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THE ECONOMY AT A GLANCE

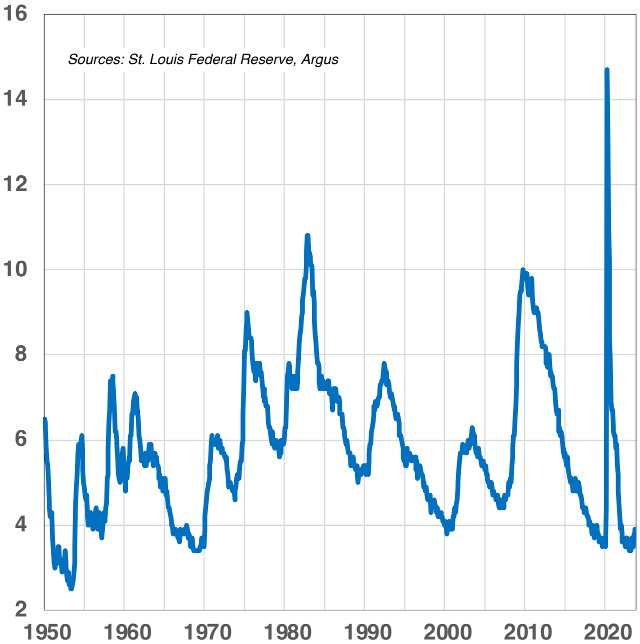
ECONOMIC HIGHLIGHTS

December 18, 2023
Vol. 90, No. 179

JOB GROWTH COOLING WITH LOW RECESSION RISK

The U.S. economy generated 199,000 new jobs in November, above our forecast of 145,000 and the consensus of 180,000. October's result was unchanged at 150,000. November's increase in payrolls took the three-month average to 204,000, which is below the 12-month average of 240,000. The unemployment rate dropped to 3.7% from 3.9%. These statistics support our view that the job market is cooling and that there is less than a 50% chance of a recession in 2024. Average hourly earnings increased 12 cents month-to-month and are now 4.0% higher year-over-year, consistent with October (which was revised lower). The average workweek ticked up to 34.4 hours in November. Job gains occurred in healthcare and government. Employment also increased in manufacturing, as striking workers returned. Employment in retail trade declined. Employment was little changed in mining, quarrying, and oil and gas extraction; construction; wholesale trade; financial activities; professional and business services; and other services. Job gains in September were revised lower by 35,000. According to a separate report from the BLS, there were 1.3 job openings in October for each person unemployed. This is down from 1.7 a year earlier. The ratio has averaged 0.68 since December 2000.

U.S. UNEMPLOYMENT RATE (%)



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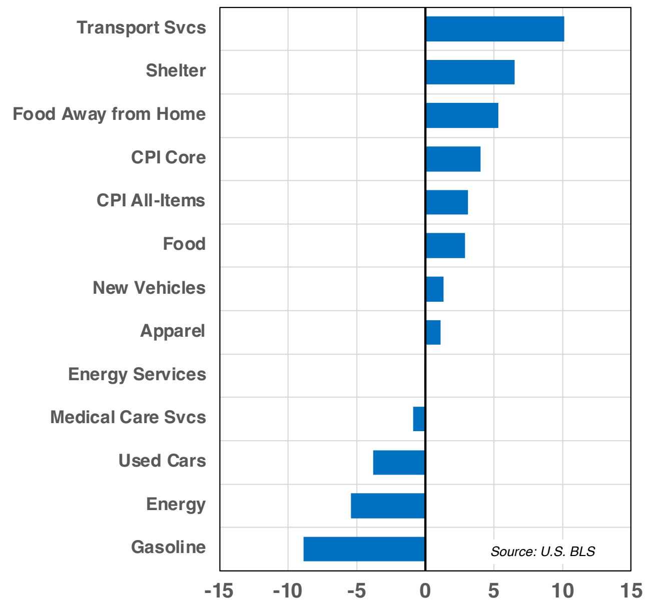
GOOD NEWS ON INFLATION

The top-level inflation rate in the U.S. fell to the lowest level since September 2021 on a year-over-year basis last month, as most price increases appear to be easing. The rate of core inflation also continued to tick lower. The CPI numbers generally were in line with consensus expectations and Argus forecasts. The Bureau of Labor Statistics reported a 3.1% increase in overall inflation year-over-year through November, compared to a 3.2% rate through October and a 9.1% rate back in June 2022. The core rate, excluding the impact of food and energy, was steady versus the prior month at 4.0%. Month-over-month, the all-items CPI ticked higher by 10 basis points and the core CPI increased 30 basis points. We continue to think the June 2022 CPI rate was the peak reading for the index this cycle, as the housing market cools off, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The Fed has lifted the feds fund rate from 0.0% to above 5.25% over the past 18 months, and the rate hikes appear to be reducing inflationary pressures. The next question is whether the rapid rate of increases will tip the economy into a recession as inflation continues to head toward 2.0%.

