCR regulations. The potential impact of the CCR Legacy rule is uncertain at this time, and if finalized could require Registrant to conduct additional CCR investigations.

Liability for Remediation

CERCLA, also known as "Superfund," and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of "hazardous substances" into the environment. Classes of PRPs include the current and past owners or operators of sites where a hazardous substance was released and companies that disposed or arranged for the disposal of hazardous substances at offsite locations such as landfills. Although petroleum, as well as natural gas, is expressly excluded from CERCLA's definition of a "hazardous substance," in the course of the Registrants' ordinary operations they do, from time to time, generate wastes that may fall within the definition of a "hazardous substance." CERCLA authorizes the EPA and, in some cases, third parties to take action in response to threats to the public health or the environment and to recover the costs they incur from the responsible classes of persons. Under CERCLA, the Registrants could potentially be subject to joint and several liability for the costs of cleaning up and restoring sites where hazardous substances have been released, for damages to natural resources, and for associated response and assessment costs, including for the costs of certain health studies.

Liability for Preexisting Conditions

For information about preexisting environmental matters, please see Note 15(d) to the consolidated financial statements.

HUMAN CAPITAL

CenterPoint Energy believes its employees are critical to safely delivering electricity and natural gas across its service territories and seeks to create a diverse, equitable, inclusive and safe work environment. CenterPoint Energy's core values—safety, integrity, accountability, initiative and respect—guide how it makes decisions and provide the foundation for a strong culture of ethics where employees are responsible for upholding these values and following CenterPoint Energy's Ethics and Compliance Code.

The following table sets forth the number of employees by Registrant and reportable segment as of December 31, 2023:

Reportable Segment	Number of Employees			Number of Employees Represented by Collective Bargaining Groups		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
Electric	3,132	2,781	—	1,659	1,472	—
Natural Gas	3,705	—	3,393	1,695	—	1,639
Corporate and Other (1)	1,990	—	—	147	—	—
Total	8,827	2,781	3,393	3,501	1,472	1,639

(1) Employees in the Corporate and Other segment provide services to the Electric and Natural Gas segments and the costs of these services have been charged directly to the Electric and Natural Gas segments using assignment methods that management believes are reasonable. For further information, see Note 19 to the consolidated financial statements.

CenterPoint Energy's workforce includes 3,501 employees represented by collective bargaining agreements. For information about the status of collective bargaining agreements, see Note 8(j) to the consolidated financial statements.

Talent Attraction, Development and Retention. CenterPoint Energy's human capital priorities include attracting, retaining and developing high performing talent through its talent management activities. CenterPoint Energy endeavors to maintain a workforce reflective of the available workforce within the communities we serve by attracting quality candidates through its recruitment and selection processes, with the goal of creating a work environment in which every employee is engaged; aligned with CenterPoint Energy's strategy, goals and priorities; and understands how they contribute to its long-term performance. CenterPoint Energy recruits qualified employees regardless of race, gender, color, sexual orientation, age, religion, or physical or mental disability. The talent acquisition team has an increased focus with local partnerships to strategically impact all the local communities being served. This continues to include SERJobs, Houston Area Urban League, Work Texas, Wesley Community Center, Historically Black Colleges and Universities, Hispanic Serving Institutions, and a more robust college partnership in all six states in alignment with CenterPoint Energy Foundation initiatives.

CenterPoint Energy takes a strategic approach to attracting, retaining, and developing its workforce. CenterPoint Energy's strategy combines succession planning along with internal talent development as essential elements of overall workforce development strategy. To support its commitment to safely and reliably delivering electricity and natural gas, CenterPoint Energy focuses on the continuous development of its greatest assets, its employees, building a sustainable leadership pipeline. To meet the business's future needs, CenterPoint Energy's goal is to create great leaders capable of developing their employees, while supporting the business goals and maintaining a high-performing workforce. CenterPoint Energy has a number of tools for leadership and employee development that expand opportunities available to employees. CenterPoint Energy conducts regular talent discussions, including succession planning with all levels of leadership to provide business continuity and identify its future leaders and opportunities. CenterPoint Energy invests in employee development throughout the year to align performance to business needs, drive development planning and contribute to career progression. CenterPoint Energy's processes and progress are reviewed regularly for continuous improvement.

Diversity, Equity and Inclusion. CenterPoint Energy is dedicated to advancing an inclusive culture and work environment, free from discrimination of any kind, where business results are achieved through the skills, abilities and talents of a diverse workforce. In 2023, CenterPoint Energy's DE&I Council continued to focus on the strategic pillars of employee engagement, community and giving, supplier diversity and sustainability, talent acquisition, and customer focus. The DE&I Council has approved eight ERGs with a 123% increase in events that garnered an 87% increase in employee engagement from 2022 to 2023. The ERG events range from professional development podcasts to wellness learnings which are all aligned with CenterPoint Energy's objectives. These events are available to the employee population. In 2023, CenterPoint Energy and employees continued to be recognized locally, regionally and nationally for enterprise-wide inclusive initiatives. As of December 31, 2023, CenterPoint Energy's workforce was 42% racially and/or ethnically diverse. Certain members of

CenterPoint Energy's executive management team have a negative-only modifier related to diversity metrics that could reduce their short-term incentive compensation.

Compensation and Benefits. CenterPoint Energy is committed to providing its employees with competitive pay and benefits. Its compensation philosophy is to maintain employee total compensation that is competitive with the relevant markets, internally equitable, and based on company and individual performance. CenterPoint Energy expects that this will enable it to attract, motivate and retain employees with the skills and competencies necessary to achieve its business strategy. In addition to competitive compensation, CenterPoint Energy provides its employees with a robust, comprehensive benefits package designed to help employees stay healthy, care for their families, plan for the future and enjoy peace of mind. The benefits package includes medical, dental, vision, life, disability and accidental insurance coverage; retirement, company match savings plans; paid time off, family leave, well-being and employee assistance programs. The employee wellness resources encompass support for mental, financial and physical health.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS
(as of February 12, 2024)

Name	Age	Title
Jason P. Wells	46	President and Chief Executive Officer
Christopher A. Foster	45	Executive Vice President and Chief Financial Officer
Lynne Harkel-Rumford	67	Executive Vice President and Chief Human Resources Officer
Monica Karuturi	45	Executive Vice President and General Counsel
Jason M. Ryan	48	Executive Vice President, Regulatory Services and Government Affairs
Darin Carroll	47	Senior Vice President, Natural Gas Business
Lynnae Wilson	48	Senior Vice President, Electric Business

Jason P. Wells has served as President and Chief Executive Officer of CenterPoint Energy and a member of the Board of Directors of CenterPoint Energy since January 5, 2024. Previously he served as President and Chief Operating Officer of CenterPoint Energy from May 2023 to January 2024; as President, Chief Operating Officer and Chief Financial Officer of CenterPoint Energy from January 2023 to May 2023; and as Executive Vice President and Chief Financial Officer of CenterPoint Energy from September 2020 to December 2022. Prior to joining CenterPoint Energy, Mr. Wells served as Executive Vice President and Chief Financial Officer of PG&E Corporation, a publicly traded electric utility holding company serving customers in Northern and Central California through its subsidiary Pacific Gas and Electric Company, from June 2019 to September 2020. He previously served as Senior Vice President and Chief Financial Officer of PG&E Corporation from January 2016 to June 2019 and as Vice President, Business Finance of Pacific Gas and Electric Company from August 2013 to January 2016. PG&E Corporation filed Chapter 11 bankruptcy on January 29, 2019 and successfully emerged from bankruptcy on July 1, 2020. He also served in various finance and accounting roles of increasing responsibility at Pacific Gas and Electric Company. Mr. Wells earned his bachelor's degree and master's degree in accounting, both from the University of Florida. He is a certified public accountant. Mr. Wells serves on the Executive Committee and Board for the Greater Houston Partnership, Bauer College Board of the C.T. Bauer College of Business at the University of Houston, the Advisory Board of the Kinder Institute for Urban Research at Rice University, and the Boards of Central Houston, Inc. and M.D. Anderson Cancer Center.

