Montecito Bank & Trust®
Wealth Management

WEALTH OFFICE:
JEFF PITTMAN
EVP, DIRECTOR OF WEALTH MANAGEMENT
1106-E COAST VILLAGE ROAD
MONTECITO, CA 93108

THE ECONOMY AT A GLANCE

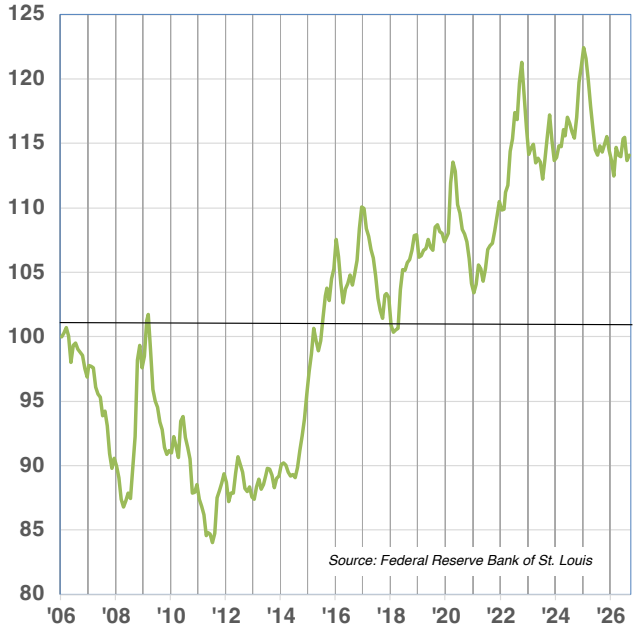
ECONOMIC HIGHLIGHTS

November 2, 2026
Vol. 93, No. 155

WHAT'S UP WITH THE DOLLAR?

Trends in the U.S. dollar, the world's dominant currency, offer clues about the confidence investors have in the U.S. economy and financial system. The greenback has been in demand since the start of the pandemic and, at the beginning of 2025, was 21% above its long-run average. But that hot-dollar trend has started to unwind a bit. Over 2025, the greenback declined 5% on a global, trade-weighted basis and in response to uncertainty caused by President Donald Trump's trade policies, deficit spending in Washington, a recovery in the European economy, and simple value investing. In recent months, after a dollar rally linked to the onset of the war in Iran, the downward trend has reemerged. As of late September, the U.S. dollar was down 7% from its cycle highs, reflecting concerns over the swelling federal debt as well as issues with long-term interest rates. But it is our view that the dollar is nowhere near at risk of losing its status as the global currency of choice. The dollar is about 12% (and more than one standard deviation) above its 20-year average value. It has weathered inflation scares, elections, and U.S. government shutdowns, supported by the depth of a $29 trillion market, not to mention by the Federal Reserve and the country's time-tested political/economic system of democratic capitalism. The alternative currencies have their flaws as well. We view the state of the dollar as one of the main checks and balances to the U.S.'s status as the leader of the global economy. So far, so good. We would be concerned that the country could be at risk of losing that status if the greenback were to plunge 20% in a short time as it did after the S&P downgrade of U.S. debt back in 2011. A dollar back at 2011 levels would almost certainly mean higher interest rates, a potential drag on the economy, and intense pressure on stocks.

DOLLAR TREND (INDEX = 100, 2006)

