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

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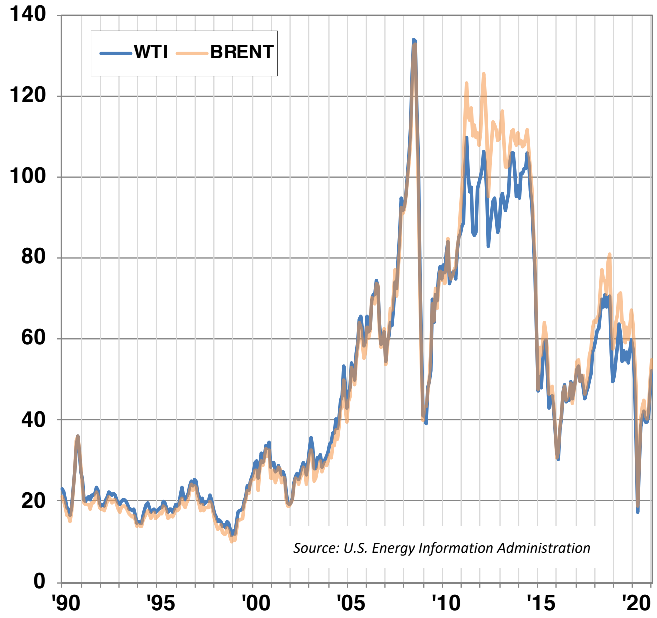
ARGUS ADJUSTS OIL PRICE FORECAST FOR 2021

Our 2021 forecast for the average price of a barrel of West Texas Intermediate crude oil is now $53, up from our preliminary forecast of $41. Our estimates assume that OPEC and OPEC+ members continue to coordinate on production cuts, and that global economic activity gradually improves this year. Our price forecast also reflects the long-term downtrend for crude prices as "peak oil" approaches. Here are recent average annual prices: $40 in 2020, $57 in 2019, $65 in 2018, $51 in 2017, $43 in 2016, $49 in 2015, $93 in 2014, and $98 in 2013. We expect President Biden's policies to favor clean energy initiatives rather than carbon-based energy. Our price range through 2021 is now $65 on the upside and $35 on the downside. Given the volatility in oil prices, our investment recommendation for the Energy sector is Under-Weight. The current weight for the sector in the S&P 500 is approximately 2.4%, down from the 7%-8% range in 2013-2014. Within the group, we favor companies with strong balance sheets and a history of growing dividends.

OIL PRICE TRENDS ($/BBL)

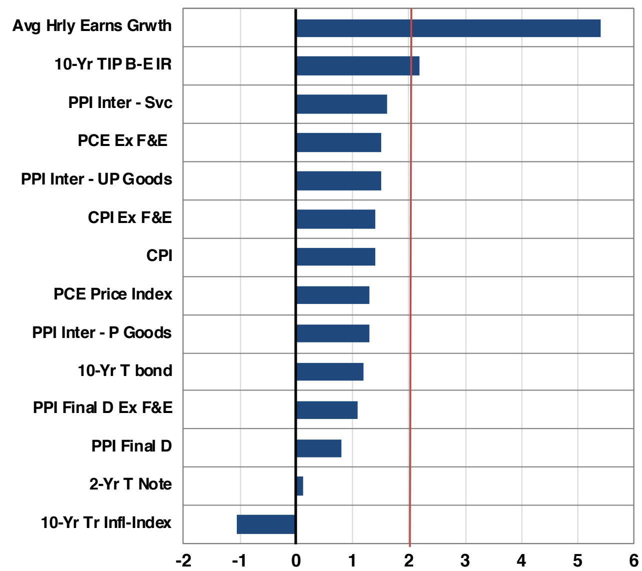


Peter Madlem, SVP / Chief Investment Officer .... (805) 560-3428 • pmadlem@montecito.bank
Drew Brahos, SVP / Sr. Portfolio Manager .... (805) 979-4473 • dbrahos@montecito.bank
Kathleen Kalp, SVP / Sr. Portfolio Manager .... (805) 564-7327 • kkalp@montecito.bank
Rick Weber, VP / Portfolio Manager .... (805) 686-8620 • rweber@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
Luca Romani, Investment Operations Manager .... (805) 560-3497 • lromani@montecito.bank

INFLATION STILL UNDER CONTROL

Core prices have started to increase, but most inflation measures remain below the Fed's target of 2.0%. We track 14 inflation measures on a monthly basis. On average, they indicate that prices are rising at a 1.60% rate, ahead of last month's reading (which was 1.55%). Looking at core inflation (which we obtain by averaging core CPI, market-based PCE ex-food & energy, and the 10-year TIPs breakeven interest rate), our reading is 1.7%, in line with last month. With this inflation backdrop, we expect that the Fed will focus on other issues (unemployment and the housing market) and keep short-term rates close to zero into 2022. Yet there are threats that inflation may surge again. For example, as Western and Asian populations age and globalization potentially reverses, there may be a shortage of workers and wages may rise. In addition, aging populations and their health needs may lead governments to increase deficit spending. Given current government debt levels and central bank liabilities, raising rates to stem inflation would have to be done at a very high cost.