Christopher A. Foster has served as Executive Vice President and Chief Financial Officer of CenterPoint Energy since May 2023. Previously, has served as Executive Vice President and Chief Financial Officer of PG&E Corporation, a publicly traded electric utility holding company serving customers in Northern and Central California through its subsidiary Pacific Gas and Electric Company, since March 2021. He previously served in various positions of increasing responsibilities at PG&E since 2011, including as Vice President and Interim Chief Financial Officer from September 2020 to March 2021, and Vice President, Treasury and Investor Relations from March 2020 to September 2020. PG&E Corporation filed Chapter 11 bankruptcy on January 29, 2019 and successfully emerged from bankruptcy on July 1, 2020. He earned his bachelor's degree from Michigan State University. Mr. Foster serves on the Board of Exploratorium, a San Francisco-based science and technology museum.

Lynne Harkel-Rumford has served as Executive Vice President and Chief Human Resources Officer of CenterPoint Energy since January 2022. With over 30 years of experience in compensation and benefits matters, Ms. Harkel-Rumford previously served as Senior Vice President and Chief Human Resources Officer from July 2020 to January 2022; Vice President, Total Rewards and Technology from September 2014 to July 2020; and as Associate General Counsel from April 2007 to September 2014. Ms. Harkel-Rumford currently serves on the advisory board of directors of Target Hunger in Houston assisting with Board governance.

Monica Karuturi has served as Executive Vice President and General Counsel of CenterPoint Energy since January 2022. She previously served as Senior Vice President and General Counsel from July 2020 to January 2022; Senior Vice President and Deputy General Counsel from April 2019 to July 2020; as Vice President and Associate General Counsel - Corporate and Securities from October 2015 to April 2019; and as Associate General Counsel - Corporate from September 2014 to October 2015. Prior to joining CenterPoint Energy, Ms. Karuturi served as counsel for LyondellBasell Industries for corporate and finance matters and strategic transactions. Ms. Karuturi was appointed as a Commissioner of the Texas Access to Justice Commission by the Texas Supreme Court in June 2015 and served in this capacity until June 2021. She currently serves as Chair of the Houston Bar Foundation.

Jason M. Ryan has served as Executive Vice President, Regulatory Services and Government Affairs of CenterPoint Energy since January 2022. He previously served as Senior Vice President, Regulatory Services and Government Affairs from July 2020 to January 2022; Senior Vice President and General Counsel from April 2019 to July 2020; as Senior Vice President, Regulatory and Government Affairs from February 2019 to April 2019; as Vice President of Regulatory and Government Affairs and Associate General Counsel from March 2017 to February 2019; and as Vice President and Associate General Counsel from September 2014 to March 2017. He was appointed to the Texas Diabetes Council by Texas Governor Perry in 2013 for a term ending in 2019; he was reappointed by Texas Governor Abbott in 2019 for a term ending in 2025. Mr. Ryan currently serves on the boards of the Lone Star Flight Museum and the Association of Electric Companies of Texas and on the advisory board of the Strategic AI Program at Houston Christian University. He also serves on the executive committee of the legal committee of the American Gas Association.

Darin Carroll has served as Senior Vice President, Natural Gas Business of CenterPoint Energy since January 2023. He previously served as Senior Vice President, Operations Support from January 2022 to January 2023 and as Vice President, Operations Support from February 2019 to January 2022. Prior to Vectren's acquisition by CenterPoint Energy, Mr. Carroll served as Director, Operations from February 2014 to February 2019 of Vectren. Mr. Carroll currently serves on the Executive Committee and Board of Directors of the Junior Achievement of Southeast Texas, and the Boards of Directors of the American Gas Association and Southern Gas Association. He has also previously been on the Board of Directors of Guardianship Services of Southwestern Indiana and a member of the Indiana Energy Association Gas Operations Committee, Midwest Energy Association Electric Operations Steering Committee, and American Gas Association Field Operations Committee. He earned a bachelor's degree from the University of Southern Indiana in Evansville, Indiana.

Lynnae Wilson has served as Senior Vice President, Electric Business of CenterPoint Energy since January 2023. She previously served as Senior Vice President, Houston Electric from January 2022 to January 2023; as Senior Vice President, High Voltage Operations from August 2020 to January 2022; and as Chief Business Officer, Indiana Electric, from February 2019 to August 2020. Prior to Vectren's acquisition by CenterPoint Energy, Ms. Wilson served as Vice President, Energy Delivery from June 2016 to February 2019 of Vectren. Ms. Wilson currently serves on the Board of the United Way of Greater Houston and previously served on the Board of ReliabilityFirst Corporation from January 2018 to December 2021.

Item 1A. Risk Factors

CenterPoint Energy is a holding company that conducts all of its business operations through subsidiaries, primarily Houston Electric, CERC and SIGECO. The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this combined report on Form 10-K, summarizes the principal risk factors associated with the holding company and the businesses conducted by its subsidiaries. However, additional risks and uncertainties either not presently known or not currently believed by management to be material may also adversely affect CenterPoint Energy's businesses. For other factors that may cause actual results to differ from those indicated in any forward-looking statement or projection contained in this combined report on Form 10-K, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in Item 7, which should be read in conjunction with the risk factors contained in this Item 1A. Carefully consider each of the risks described below, including those relating to Houston Electric and CERC, which, along with CenterPoint Energy, are collectively referred to as the Registrants. Unless the context indicates otherwise, where appropriate, information relating to a specific registrant has been segregated and labeled as such and specific references to Houston Electric and CERC in this section also pertain to CenterPoint Energy. In this combined report on Form 10-K, the terms "our," "we" and "us" are used as abbreviated references to CenterPoint Energy, Inc. together with its subsidiaries.

Risk Factors Affecting Operations

Electric Generation, Transmission and Distribution (CenterPoint Energy and Houston Electric)

Disruptions at power generation facilities, generation inadequacy or directives issued by regulatory authorities could cause interruptions in Houston Electric's and Indiana Electric's ability to provide transmission and distribution services and adversely affect their reputation, financial condition, results of operations and cash flows.

Houston Electric owns the transmission and distribution infrastructure in its service territory that delivers electric power to its customers, but it does not own or operate any power generation facilities, except for its operation of TEEEF. Indiana Electric owns and operates power generation facilities in addition to the transmission and distribution infrastructure in its service territory. Both Houston Electric and Indiana Electric must follow the directives issued by their respective independent system operator, ERCOT and MISO, respectively. ERCOT and MISO have and may in the future issue directives requiring members to implement controlled outages as a result of an emergency or reliability issues, and Houston Electric has faced and may in the future face challenges to their planning and preparation for such directives and their implementation of Load Shed, including, for example, allegations that they had discretion as to how to shed load and which customers experienced outages and the duration of those outages. As a result, claims and lawsuits could be filed against Houston Electric and Indiana Electric for personal injury, property damage or other damage or loss as a result of their respective Load Shed planning, preparation, implementation, and decisions in order to meet the directives of ERCOT and MISO, respectively. For example, in February 2021, the ERCOT regulated Texas electric system experienced extreme winter weather conditions and an unprecedented power generation shortage. The amount of electricity generated by the state's power generation companies was insufficient to meet the amount demanded by customers. This resulted in ERCOT directing TDUs to significantly Load Shed, which caused customer outages across the ERCOT electric grid of Texas, including in Houston Electric's service territory. See Note 7 to the consolidated financial statements and "— Houston Electric's use of TEEEF ..." for further information. If power generation capacity is severely disrupted or is inadequate for any reason in the future, Houston Electric's or Indiana Electric's transmission and distribution services may be diminished or interrupted. Further, as with the lawsuits filed in the aftermath of the February 2021 Winter Storm Event, claims and lawsuits could be filed against the Registrants, and our reputation, financial condition, results of operations and cash flows could be adversely affected.