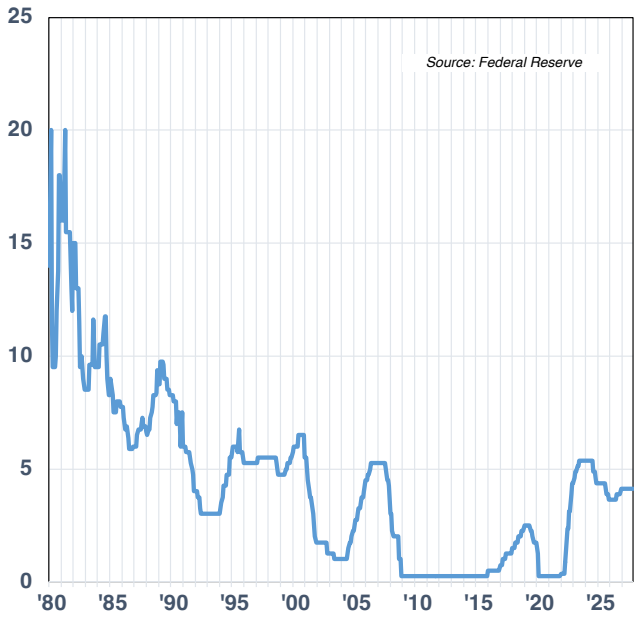


Lloyd Kurtz, SVP / Chief Investment Officer ..... (805) 698-8026 • lkurtz@montecito.bank
Drew Brahos, SVP / Sr. Portfolio Manager ..... (805) 979-4473 • dbrahos@montecito.bank
Scott Estby, SVP / Sr. Portfolio Manager ..... (805) 564-7303 • sestby@montecito.bank
Thomas Fisher, SVP / Sr. Portfolio Manager ..... (805) 560-3429 • tfisher@montecito.bank
Albert Chu, VP / Sr. Portfolio Manager ..... (805) 979-4506 • achu@montecito.bank
Cheyne Sorensen, VP / Sr. Portfolio Manager ..... (805) 698-7526 • cbsorensen@montecito.bank
Luca Romani, Portfolio Manager ..... (805) 560-3497 • lromani@montecito.bank
Simon Priest, Portfolio Manager ..... (805) 564-7306 • spriest@montecito.bank

FED STEADY AHEAD OF MIDTERMS

The Federal Reserve (Fed) has left the Fed Funds target unchanged at 3.75%-4.00%. We think this makes sense ahead of the midterm elections. We think the range is a bit too low and expect the Fed will hike the rate by 25 basis points at its December meeting. Economic conditions have evolved since Kevin Warsh took over as chair of the central bank in May. The war in Iran has sent oil prices skyrocketing, and general inflation has followed. Meanwhile, the other element of the Fed's dual mandate — the unemployment rate — has remained low. Chairman Warsh certainly has his own ideas about how the central bank should be run. He has set up five task forces to review standard Fed procedures in the areas of Communications, Balance Sheet Policy, Data, Productivity, and Inflation. He also announced the Fed would continue to meet eight times per year but would spend at least one of its meetings discussing broad monetary policy strategy, without taking a vote on the Fed Funds rate or issuing a policy statement. His actions to date haven't really changed the appearance of transparency at the Fed.

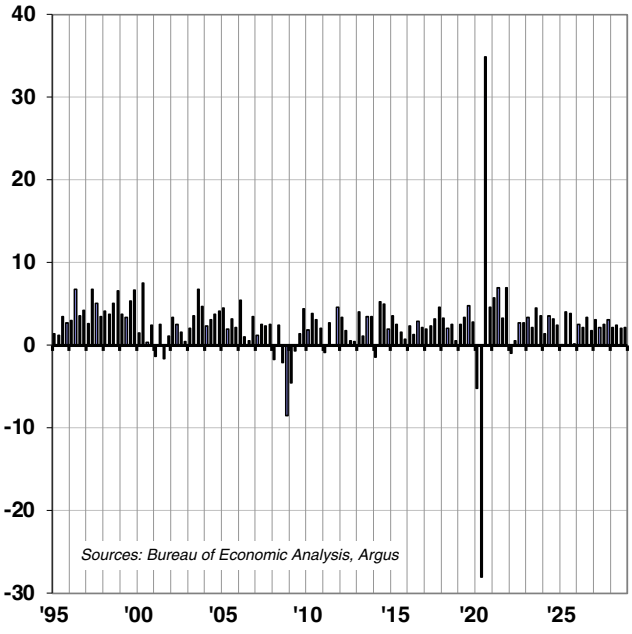
FEDERAL FUNDS TARGET RATE & FORECASTS (%)