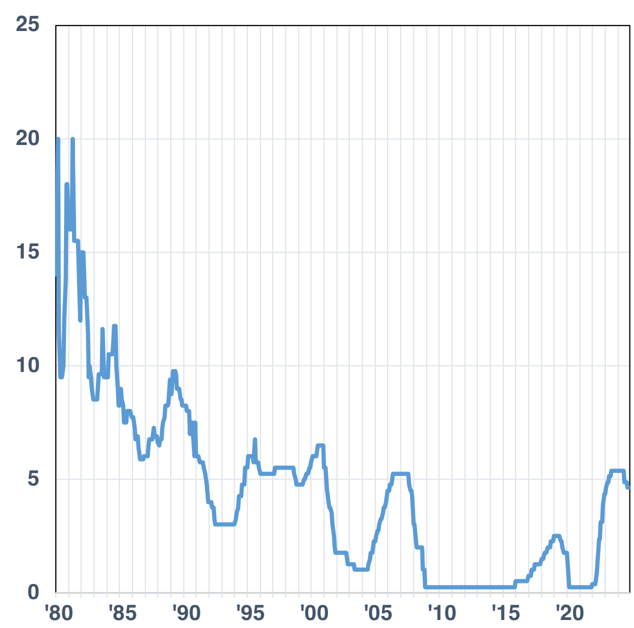
INFLATION FACTORS (% CHANGE Y/Y)



FED OFFERS A GIFT TO STOCK INVESTORS

The Fed wrapped up its latest Open Market Committee meeting and, as expected, held the federal funds rate steady at 5.25%-5.50%. This was the third pause following a hike in July, which was the eleventh increase to fed funds over a period of 16 months. The fed funds rate remains at its highest level since 2000 and is above the long-term average of 4.4%. The hikes so far have been working to reduce inflation. Looking ahead to 2024, the Federal Reserve is preparing investors for rate cuts -- as many as three. According to the latest fed funds "dot plot" forecasts by the governors, the central bank's target for the rate at year-end 2024 is 4.625%. The easing is expected to continue into 2025 and 2026, at which point the federal funds rate should be below 3.0%, according to the Fed's forecasts. Fixed-income traders are not so sure, as the current three-year Treasury yield is still 4.2%. But equity investors are seemingly all in, and the Dow Jones Industrial Average as of this writing has closed at a new high above 37,000, just in time for the holiday season.

FEDERAL FUNDS TARGET RATE & FORECASTS (%)