Additionally, Indiana Electric's generating facilities and the generating facilities that supply the power transmitted by Houston Electric and Indiana Electric are subject to operational risks that have and may in the future result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased purchase power costs. For example, in June 2022, Culley 3, a coal-fired generation unit, experienced a boiler feed pump turbine failure that caused the unit to be out of service for nearly nine months. In this time frame, CenterPoint Energy purchased energy on the open market and those purchases are currently being challenged at the IURC by multiple intervenors. Such open market purchases have and may again result in increased costs and have an adverse impact on our operations, financial condition, results of operations and cash flows. Further, Indiana Electric is party to a number of PPAs with third parties. Indiana Electric's power generation may be disrupted or otherwise insufficient if third parties do not deliver required power under our PPAs. These operational risks can arise from circumstances such as facility shutdowns or malfunctions due to equipment failure or operator error; aging infrastructure; interruption of fuel supply or increased prices of fuel as contracts expire and inflation rises; disruptions in the delivery of electricity; inability to comply with regulatory or permit requirements; labor disputes; or natural disasters, all of which could adversely affect Indiana Electric's and Houston Electric's businesses. Further, Indiana Electric currently relies on coal for the majority of its generation capacity. Indiana Electric purchases the majority of its coal supply from a single, unrelated party and, although the coal supply is under long-term contract, the loss of this supplier or transportation interruptions could adversely affect its ability to deliver electricity to its customers and adversely impact Indiana Electric's financial condition, results of operations and cash flows. In 2021 and part of 2022, Indiana Electric experienced coal supply shortages due to labor shortages that the coal industry experienced. While the coal supply shortage that Indiana Electric experienced did not impact its ability to deliver electricity to its customers, labor shortages as well as supply shortages in the future, whether caused by insufficient supply or supplier bankruptcy or other regulatory and supply issues in the mining industry, may lead to increased cost and have an adverse impact on our operations, financial condition, results of operations and cash flows. See "— Disruptions to the global supply..." As Indiana Electric continues its generation transition and more renewable energy sources come online, Indiana Electric's generating facilities may experience unanticipated disruptions as a result of renewable supply shortages, including, but not limited to, due to cloudy or windless days. Additionally, such disruptions could adversely affect its ability to deliver electricity to its customers and adversely impact Indiana Electric's financial condition, results of operations and cash flows.

The operations of Houston Electric and Indiana Electric are subject to the usual hazards associated with high-voltage electricity transmission, including inclement weather, natural disasters, mechanical failure, contact with electrified facilities by people, equipment, and debris, unscheduled downtime, equipment interruptions, contamination, remediation, explosions, fires,

chemical spills, discharges or releases of toxic or hazardous substances, and other environmental risks. Such hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage, and may result in suspension of operations, disruption of service to customers, and the imposition of civil or criminal penalties. Houston Electric and Indiana Electric maintain property and casualty insurance but are not fully insured against all potential hazards incident to their businesses.

Houston Electric's receivables are primarily concentrated in a small number of REPs, and any delay or default in payments of these receivables could adversely affect Houston Electric's financial condition, results of operations and cash flows.

Houston Electric's receivables from the distribution of electricity are collected from REPs that supply the electricity. As of December 31, 2023, Houston Electric provided electric delivery service to approximately 65 REPs. Adverse economic conditions, including, but not limited to, the impact of COVID-19, the February 2021 Winter Storm Event or other extreme weather (which may result in abnormal power prices), structural problems in the market served by ERCOT, mismanagement by the REPs, inflation or financial difficulties of one or more REPs, have and may in the future impair the ability of these REPs to pay for Houston Electric's services or cause them to delay such payments. Houston Electric depends on these REPs to remit payments on a timely basis. Applicable PUCT regulations significantly limit the extent to which Houston Electric can apply normal commercial terms to otherwise seek credit protection from firms desiring to provide retail electric service in its service territory, and Houston Electric thus remains at risk for payments relating to services provided prior to any shift to another REP or provider of last resort. Houston Electric's PUCT-approved tariff outlines the remedies available to Houston Electric in the event that a REP defaults on amounts owed. Among the remedies available to Houston Electric are seeking recourse against any cash deposit, letter of credit, or surety bond provided by the REP or implementing mutually agreeable terms with the REP. Another remedy is to require that customers be shifted to another REP or a provider of last resort. Houston Electric thus incurs risk for payments related to services provided prior to the shift to another REP or the provider of last resort. A significant portion of Houston Electric's billed receivables from REPs are from affiliates of NRG and Vistra Energy Corp. Houston Electric's aggregate billed receivables balance from REPs as of December 31, 2023 was \$253 million. Approximately 39% and 20% of this amount was owed by affiliates of NRG and Vistra Energy Corp., respectively. Any delay or default in payment by REPs could adversely affect Houston Electric's financial condition, results of operations and cash flows. If a REP was unable to meet its obligations, it could consider, among various options, restructuring under the bankruptcy laws, in which event such REP might seek to avoid honoring its obligations, and claims might be made regarding prior payments Houston Electric had received from such REP. For example, following the February 2021 Winter Storm Event, multiple REPs filed for bankruptcy. We are currently capturing the amounts owed by these REPs as a permitted regulatory asset for bad debt expenses, which will be subject to a reasonableness review by the PUCT when we seek recovery in our next base rate case. As of both December 31, 2022 and 2021, as authorized by the PUCT, CenterPoint Energy and Houston Electric recorded a regulatory asset of \$8 million for bad debt expenses resulting from REPs' default on their obligation to pay delivery charges to Houston Electric net of collateral. There is no guarantee that we will be able to recover any or all of the regulatory asset in our next base rate case. See " — Rate regulation of Registrants' Electric ..."

Indiana Electric's execution of its generation transition plan, including its IRP, is subject to various risks, including timely recovery of capital investments and increased costs and risks related to the timing and cost of development and/or construction of new generation facilities.

Indiana requires each electric utility to perform and submit an IRP to the IURC every three years, unless extended, that uses economic modeling to consider the costs and risks associated with available resource options to provide reliable electric service for the next 20-year period. Indiana Electric has used past IRPs and will continue to use future IRPs to evaluate its mix of generation resources. Indiana Electric engages with the communities it serves, its regulators and third-parties in developing its generation transition plan. Recent IRPs have demonstrated Indiana Electric can most cost effectively serve its customers by transitioning its generation fleet to a wider mix of resources, including renewables. For example, Indiana Electric's 2019/2020 IRP identified a preferred portfolio that retires 730 MW of coal-fired generation facilities and replaces these resources with a mix of generating resources composed primarily of renewables, including solar, wind, and solar with storage, supported by dispatchable natural gas combustion turbines including a pipeline to serve such natural gas generation. Indiana Electric is continuing its plan to transition generation resources away from coal-fired generation to a more sustainable portfolio of resources, including renewables, and ultimately a goal to exit the coal plants that Indiana Electric operates by the end of 2027, as reflected in its most recent IRP submitted to the IURC in May 2023. While the IURC does not approve or reject Indiana Electric's IRP, the IURC does comment on the IRP. Indiana Electric is required to obtain a CPCN prior to constructing or acquiring generating resources. Indiana Electric also obtains IURC approval of PPAs and DSM plans to ensure cost recovery.