3Q GDP JUMPS 3.4%

According to the advance estimate released by the Bureau of Economic Analysis (BEA), U.S. gross domestic product (GDP) rose in the third quarter at an annualized rate of 3.4%. That's above the 3.2% consensus and an acceleration from 2.2% in the second quarter. Real final sales to private domestic purchasers, which focus on the core consumer spending and business investment, were up a strong 4.9%, topping a sturdy 4.6% increase in 2Q. The measure often provides a better signal of economic momentum than headline GDP. The results are consistent with the Federal Open Market Committee's (FOMC's) recent comment that economic activity is expanding at a strong pace. Nominal GDP, which is not adjusted for inflation, was up 5.6% in 3Q. The FOMC voted 10-2 to maintain the Federal Funds target at 3.75%-4.0%. Argus Fixed Income Strategist Kevin Heal expects a quarter-point hike in December before the FOMC moves to the sidelines in 2027. In other reports from the BEA, headline Personal Consumption Expenditures inflation was up 3.6% on a year-over-year basis in September. That was in line with the consensus but up from a 3.4% pace in August and well above the Federal Reserve's 2% target. The FOMC acknowledged that inflation has been running above the committee's objective for close to six years but doubled down on returning inflation to the 2% target. Core PCE inflation was also elevated, up 3.1%, in line with the consensus but a tick higher than in August.

REAL GDP (% GROWTH/QTR)

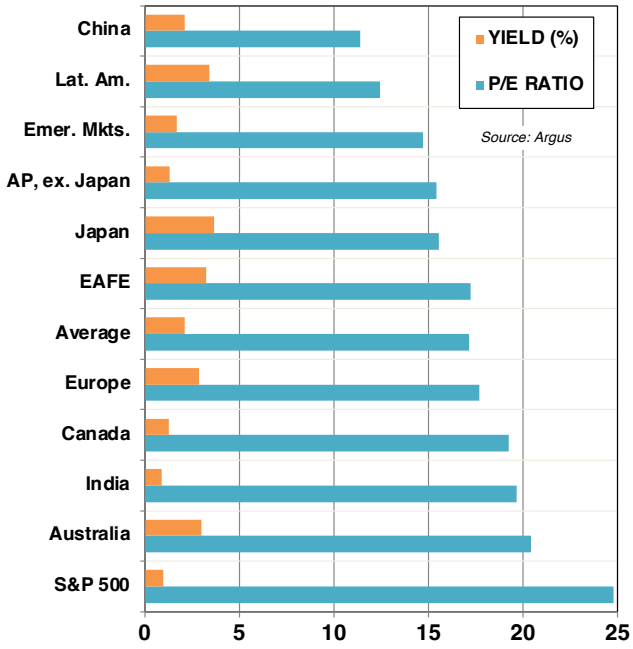


FINANCIAL MARKET HIGHLIGHTS

GLOBAL STOCKS STILL OFFER VALUE

As worldwide markets remain challenged amid a backdrop of higher interest rates and ongoing conflict in the Middle East and Ukraine, one thing has not changed: U.S. stocks are more expensive than global stocks. The trailing P/E ratio on the S&P 500 is now 25, above the global average of 17 and well above the 11-12 average P/Es for emerging markets stocks in China and Latin America. A review of yields tells a similar story. The current dividend yield for the S&P 500 is 1.0%, versus the global average of 2.1% and European and Latin American yields of around 3%. Investors generally are willing to pay a higher price for North American securities for several reasons, including the transparency of the U.S. financial system as well as the liquidity of U.S. markets. U.S. stocks (SPY ETF) have outperformed Europe, Australasia, and the Far East (EAFE and EFA ETF) over the past five years. The tide turned a bit in 2025, as investors responded to the uncertainty over U.S. trade policy and as global central banks lowered rates. Last year, foreign stocks were up 28% while U.S. stocks rose 16%. Meanwhile, the outperformance of emerging markets over domestic markets has continued in 2026. We think diversified investors should have 20%-25% of their equity allocations in international stocks.