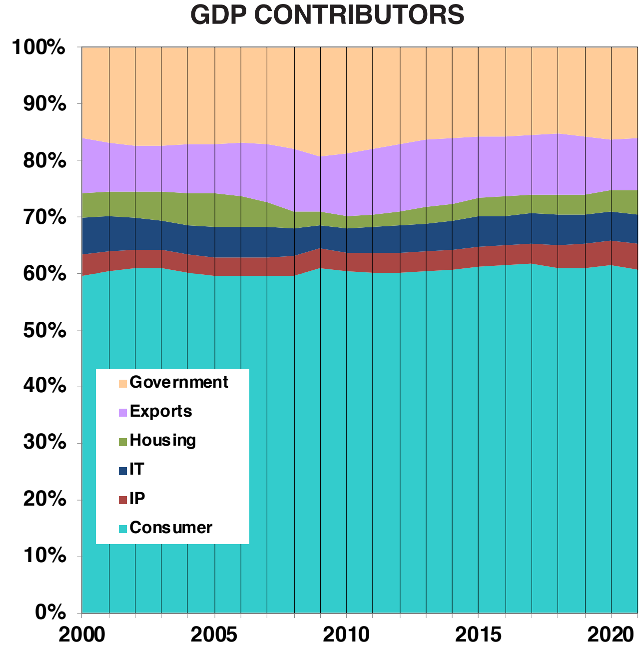
INFLATION MEASURES (% CHANGE Y/Y)



GDP REVEALS CONSUMER STRENGTH

The Commerce Department reported that 4Q20 GDP rose at a 4.1% rate -- down 0.1% from the advance estimate announced last month. As we typically do for the second estimate, we'll take a closer look at the key contributors to GDP. First, the consumer. In 4Q, personal consumption expenditures recovered at a 2.4% pace and contributed 60.8% of core demand (which we define as personal consumption expenditures, equipment and intellectual property spending, housing, exports, and government expenditures). This is in line with the 10-year average, as the consumer sector (the most important component of the economy) continues to recover. Capital investments in equipment accounted for a consistent 5.3% of total GDP, while capital investments in intellectual property accounted for a high 4.4% of GDP, compared to a historical average of 3.6%. Exports remained under pressure (accounting for 9.3% of total demand, below the historical average of 11.1%) as did government spending (down 1% and accounting for 16.0% of total demand, compared to a historical average of 16.6%). We believe that U.S. GDP will recover to pre-COVID-19 levels by the end of 2021, but that the components of GDP will recover at different rates. We look for consumer spending and capital investments in IP to be among the leading contributors to recovery.