Indiana Electric must manage several risks associated with its generation transition plan. The IURC may delay providing comments on Indiana Electric's most recent IRP, requiring Indiana Electric to either wait for comments or proceed to

implement its IRP without IURC comments. The IURC comments may raise concerns with Indiana Electric's IRP that make it difficult to obtain approval of the generation transition plan if not addressed. There is no guarantee that the IURC will approve Indiana Electric's requests to implement part of its generation transition. If Indiana Electric fails to receive IURC approvals necessary to acquire the projects or resources identified in its IRP, Indiana Electric may not be able to implement its generation transition plan in a timely manner or at all. If Indiana Electric is unable to implement its generation transition plan, it may have an adverse effect on CenterPoint Energy's ability to execute on its net zero and carbon emission goals, its goal to exit the coal plants that Indiana Electric operates by the end of 2027, its growth strategy, achieve its financial goals, and otherwise impact results of operations and cash flows.

Even if a generation project is approved, risks associated with the development or construction of any new generation exist, including new legislation restricting or delaying new generation, moratorium legislation, the ability to procure resources needed to build at a reasonable cost, scarcity of resources and labor, ability to appropriately estimate costs of new generation, the effects of potential construction delays, project scope changes, and cost overruns and the ability to meet capacity requirements. For example, the developers of a 130 MW Pike County Solar project have informed Indiana Electric that, due to delays in the MISO interconnection queue and inflationary pressures, costs have exceeded the agreed upon levels in the BTA. We and the developers are actively evaluating possible cost impacts to the project, which may lead to a refile for approval of the project with the IURC and further delay the completion of the project. If Indiana Electric is not able to reach a mutually acceptable solution with the developers of the Pike County Solar project, Indiana Electric may seek to terminate the project. For additional information, see "— Disruptions to the global supply..." Furthermore, we have begun to acquire and/or develop additional solar and wind facilities as part of our capital plan. However, we have not yet entered into definitive agreements with developers for the acquisition and/or development of all of the additional projects, and we face significant competition with other bidders for a limited number of such generation facilities that developers plan to construct and for solar panels. For additional information, see "— Increases in the cost or reduction in supply ..." The number of available projects is further limited by the MISO interconnection queue due to potential interconnection costs that may render projects infeasible. As a result, suitable generation facility project candidates or resources necessary to construct such projects may not be available on terms and conditions we find acceptable, or the expected benefits of a completed facility may not be realized fully or at all, or may not be realized in the anticipated timeframe. If Indiana Electric was unable to meet its generation needs as a result of project delays or cancellations it would be required to buy the necessary capacity and electricity on the open market. Such open market purchases may result in increased costs and may have an adverse impact on our operations, financial condition, results of operations and cash flows. If we are unable to complete or acquire such generation facilities or resources, or if they do not perform as anticipated, our future growth, financial condition, results of operations and cash flows may be adversely affected.

Increases in the cost or reduction in supply of solar energy system components due to tariffs or trade restrictions imposed by the U.S. government may have an adverse effect on our business, financial condition and results of operations.

China is a major producer of solar panels and other solar products. Certain solar cells, modules, laminates and panels from China are subject to various antidumping and countervailing duty rates, depending on the exporter supplying the product, imposed by the U.S. government as a result of determinations the United States was materially injured as a result of such imports being sold at less than fair value and subsidized by the Chinese government. In March 2022, the DOC announced it would initiate an investigation into whether imports of solar cells and panels produced in Cambodia, Malaysia, Thailand and Vietnam are circumventing U.S. rules and laws, such as antidumping and countervailing duty rates, which impose a tariff on imports of solar cells and panels manufactured in China. On August 18, 2023, the DOC announced its final determination that five of the eight companies investigated were attempting to bypass U.S. duties by doing minor processing in Southeast Asian countries before shipment to the United States. In addition, in December 2021, President Biden signed into law the Uyghur Forced Labor Prevention Act, which bans goods from China's Xinjiang region due to the use of forced labor. Continuing tensions between the United States and China may lead to restrictions in trade between the two countries or new legislation, tariffs or bans, any of which could further negatively impact the supply of solar panels. These or similar duties and legislation have and may in the future also put upward pressure on prices of these solar energy products, which may reduce our ability to acquire these items in a timely and cost-efficient manner. If we or the developers we are working with are unable to secure such solar energy products in a timely and cost-efficient manner, we may be forced to delay, downsize and/or cancel solar projects and we may not be able to procure the resources needed to fully execute on our ten-year capital plan or achieve our net zero emissions goals. We have experienced project delays due to developers of our projects being unable to acquire solar panels due to supply chain constraints. Additionally, delays or cancellations by developers of third-party solar power facilities expected to interconnect with CenterPoint Energy's and Houston Electric's system may have adverse impacts, such as delayed or reduced potential future revenues. We cannot predict what additional actions the U.S. government may adopt with respect to tariffs or other trade regulations in the future or what actions may be taken by other countries in retaliation for such measures. If the DOC imposes tariffs on solar panels as a result of its findings or other additional measures are imposed, our business, financial condition and results of operations may be adversely affected.

The occurrence of extreme weather events, including winter storms and record hot temperatures, or other causes could lead to additional reforms to the Texas electric market, some measure of which, if implemented, could have an adverse impact on Houston Electric.

During and in the aftermath of the February 2021 Winter Storm Event, the Texas legislature revised applicable statutes and granted the PUCT and ERCOT additional regulatory authority, both oversight and enforcement, that focuses on ensuring ERCOT market participants, including power generation facilities and TDUs (like Houston Electric), have adopted sufficient winterization standards and protection. Houston Electric believes it is in compliance with the requirements applicable to it. If any additional protections are required in the future as a result of additional extreme weather events or other causes, complying with these new protections may increase the cost of electricity, which could adversely affect Houston Electric's results of operations. Any potential decreases in customer usage due to higher electricity prices charged by RFPs may not result in increased base rates charged by Houston Electric for its services until its next general base rate proceeding. For further information on Houston Electric's regulatory proceedings, see "— Rate regulation of Registrants' Electric..."

In addition, the PUCT and ERCOT continue to review the appropriate reliability standard and market design for the Texas electric market. There are uncertainties whether any further changes will result from these discussions or other efforts. If there are changes to how the Texas electric market is structured or regulated, such changes could have an adverse impact on Houston Electric's business, financial condition and results of operations. See Note 7 to the consolidated financial statements for further information.

Houston Electric's use of TEEEF is subject to various risks, including failure to obtain and deploy sufficient TEEEF resources, potential performance issues and allegations about Houston Electric's deployment of the resources (including the planning, execution, and effectiveness of the same), regulatory and environmental requirements, and timely recovery of capital.

Following the February 2021 Winter Storm Event, the Texas legislature passed a law, effective September 1, 2021, that allows TDUs, such as Houston Electric, to lease and temporarily operate back-up generation resources during widespread power outages where ERCOT has ordered a TDU to Load Shed or the TDU's distribution facilities are not being fully served by the bulk power system under normal operations. In response to this legislation, Houston Electric entered into two leases for TEEEF (mobile generation). In 2023, the Texas legislature amended the law to allow wider use of TEEEF.