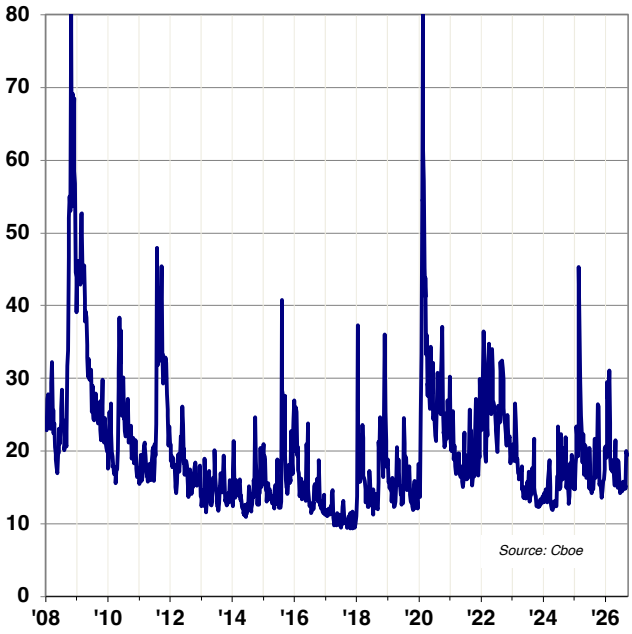
GLOBAL EQUITY VALUATION METRICS



FEAR INDEX TICKS HIGHER

We watch the Cboe Volatility Index (VIX) carefully. The index measures the stock market's expectation of 30-day volatility based on S&P 500 options, and we like to keep an eye on the risk environment in the broad market. The VIX typically moves in the opposite direction of the market, declining as the market advances, for example. We have studied the history of the VIX back to the Great Recession. The average index reading is 20, and the standard deviation is 9. The highs for the index over the past 20 years have been 89 (in 2008, as Lehman Brothers Holdings Inc. collapsed) and 85 (in 2020 as the COVID-19 pandemic emerged). VIX readings below the historical average are consistent with bull markets. For example, during the long bull market after the Great Recession, the average VIX reading was 18. In 2026, the average has been 18.5, with a few days up near 30 when the war in Iran was getting underway. Recent concerns over artificial intelligence investment, oil prices that have crested the $100 level, stubborn inflation, and the midterm elections have led the VIX to drift upward toward the historical average. Still, the current reading is consistent with the outlook for a continued bull market rally. We believe the S&P 500 is in the middle stage of a bull run that dates back to October 2022. While the path for equities won't be straight up, we suggest investors favor high-quality domestic stocks in their portfolios.

CBOE VOLATILITY INDEX (WEEKLY CLOSE)