GDP CONTRIBUTORS

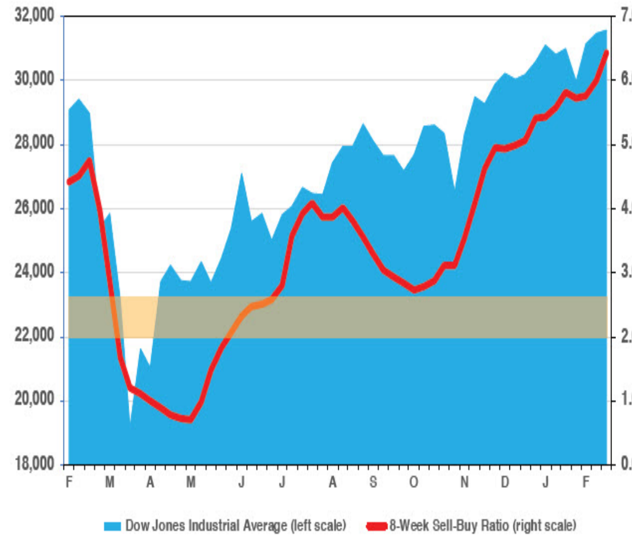


FINANCIAL MARKET HIGHLIGHTS

INSIDERS CAUTIOUS, LED BY TECH

Insider sentiment continues to reflect caution, suggesting that executives, directors, and beneficial owners see few near-term catalysts that are likely to drive stock prices quickly higher anytime soon. By way of supporting data, we offer the proprietary eight-week sell/buy ratios from Vickers Stock Research. The ratios are bearish when they are above 2.50. These longer-term sentiment gauges have hung at cautious levels for about two months. The Vickers NYSE/ASE Eight-Week Sell Buy Ratio is currently 5.26, and has ranged from 5.00 to 5.72 over the past nine weeks. In those same nine weeks, the Vickers Total Eight-Week Sell Buy Ratio (which adds in insider transactions on the Nasdaq) has ranged from 5.28 to 6.43, with the current reading of 6.43 at the top of the range. On an exchange basis, insiders at companies that list on the Nasdaq lead the way, with an Eight-Week Sell/Buy Ratio of 7.39, compared to 5.36 for companies on the NYSE. Based on the recent chart for the Nasdaq Composite, we'd say these insiders got it right when they became cautious a few months ago.

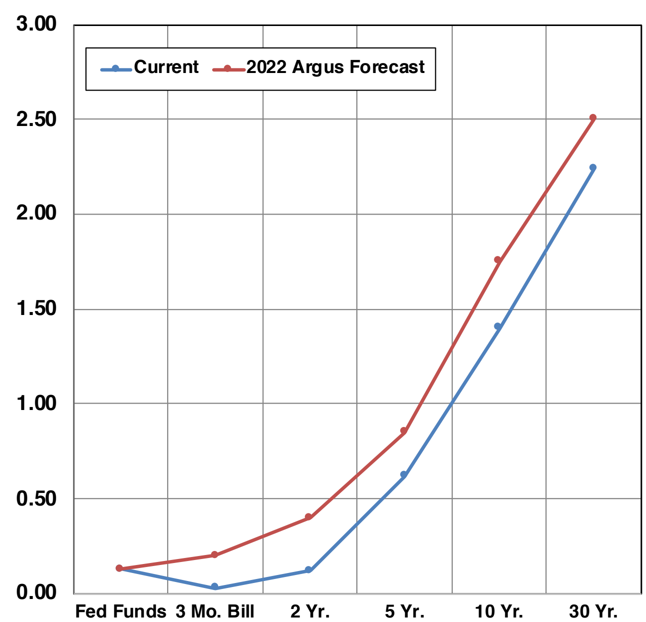
TOTAL 8-WEEK SELL/BUY RATIO VS. DJIA



YIELD CURVE WIDENING

Interest rates at the long end of the yield curve have risen sharply and we expect them to head modestly higher over the next few quarters. The curve (2-year/10-year spread) has steepened from 82 basis points at the start of the year to 145 basis points. While the Fed will focus more on unemployment than inflation, and has pledged to keep short-term rates low, it has less influence over the long end of the yield curve. Bond investors at the long end of the yield curve are concerned that inflation may spiral out of control, especially if Congress rolls out another massive spending plan. The rising long-term interest rates and steepening yield curve hold several implications for investors. First, higher rates impact valuations on equities, and this has caused the stock selloff over the past few days But the steeper yield curve also signals that the U.S. economy may rebound sharply in a few months. The wider spread between short- and long-term bonds is also beneficial for most of the Financial Services sector.

YIELD CURVE & OUTLOOK



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Mar	ISM Manufacturing	February	58.7	58.8	58.8	NA
	Construction Spending	January	1.0%	1.5%	0.8%	NA
3-Mar	ISM Non-Manufacturing	February	58.7	59.0	58.1	NA
4-Mar	Factory Orders	January	1.1%	1.0%	1.0%	NA
	Non-farm Productivity	4Q	-4.8%	2.0%	-4.6%	NA
	Unit Labor Costs	4Q	6.8%	NA	6.6%	NA
5-Mar	Trade Balance	January	$-66.6 Bil.	$-68.0 Bil.	$-67.1 Bil.	NA
	Non-farm Payrolls	February	49000	120000	100000	NA
	Average Weekly Hours	February	35.0	35.0	34.9	NA
	Average Hourly Earnings	February	0.2%	0.2%	0.2%	NA
	Unemployment Rate	February	6.3%	6.3%	6.4%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
16-Mar	Retail Sales	February	5.3%	NA	NA	NA
	Retail Sales; ex-autos	February	5.9%	NA	NA	NA
	Business Inventories	January	0.6%	NA	NA	NA
	Import Price Index	February	1.4%	NA	NA	NA
	Industrial Production	February	0.9%	NA	NA	NA
	Capacity Utilization	February	75.6%	NA	NA	NA
17-Mar	Housing Starts	February	1580 K	NA	NA	NA
18-Mar	Leading Economic Indicators	February	0.5%	NA	NA	NA