If Houston Electric is unable to deploy a sufficient number of TEEEF resources in time to respond to a particular event; if TEEEF resources fail to perform as intended; if Houston Electric is otherwise unable to provide back-up generation resources and restore power as intended; or if the use of TEEEF resources or their failure to perform causes or is alleged to cause any personal injury, property damage, or other damage or loss due to allegations Houston Electric failed to deploy such units reasonably or effectively and failed to respond to particular power outages, Houston Electric could be subject to claims, demands, litigation, liability, regulatory scrutiny, and loss of reputation. While Houston Electric has insurance coverage and indemnity rights for its use of TEEEF resources, if its insurers or indemnitors fail to meet their indemnity obligations, Houston Electric could be liable for personal injury, property damage, or other damage or loss. As noted above, the legislation prescribes specific and limited use for TEEEF, and Houston Electric's TEEEF have limited generation capacity, such that in future events customers could still be without power despite deployment of TEEEF resources.

Further, TEEEF resources are subject to various environmental regulations and permitting requirements, which could have an impact on Houston Electric's ability to use these units. If Houston Electric is not in compliance with any environmental regulation or permitting requirement, Houston Electric could be subject to further potential liability. The use of TEEEF is also subject to various requirements, and failure to comply with them could subject Houston Electric to additional liability as well as challenges to its use of TEEEF in general. In April 2023, the PUCT approved revenue recovery of \$39 million of TEEEF costs incurred in 2021, and in October 2023, an agreement with intervenors was reached with respect to Houston Electric's second TEEEF filing for revenue recovery of \$153 million (\$114 million incremental to the prior filing) of TEEEF costs incurred through December 31, 2022, and the agreement was approved by PUCT in February 2024. Despite the recovery of these TEEEF costs in the past, there can be no assurances that Houston Electric will be able to recover future TEEEF costs. If Houston Electric is unable to recover any or all of its TEEEF costs our financial condition, results of operations and cash flows may be adversely affected. For further information, see "— Rate regulation of Registrants' Electric...", "— Our insurance coverage may not..." and "— We are subject to operational..."

The impact of wildfires could negatively affect Houston Electric's and Indiana Electric's financial condition, results of operations and cash flows.

Wildfires have the potential to negatively affect communities within Houston Electric's and Indiana Electric's service territories and the surrounding areas, as well as Houston Electric's and Indiana Electric's vast network of electric transmission and distribution lines and facilities. The possibility of wildfires and the risk of damage to our network and facilities resulting therefrom may be exacerbated by severe weather events and the effects of climate change. For more information regarding climate related risks, see " — Climate change could adversely impact ..." The continued expansion of the wildland-urban interface has also increased wildfire risk to communities in our service territories. While we proactively take steps to mitigate wildfire risk in the areas of our electrical assets, wildfire risk is always present. Houston Electric or Indiana Electric could be held liable for damages incurred as a result of wildfires or incur reputational harm if it was determined that they were caused by or enhanced due to any fault of Houston Electric or Indiana Electric. Wildfires could also lead to significant financial distress and further increased costs for wildfire insurance or lack of availability thereof. Furthermore, any damage caused to our assets, loss of service to our customers, or liability imposed as a result of wildfires could negatively impact Houston Electric's or Indiana Electric's financial condition, results of operations, and cash flows.

Natural Gas (CenterPoint Energy and CERC)

Access to natural gas supplies and pipeline transmission and storage capacity are essential components of reliable service for Natural Gas' customers

Natural Gas depends on third-party service providers to maintain an adequate supply of natural gas and for available storage and intrastate and interstate pipeline capacity to satisfy its customers' needs, all of which are critical to system reliability. Substantially all of Natural Gas' natural gas supply is purchased on intrastate and interstate pipelines. If Natural Gas is unable to secure an independent natural gas supply of its own or if third-party service providers fail to timely deliver natural gas to meet Natural Gas' requirements, the resulting decrease in natural gas supply in Natural Gas' service territories could have an adverse effect on its financial condition, results of operations and cash flows. Additionally, a significant disruption, whether through reduced intrastate and interstate pipeline transmission or storage capacity or other events affecting natural gas supply, including, but not limited to, operational failures, hurricanes, tornadoes, floods, severe winter weather conditions, wildfires, acts of terrorism, human error or cyberattacks or changes in legislative or regulatory requirements, could also adversely affect Natural Gas' businesses. Further, to the extent that Natural Gas' natural gas requirements cannot be met through access to or continued use of existing natural gas infrastructure or if additional infrastructure, including onshore and offshore exploration and production facilities, gathering and processing systems and pipeline and storage capacity is not constructed at a rate that satisfies demand, then Natural Gas' operations could be negatively affected.

Natural Gas is subject to fluctuations in natural gas prices, which could affect the ability of its suppliers and customers to meet their obligations or may impact its operations, which could adversely affect CERC's financial condition, results of operations and cash flows.

Natural Gas is subject to risk associated with changes in the price of natural gas. Significant increases in natural gas prices, such as those experienced during the February 2021 Winter Storm Event, might affect Natural Gas' ability to collect balances due from customers and could create the potential for uncollectible accounts expense to exceed the recoverable levels built into tariff rates. In addition, a sustained period of high natural gas prices could (i) decrease demand for natural gas in the areas in which Natural Gas operates, thereby resulting in decreased sales and revenues and (ii) increase the risk that Natural Gas' suppliers or customers fail or are unable to meet their obligations. An increase in natural gas prices would also increase working capital requirements by increasing the investment that must be made to maintain natural gas inventory levels.

Natural Gas must compete with alternate energy sources, which could result in less natural gas delivered and have an adverse impact on CenterPoint Energy's and CERC's financial condition, results of operations and cash flows.

Natural Gas competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and natural gas marketers also compete directly with Natural Gas for natural gas sales to end users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass Natural Gas' facilities and market, sell and/or transport natural gas directly to commercial and industrial customers. Any reduction in the amount of natural gas delivered by Natural Gas as a result of competition with alternate energy sources may have an adverse impact on CenterPoint Energy and CERC's financial condition, results of operations and cash flows.

Risk Factors Affecting Regulatory, Environmental and Legal Risks

Rate regulation of Registrants' Electric and Natural Gas businesses may delay or deny their ability to earn an expected return and fully and timely recover their costs.

The Registrants' Electric and Natural Gas businesses are regulated by certain municipalities and state commissions. Their rates are set in comprehensive base rate proceedings (i.e., general rate cases) based on an analysis of their invested capital, their expenses and other factors in a designated test year (often either fully or partially historic), subject to periodic review and adjustments. Each of these rate proceedings is subject to third-party intervention and appeal, and the timing of a general base rate proceeding may be out of the Registrants' control. Indiana Electric and CERC each filed rate cases during 2023. Houston Electric and CERC, with respect to its Ohio gas territory, each plan to file a rate case during 2024. The Registrants can make no assurance that their or their subsidiaries respective base rate proceedings will result in requested or favorable adjustments to their rates, in full and timely cost recovery or approval of other requested items, including, among other things, capital structure and ROE. Moreover, these base rate proceedings have caused in certain instances, and in the future could cause, the Registrants' Electric and/or Natural Gas businesses to recover their investments below their requested levels, below the national average return for utilities or below recently approved return levels for other utilities in their respective jurisdictions. For instance, in the 2019 Houston Electric general rate case, Houston Electric filed a base rate case seeking approval for revenue increases of approximately \$194 million and a 10.4% ROE, but after entering into a Stipulation and Settlement Agreement filed with the PUCT, Houston Electric received an overall revenue requirement increase of approximately \$13 million and a 9.4% ROE. To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. Further, the Registrants or their subsidiaries might be required to implement additional measures, such as the adoption of ring-fencing measures by Houston Electric in connection with its 2019 rate case proceeding. Such additional measures may adversely impact the Registrants' businesses and could have an adverse effect on their financial condition, results of operations and cash flows.