KEY ECONOMIC FORECASTS

- The $33 trillion U.S. economy remains on course for productive long-term growth. Investment in data centers and infrastructure for artificial intelligence (AI) is projected to total $10.3 trillion from 2025 to 2032, according to new estimates published by the Brookings Institution. As a percentage of gross domestic product (GDP), these AI investments will be larger than transformative buildouts of railroads, highways, electrification, and telecom, Brookings' research projects.
- Real potential GDP — the sustainable speed limit of the U.S. economy — is poised to increase to 2.1%, on average, through 2030, according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the labor force from an aging population and reduced immigration.
- The Federal Open Market Committee (FOMC) voted 10-2 on October 28 to maintain the Fed Funds target at 3.75%-4.00%. Argus Fixed Income Strategist Kevin Heal expects a quarter-point hike in December before the Fed moves to the sideline in 2027. We expect the dollar will be flat/firmer over the next year, helped by higher rates, solid GDP growth, and demand for shares of innovative U.S. companies.
- After the FOMC meeting, Federal Reserve Chairman Kevin Warsh offered the following comments. "Economic activity is expanding at a strong pace. While uncertainty remains—owing, in part, to geopolitical developments—domestic spending has been resilient. Productivity growth is strong, and capital investment robust."
- Our 2026 GDP growth forecast is 2.4%, as is our 2027 forecast. We have initiated an estimate for growth of 2.2% in 2028. The U.S. has stimulative fiscal policy, while the federal government is running a budget deficit. Argus believes financial conditions remain modestly accommodative to growth.
- Argus expects S&P 500 earnings per share (EPS) to rise almost 25% to $340 in 2026 and increase about 15% to $390 in 2027. EPS have been helped by an increase in operating margins to about 19% this year. Growing tech giants such as Microsoft and Nvidia have higher margins than Dow stalwarts such as Walmart and Caterpillar. Argus expects the S&P 500 to trade in a range between 6,900 and 8,450 over the next 12 months. Our year-end 2026 price target for the S&P 500 is 8,000, based on a multiple of 20.5 times our 2027 EPS estimate.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate, is 7.9%, below the average of 9.1% since 1949 but up from 6.7% in January. Unemployment is low, at 4.2%. Inflation remained elevated at 3.7% in September, but was below the recent peak of 4.2% from May.
- Gasoline prices at $4.20 a gallon are straining preholiday spending by consumers. Looking ahead to 2027, the Energy Information Administration outlook calls for a recovery in oil supply and ultimately a surplus. If that's the case, West Texas Intermediate (WTI) oil likely will resume its secular downtrend. Our preliminary 2027 outlook for WTI is $70 a barrel, down from $80 in 2026.
- The yield on the 10-year Treasury bond recently peaked at 5.4%. It has since eased to 5.0%, but is up from 3.95% before the conflict with Iran. Moves in the 10-year bond have a bigger and more direct effect on the economy than equivalent moves in the Federal Funds rate. We expect the 10-year bond to end 4Q27 in a range of 4.0% to 5.0%.
- Gold, the ancient safe-haven asset, is likely to remain at high levels, in a range of $3,500 to $5,000 an ounce in 2027, amid buying by central banks, global uncertainty, and concerns about the U.S. budget deficit.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
29-Oct	GDP Annualized QoQ	3Q "Advance"	2.2%	3.1%	3.2%	**3.4%**
	GDP Price Index	3Q "Advance"	6.1%	3.2%	NA	**2.3%**
	PCE Deflator	September	3.4%	3.6%	3.6%	**3.6%**
	PCE Core Deflator	September	3.0%	3.1%	3.1%	**3.1%**
	Personal Income	September	**4.4%**	4.2%	NA	**4.1%**
	Personal Spending	September	**6.2%**	6.0%	NA	**6.3%**
2-Nov	ISM Manufacturing	October	54.50	55.0	54.5	**55.5**
	ISM New Orders	October	55.3	53.5	54.9	**55.5**
	ISM Prices	October	77.9	77.5	77.1	**75.2**
	Construction Spending	September	**-0.7%**	-1.9%	NA	**-2.7%**
3-Nov	Factory Orders	September	**8.8%**	10.4%	NA	**10.5%**
4-Nov	ISM Services Index	October	54.9	55.0	54.8	**54.5**
	Trade Balance	September	**-$105.7 Bln.**	-103.0 Bln.	-107.9 Bln.	**-105.0 Bln.**
	Total Vehicle Sales	October	16.0 Mln.	16.0 Mln.	15.9 Mln.	**15.5 Mln.**
5-Nov	Nonfarm Productivity	3Q	1.4%	2.6%	2.7%	NA
	Unit Labor Costs	3Q	1.2%	0.4%	0.8%	NA
6-Nov	Nonfarm Payrolls	October	29K	80K	88K	NA
	Unemployment Rate	October	4.2%	4.2%	4.2%	NA
	Average Weekly Hours	October	34.4	34.4	34.4	NA
	Average Hourly Earnings	October	3.0%	3.0%	2.9%	NA
	U. Michigan Sentiment	November	48.0	49.0	48.0	NA
9-Nov	Wholesale Inventories	September	7.4%	7.4%	NA	NA
10-Nov	Consumer Price Index	October	3.7%	3.7%	NA	NA
	CPI ex-Food & Energy	October	2.6%	2.5%	NA	NA
13-Nov	PPI Final Demand	October	6.3%	6.3%	NA	NA
	PPI ex-Food & Energy	October	5.0%	4.6%	NA	NA

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