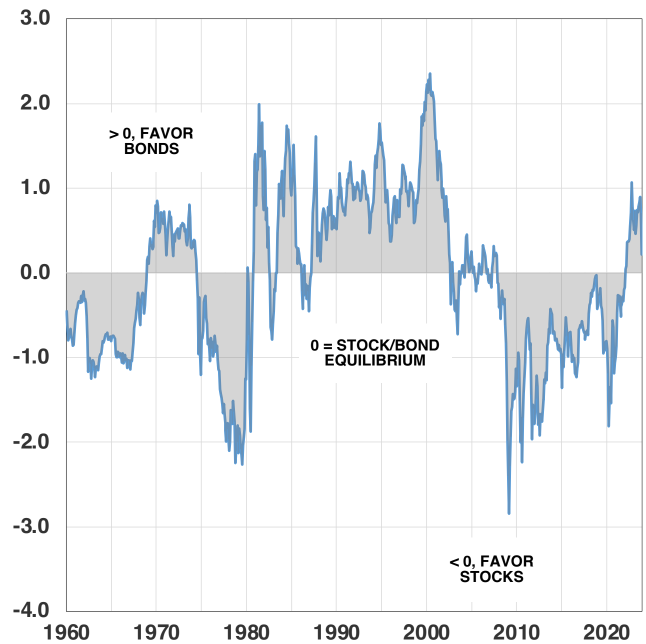


FINANCIAL MARKET HIGHLIGHTS

STOCK VALUATIONS IMPROVE ON LOWER RATES

Our bond/stock asset-allocation model indicates that bonds remain the asset class offering the most value. But stock valuations are much improved, in response to the decline in the benchmark 10-year government bond yield. Our model takes into account current levels and forecasts of short- and long-term government and corporate fixed-income yields, inflation, stock prices, GDP, and corporate earnings, among other factors. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading from the model, going back to 1960, is a modest premium for stocks, of 0.16 sigma, with a standard deviation of 1.0. The current valuation level is a 0.22 sigma premium for stocks, not far from fair value and down from a 0.98 sigma premium two months ago. Other valuation measures also show reasonable multiples for stocks. We expect results from our valuation model to continue to improve, as interest rates decline into next year and EPS growth picks up. Our recommended asset-allocation model for moderate accounts is 67% growth assets, including 65% equities and 2% alternatives; and 33% fixed income, with a focus on core and opportunistic segments of the bond market. On duration, we recommend the short end of the curve.

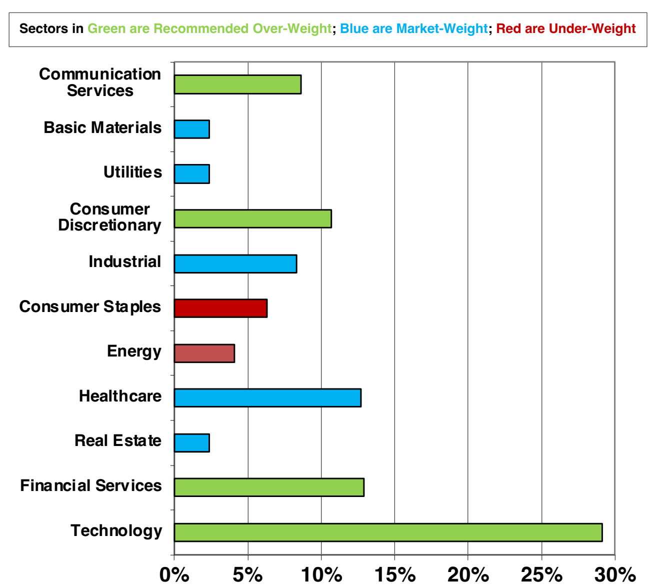
BOND V STOCK BAROMETER (STANDARD DEVIATIONS)



ARGUS REAFFIRMS SECTOR RATINGS

We have reviewed our recommended sector allocations this month and are maintaining our current sector Over-Weight, Under-Weight, and Market-Weight recommendations. Our six-part model awards or subtracts a point for each metric; sums all points to determine an all-sector score; divides by the number of sectors (11) to set an average sector score; and determines recommended sector weighting based on sector score in relation to sector average. This month, our process yielded 40 total points, for an average sector score of 3.6. To earn a recommended over-weight designation, sectors had to score five points or above; for market-weight, three or four points; and for under-weight, two points or below. Our current Over-Weight sectors remain Communication Services, Financial Services, Consumer Discretionary, and Technology. Our current Market-Weight sectors are Materials, Industrials, Healthcare, Real Estate, and Utilities. Our Under-Weight sectors are Energy and Consumer Staples.

MARKET SECTOR DISTRIBUTION (% OF S&P 500)



No Major Releases This Week

Previous Week's Releases and Next Week's Releases on next page.

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
19-Dec	Housing Starts	November	1,372 K	1,350 K	NA	NA
20-Dec	Consumer Confidence	December	102.0	105.0	104.0	NA
	Existing Home Sales	November	3.79 Mln.	3.80 Mln.	3.75 Mln.	NA
21-Dec	GDP Annualized QoQ	3Q	5.2%	5.2%	NA	NA
	GDP Price Index	3Q	3.6%	3.6%	NA	NA
	Leading Index	November	-0.8%	-0.3%	-0.4%	NA
22-Dec	PCE Deflator	November	3.0%	2.9%	NA	NA
	PCE Core Deflator	November	3.5%	3.4%	NA	NA
	Personal Income	November	4.5%	4.3%	NA	NA
	Personal Spending	November	5.3%	5.0%	NA	NA
	New Home Sales	November	679000	685000	695000	NA
	Durable Goods Orders	November	0.9%	7.0%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
2-Jan	Construction Spending	November	10.7%	NA	NA	NA
3-Jan	ISM Manufacturing	December	46.7	NA	NA	NA
	ISM New Orders	December	48.3	NA	NA	NA
5-Jan	Nonfarm Payrolls	December	199 K	NA	NA	NA
	Unemployment Rate	December	3.7%	NA	NA	NA
	Average Weekly Hours	December	34.4	NA	NA	NA
	Average Hourly Earnings	December	4.0%	NA	NA	NA
	ISM Services Index	December	52.7	NA	NA	NA
	Factory Orders	November	-2.1%	NA	NA	NA