The rates that Registrants' Electric and Natural Gas businesses are allowed to charge may not match their costs at any given time, a situation referred to as "regulatory lag." Regulatory lag has been and may be exaggerated in the future under certain circumstances, such as increasing inflation rates like those experienced in 2022 and continuing into 2023. For example, the MPUC ordered extraordinary gas costs incurred in the February 2021 Winter Storm Event be recovered over a 63-month period from 2022 — 2027 and CERC forego recovery of the associated carrying costs. Though several interim rate adjustment mechanisms have been approved by jurisdictional regulatory authorities and implemented by the Registrants and their subsidiaries to reduce the effects of regulatory lag (for example, CSIA, DCRF, DRR, DSMA, GRIP, RCRA, RRA, RSP, TCOS and TDSIC), such adjustment mechanisms are subject to the applicable regulatory body's approval, which we cannot assure would be approved, and are subject to certain limitations that may reduce or otherwise impede the Registrants' or their subsidiaries ability to adjust its rates or result in rates below those requested. Therefore, the Registrants can make no assurance filings for such mechanisms will result in favorable adjustments to rates or in full cost recovery. Further, from time to time, the Registrants' regulators approve the issuance of securitization bonds in order to recover certain costs, including costs incurred as a result of severe weather or to recover stranded asset costs. The issuance of these securitization bonds may be delayed. If the issuance of securitization bonds is delayed, we may not be able to recover our costs in a timely manner, which could have an adverse effect on CenterPoint Energy's, CERC's, and Houston Electric's financial condition, results of operations and cash flows.

Inherent in the regulatory process is some level of risk jurisdictional regulatory authorities may challenge the reasonableness or prudence of operating expenses incurred or capital investments made by the Registrants or their subsidiaries and deny the full recovery of their cost of service in rates. From time to time, these reviews and investigations have caused in certain instances, and in the future could cause, the Registrants' to recover their costs or investments below their requested levels. For example, in October 2022, the MPUC issued a written order disallowing recovery of approximately \$36 million of the \$409 million originally requested by CERC in connection with its recovery of costs incurred as a result of the February 2021 Winter Storm Event. Notwithstanding the application of such rate adjustment mechanisms, the regulatory process by which rates are determined is subject to change as a result of legislative processes or rulemakings, as the case may be, and may not always be available or result in rates that will produce recovery of the Registrants' or their subsidiaries' costs or enable them to earn their authorized return. Changes to the rate case or interim adjustment mechanisms could result in an increase in regulatory lag or otherwise impact the Registrants' ability to recover their costs in a timely manner. Additionally, decisions from regulators are typically subject to appeal, and any such appeal could further exacerbate regulatory lag and lead to additional uncertainty associated with rate case proceedings. To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. For further information on rate case proceedings and interim rate adjustment mechanisms, see

"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report.

We face risks related to project siting, financing, construction, permitting, governmental approvals, public opposition, and the negotiation of project development agreements that may impede our development and operating activities.

Houston Electric, Indiana Electric and CERC own, develop, construct, manage and operate electric generation, transmission and distribution facilities or natural gas distribution facilities, as applicable. A key component of our growth is our ability to construct and operate these facilities. As part of these operations, we must periodically apply for licenses and permits from various local, state, federal and other regulatory authorities and abide by their respective conditions. We have previously experienced delays in receiving approval with regards to certain permits and licenses, and have had investigations and enforcement actions with regards to certain of our projects, which have caused delays to our projects in the past. Should we in the future be unsuccessful in obtaining necessary licenses or permits on acceptable terms or resolving third-party challenges to such licenses or permits, should there be a delay in obtaining or renewing necessary licenses or permits, or should regulatory authorities initiate any associated investigations or enforcement actions or impose related penalties or disallowances, our future net income and cash flows could be reduced and our financial condition could be impacted. Any failure to negotiate successful project development agreements for new facilities with third parties could also have adverse effects. Additionally, our projects have faced and may in the future face opposition from individuals, community organizations, environmental and other activist groups, and other public-interest entities.

We are subject to operational and financial risks and liabilities arising from environmental laws and regulations, including regulation of CCR, climate change legislation and certain local initiatives that seek to limit fossil fuel usage.

Our operations are subject to stringent and complex laws and regulations pertaining to the environment. As an owner or operator of natural gas pipelines, distribution systems and storage, electric generating facilities and electric transmission and distribution systems, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, including among others, restricting the use of fossil fuels through future climate legislation or regulation, restricting the use of natural gas-fired appliances in new homes, limiting airborne emissions from generating facilities, restricting the way we manage wastes, including wastewater discharges, air emissions and CCR removal, and requiring remedial action or monitoring to mitigate environmental actions caused by our operations or attributable to former operations. We may need to spend substantial amounts and devote other resources from time to time to comply with these requirements. Further, in the course of operations we have released, and may in the future inadvertently release, various contaminants. Any such releases could have a significant impact on the environment and result in significant fines. Failure to comply with applicable environmental laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, which we have been subject to from time to time, revocation of permits, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict joint and several liability for costs required to clean, restore and monitor sites where hazardous substances have been stored, disposed or released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Regulatory agencies have also adopted, and from time to time consider adopting, new legislation and/or modifying existing laws and regulations to reduce GHGs. There continues to be a wide-ranging policy and regulatory debate, both nationally and internationally, regarding the possible means for their regulation. The trend in environmental regulation has been to place more restrictions and limitations on activities that may impact the environment. On April 22, 2021, President Biden announced new goals of 50% reduction of economy-wide GHG emissions and 100% carbon-free electricity by 2035, which formed the basis of the United States' commitments announced in Glasgow, Scotland. These renewed climate commitments coming out of the 2021 United Nations Climate Change Conference held in Glasgow and President Biden's executive orders have resulted in the development of additional regulations and changes to existing regulations. For example, in May 2023, the EPA proposed regulations setting new GHG emission reduction targets for coal and gas-fired electric generating units that could potentially require additional operating costs or operating restrictions related to operation of Indiana Electric's natural-gas fired units. The administration is expected to finalize additional GHG regulations and mandated financial, emissions and other disclosures. As a distributor and transporter of natural gas and electricity, and a generator of electricity in Indiana, the Registrants' revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or that would have the effect of reducing the consumption of natural gas or electricity or prevent the use of certain fuel types. Also, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be greater than the amounts we currently anticipate, which could adversely affect our financial condition, results of operations and

cash flows. Likewise, incentives to conserve energy or use energy sources other than natural gas could result in a decrease in demand for our services. For further discussion, see “Business —Environmental Matters” in Item 1 and “ —Natural Gas must compete with...

Evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels may have substantial impacts on CenterPoint Energy's and CERC's electric generation and natural gas businesses. For example, because Indiana Electric's current generating units substantially rely on coal for their operations, certain financial institutions may choose not to participate in CenterPoint Energy's financing arrangements until future coal generation closures satisfy their thresholds for investments. Further, some investors choose to not invest in CenterPoint Energy due to CenterPoint Energy's and CERC's use of fossil fuels. Also, certain cities in CenterPoint Energy's and CERC's Natural Gas operational footprint have discussed the adoption of initiatives to prohibit the construction of new natural gas facilities that would provide service and focus on electrification. For example, Minneapolis has adopted carbon emission reduction goals in an effort to decrease reliance on fossil natural gas. Certain state and local governments have also passed, or are considering, legislation banning the use of natural gas-fired appliances in new homes, which could affect consumer use of natural gas. Should such bans be enacted within Natural Gas' operational footprint, they could adversely affect consumer demand for natural gas. Any such initiatives and legislation could adversely affect CenterPoint Energy's and CERC's results of operations. Further, investors, lenders, regulators and other stakeholders are focusing on issues related to environmental justice, which may result in increased scrutiny of our applicable regulatory processes and additional costs of compliance or may adversely affect our reputation. This focus on environmental justice matters at the federal and state levels may also provide communities opposed to our operations with greater opportunities to challenge or delay our projects. Opposition to our projects or successful challenges or appeals to permits issued for our projects could result in cancellation of such projects and the loss of investments we have made with respect thereto.

CenterPoint Energy is subject to operational and financial risks and liabilities associated with the implementation of and efforts to achieve its carbon emissions reduction goals.

In September 2021, CenterPoint Energy announced its net zero emission goals for Scope 1 and certain Scope 2 emissions by 2035 and a 20-30% reduction in certain Scope 3 emissions by 2035 as compared to 2021 levels. CenterPoint Energy's analysis and plan for execution requires it to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of CenterPoint Energy's underlying assumptions prove incorrect, its actual results and ability to achieve net zero emissions by 2035 could differ materially from its expectations. Certain of the assumptions that could impact CenterPoint Energy's ability to meet its net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with expectations; regulatory approvals related to Indiana Electric's generation transition plan; customer demand for carbon free energy; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; CenterPoint Energy's ability to implement its modernization plans for its pipelines and facilities; the ability to complete and timely implement generation alternatives, such as solar and wind generation, to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of or scarcity of resources and labor, any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; changes in applicable standards or methodologies; and enhancement of energy efficiencies. Our businesses may face increased scrutiny from investors and other stakeholders related to our sustainability activities, including the goals, targets, and objectives we announce, our methodologies and timelines for pursuing them, and related disclosures. If our sustainability practices do not align with investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected. Similarly, our failure or perceived failure to pursue or fulfill our sustainability-focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or at all, could adversely affect our business or reputation, as well as expose us to government enforcement actions and private litigation.

Developing and implementing plans for compliance with voluntary climate commitments can lead to additional capital, personnel and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. To the extent that we believe any of these costs are recoverable in rates, cost recovery could be resisted by our regulators and our regulators might attempt to deny or defer timely recovery of these costs. Moreover, we cannot predict

the ultimate impact of achieving our emissions reduction goals, or the various implementation aspects, on our system reliability or our financial condition and results of operations.

Houston Electric and Indiana Electric, as a member of ERCOT and MISO, respectively, could be subject to higher costs for system improvements, as well as fines or other sanctions as a result of FERC mandatory reliability standards.

Houston Electric and Indiana Electric are members of ERCOT and MISO, respectively, which serve the electric transmission needs of their applicable regions. As a result of their respective participation in ERCOT and MISO, Houston Electric and Indiana Electric do not have operational control over their transmission facilities and are subject to certain costs for improvements to these regional electric transmission systems. In addition, FERC has jurisdiction with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by Houston Electric and other utilities within ERCOT and Indiana Electric and other utilities within MISO, respectively. FERC has designated NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system. FERC has approved the delegation by NERC of authority for reliability in ERCOT to the Texas RE, a Texas non-profit corporation, and for reliability in the portion of MISO that includes Indiana Electric to ReliabilityFirst Corporation, a Delaware non-profit corporation. Compliance with mandatory reliability standards may subject Houston Electric and Indiana Electric to higher operating costs and may result in increased capital expenditures, which may not be fully recoverable in rates. While Houston Electric and Indiana Electric have received minor fines in the past for noncompliance, if Houston Electric or Indiana Electric were to be found to be in noncompliance with applicable mandatory reliability standards again, they would be subject to sanctions, including potential monetary penalties, which could range as high as over a million dollars per violation per day, and non-monetary penalties, such as having to file a mitigation plan to prevent recurrence of a similar violation and having certain milestones in such plan tracked.

We are involved in numerous legal proceedings, the outcomes of which are uncertain, and resolutions adverse to us could negatively affect our financial results

The Registrants are subject to numerous legal proceedings, including lawsuits and environmental matters in addition to regulatory proceedings, the most significant of which are summarized in Note 15 to the consolidated financial statements. Litigation is subject to many uncertainties; recent trends have shown jury verdicts, settlements and other liability have been significantly increasing; and the Registrants cannot predict the outcome of all matters with assurance. Additionally, under some circumstances, the Registrants could potentially have claims filed against them or incur liabilities associated with assets and businesses no longer owned by them as a result of sales, divestitures or other transfers to third parties who may be unable to fulfill their indemnity obligations to the Registrants. Final resolution of these matters, or any potential future claims or liabilities, may require additional expenditures over an extended period of time that may be in excess of established insurance or reserves and may have an adverse effect on the Registrants' financial results.

Our businesses may be adversely affected by the intentional misconduct of our employees.

We are committed to living our core values of safety, integrity, accountability, initiative and respect and complying with all applicable laws and regulations. Despite that commitment and efforts to prevent misconduct, it is possible for employees to engage in intentional misconduct, fail to uphold our core values, and violate laws and regulations for individual gain through contract or procurement fraud, misappropriation, bribery or corruption, fraudulent related-party transactions and serious breaches of our Ethics and Compliance Code and other policies. If such intentional misconduct by employees should occur, it could result in substantial liability, higher costs, increased regulatory scrutiny and negative public perceptions, any of which could have an adverse effect on our financial condition, results of operations and cash flows. From time to time, including as part of our Ethics and Compliance program's efforts to detect misconduct, we become aware of and expect to continue to become aware of instances of employee misconduct, which we investigate, remediate and disclose as appropriate and proportionate to the incident.

Risk Factors Affecting Financial, Economic and Market Risks

Disruptions to the global supply chain may lead to higher prices for goods and services and impact our operations, which could have an adverse impact on our ability to execute our capital plan and on our financial condition, results of operations and cash flows.

The global supply chain has experienced disruptions due to a multitude of factors, such as the COVID-19 pandemic, labor shortages, resource availability, long lead time, delivery delays, inflation, severe weather events and disruptions to internal or international shipping, including as a result of armed conflicts, and these disruptions have adversely impacted the utility industry. We, as well as other companies in our industry, have experienced supply chain disruptions, as well as increased prices,

and we may continue to experience this in the future. Examples of materials necessary for the transmission and distribution of power we and our industry have experienced difficulties in procuring include transformers, wires, cables, meters, poles and solar panels. If the supply chain disruption persists or worsens, we may experience difficulties in procuring these resources and others necessary to operate our businesses in the future. As a result, we may not be able to procure the resources, including labor, needed to timely perform storm restoration activities, fully execute on our ten-year capital plan and/or achieve our net zero emission and carbon emissions reduction goals. Moreover, high inflation and persistent high interest rates continue to be an area of economic concern and has contributed to the increased prices for materials and services that have been experienced by us and other companies in our industry. Even if we are able to procure the necessary resources, we might not be able to do so at a reasonable cost or in a timely manner which could result in project cancellations or scope changes, delays, cost overruns and under-recovery of costs. If we are unable to fully execute on capital plans as a result of supply chain disruptions, our financial condition, results of operations and cash flows may be adversely affected.

CenterPoint Energy is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, CenterPoint Energy depends on the performance of and distributions from its subsidiaries to meet its payment obligations and to pay dividends on its common stock, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.

CenterPoint Energy derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. Similarly, as a result of the Restructuring, CERC derives a significant portion of its operating income from and holds a significant portion of its assets through its subsidiaries, including Indiana Gas and VEDO. As a result, CenterPoint Energy and to a lesser extent, CERC, depend on the performance of and distributions from their respective subsidiaries to meet their respective payment obligations and to pay dividends on their respective common stock. In general, CenterPoint Energy's and CERC's subsidiaries are separate and distinct legal entities and have no obligation to provide them with funds for their respective payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit CenterPoint Energy's and CERC's respective subsidiaries' ability to make payments or other distributions to CenterPoint Energy or CERC, and their respective subsidiaries could agree to contractual restrictions on their ability to make payments or other distributions. Further, as part of Houston Electric's 2019 base rate case, Houston Electric agreed to certain "ring-fencing" measures to increase its financial separateness from CenterPoint Energy. Houston Electric is expected to file a base rate proceeding in 2024. In this proceeding, Houston Electric may be requested to institute further ring-fencing measures or further ring-fencing measures could be imposed on Houston Electric in the future through legislation or PUCT rules or orders. While current ring-fencing measures have not impacted Houston Electric's ability to pay dividends to CenterPoint Energy, the imposition of any additional measures impacting CenterPoint Energy's ability to receive dividends from Houston Electric could adversely affect CenterPoint Energy's cash flows, credit quality, financial condition and results of operations. Any such adverse effect on CenterPoint Energy could also adversely affect Houston Electric's and/or CERC's cash flows, credit quality, financial condition and results of operations as CenterPoint Energy may not be able to financially support Houston Electric and/or CERC if and when necessary.

CenterPoint Energy's right to receive assets of any subsidiary, and therefore the right of its creditors to participate in those assets, are structurally subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if CenterPoint Energy were a creditor of any subsidiary, its rights as a creditor would likely be effectively subordinated to any security interest in the assets of that subsidiary and any senior indebtedness of the subsidiary.

If we are unable to arrange future financings on acceptable terms, our ability to finance our capital expenditures or refinance outstanding indebtedness could be limited.

Our businesses are capital intensive, and we rely on various sources to finance our capital expenditures. For example, we depend on (i) long-term debt, (ii) borrowings through our revolving credit facilities and, for CenterPoint Energy and CERC, commercial paper programs and (iii) if market conditions permit, issuances of additional shares of common stock or shares of preferred stock by CenterPoint Energy. We may also use such sources to refinance any outstanding indebtedness as it matures. Additionally, from time to time, our operating subsidiaries, including Houston Electric and CERC, may rely on intercompany borrowings from CenterPoint Energy that may be sourced from CenterPoint Energy's external financings. As of December 31, 2023, CenterPoint Energy had \$19 billion of outstanding indebtedness on a consolidated basis, which includes \$502 million of non-recourse Securitization Bonds. For information on outstanding indebtedness of CenterPoint Energy, Houston Electric and CERC as well as future maturities, see Note 13 to the consolidated financial statements. Our future financing activities may be significantly affected by, among other things:

- general economic and capital market conditions, including inflation;
- credit availability from financial institutions and other lenders;
- investor confidence in us and the markets in which we operate;

- the future performance of our businesses;
- maintenance of acceptable credit ratings;
- actions from the Federal Reserve, including changes in interest rates and unanticipated actions;
- market expectations regarding our future earnings and cash flows;
- investor willingness to invest in companies associated with fossil fuels;
- our ability to access capital markets on reasonable terms;
- timing of future securitizations by jurisdictions in which we operate; and
- provisions of relevant securities laws.

The Registrants' current credit ratings and any changes in credit ratings in 2023 and to date in 2024 are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Other Matters — Impact on Liquidity of a Downgrade in Credit Ratings" in Item 7 of Part II of this report. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be reduced or withdrawn by a rating agency. The Registrants note these credit ratings are not recommendations to buy, sell or hold their securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of the Registrants' credit ratings could have an adverse impact on their ability to access capital on acceptable terms. For example, if CERC's credit rating were to decline, it may have an adverse impact on the cost of borrowings and, in extraordinary market conditions, it may limit the ability to access the debt capital markets. Additionally, CERC might be required to post collateral under its shipping arrangements or to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC's financial condition, results of operations and cash flows could be adversely affected.

CenterPoint Energy's previously owned Energy Systems Group business has performance and warranty obligations, some of which are guaranteed by CenterPoint Energy.

On June 30, 2023, CenterPoint Energy closed the sale of its Energy Systems Group business. Prior to June 30, 2023 and as part of the normal course of its business, Energy Systems Group issued performance bonds and other forms of assurance that committed it to operate facilities, pay vendors or subcontractors and support warranty obligations. As the parent company prior to the closing of the sale, CenterPoint Energy or Vectren guaranteed certain of its subsidiaries' commitments. When Energy Systems Group was wholly owned by CenterPoint Energy, these guarantees did not represent incremental consolidated obligations, but rather, these guarantees represented guarantees of Energy Systems Group's obligations to allow it to conduct business without posting other forms of assurance. Neither CenterPoint Energy nor Vectren has been called upon to satisfy any obligations pursuant to these parental guarantees to date, but may be required to do so in the future. For further information, see Note 15(c) to the consolidated financial statements.

An impairment of goodwill, long-lived assets, including intangible assets, equity method investments and an impairment or fair value adjustment could reduce our earnings.

Long-lived assets, including intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment at least annually, as well as when events or changes in circumstances indicates the carrying value may not be recoverable. While CenterPoint Energy has identified and recorded goodwill impairments in the past, no impairments to goodwill were recorded during the years ended December 31, 2023, 2022 and 2021. See Note 6 to the consolidated financial statements for further information. Should the annual goodwill impairment test or another periodic impairment test or an observable transaction indicate the fair value of our assets is less than the carrying value, we would be required to take a non-cash charge to earnings with a correlative effect on equity, increasing balance sheet leverage as measured by debt to total capitalization. A non-cash impairment charge or fair value adjustment could adversely impact our financial condition and results of operations.

If CenterPoint Energy redeems the ZENS prior to their maturity in 2029, its ultimate tax liability and redemption payments would result in significant cash payments, which would adversely impact its cash flows. Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy's cash flows.

CenterPoint Energy has approximately \$828 million principal amount of ZENS outstanding as of December 31, 2023. CenterPoint Energy owns shares of ZENS-Related Securities equal to approximately 100% of the reference shares used to calculate its obligation to the holders of the ZENS. CenterPoint Energy may redeem all of the ZENS at any time at a redemption amount per ZENS equal to the higher of the contingent principal amount per ZENS (\$18 million in the aggregate, or \$1.24 per ZENS, as of December 31, 2023), or the sum of the current market value of the reference shares attributable to one ZENS at the time of redemption. In the event CenterPoint Energy redeems the ZENS, in addition to the redemption amount, it would be required to pay deferred taxes related to the ZENS. CenterPoint Energy's ultimate tax liability related to the ZENS and ZENS-