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THE ECONOMY AT A GLANCE

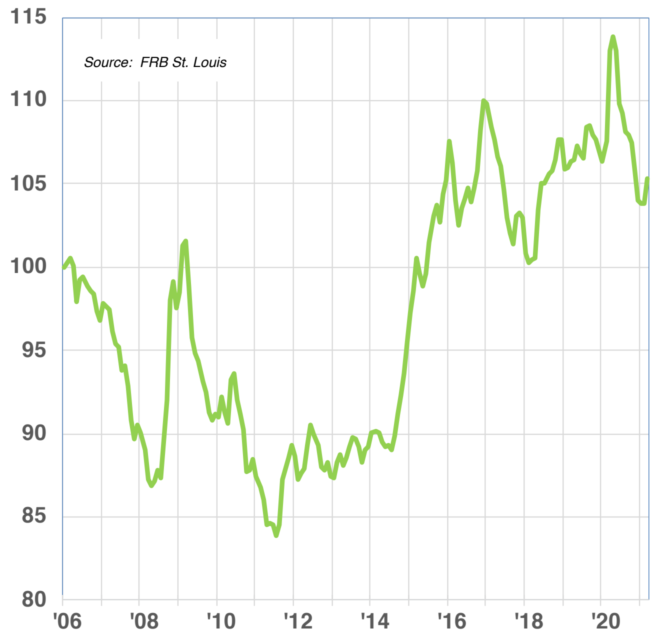
ECONOMIC HIGHLIGHTS

May 10, 2021
Vol. 88, No. 66

DOLLAR DOWN FROM PEAK

The dollar rose to new cycle highs in early 2020, but has pulled back in recent months. On a real trade-weighted basis, the dollar is currently 8% above its average valuation over the past 20 years, down from a 16% overvaluation in April 2020. The value of the U.S. currency reflects several factors, but primarily the relative strength of the U.S. economy and global investor confidence in the U.S. Federal Reserve and Department of Treasury as the world battles COVID-19. We anticipate a trading range around current levels for the greenback this year. That's because potential strengthening of the euro and the pound could attract currency investors. Further, rising U.S. debt levels (in the wake of the recently approved $1.9 trillion fiscal stimulus plan and ahead of another potential $2 trillion or more in infrastructure spending) may deter some global investors from investing in dollar-denominated securities. In addition, the lofty valuation of the greenback implies that other currencies — and even gold or bitcoin — are possibly undervalued, and traders can be expected to bid up those assets over time.

U.S. DOLLAR TREND:
REAL TRADE WEIGHTED U.S. DOLLAR INDEX



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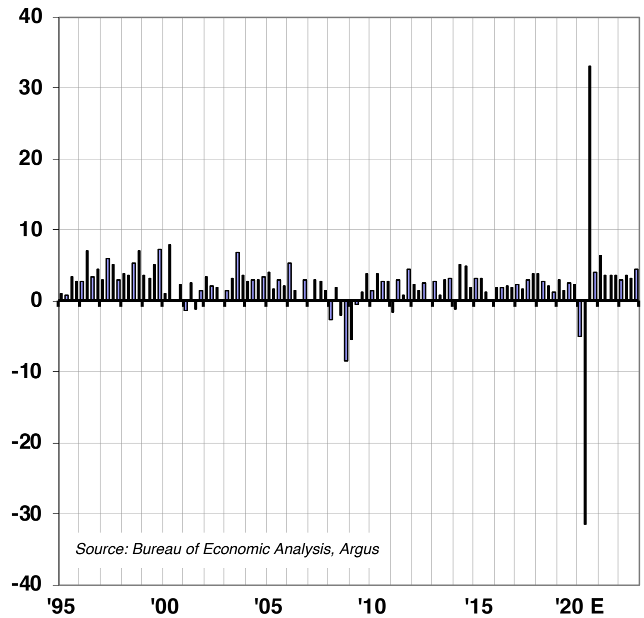
GDP EXPANDS 6.4% IN 1Q

The U.S. GDP growth rate accelerated in 1Q21 to an annualized 6.4%, exactly in line with our estimate. The consumer and government sectors were the key drivers of this growth, as personal consumption expenditures rose at a 10.7% rate and government spending at a 6.3% rate, offsetting a 5% decline in gross private domestic investment and a 1.1% dip in exports. Drilling deeper, we note that consumer spending on durable goods increased 41.4% and spending on nondurable goods rose 14.4%. Services spending increased 4.6%. Spending on equipment rose at a 16.7% rate and spending on intellectual property products rose at a 10.1% rate. Residential investment increased at a 10.8% rate. On an absolute basis and despite three quarters of recovery, current GDP is still about 1% below pre-pandemic levels. The National Bureau of Economic Research has not yet declared the recession over. We look for solid above-trend GDP growth through 2023.

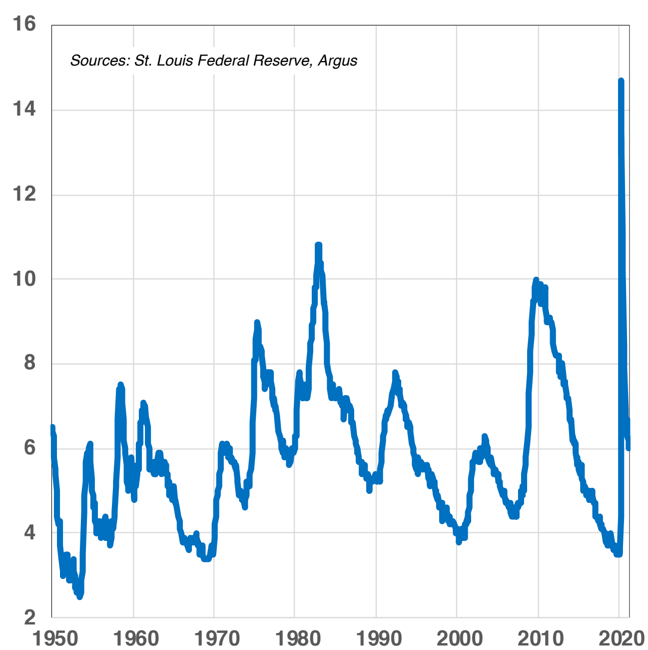
REAL GDP (% GROWTH/QTR)



APRIL PAYROLLS LOWER THAN EXPECTED

The U.S. economy added only 266,000 jobs in April, below the recent trend (650K) and below consensus expectations (978K). In addition, the unemployment rate ticked higher to 6.1%. Revisions to previous months' jobs totals lowered the count by 78,000. Notable job gains in April were in leisure and hospitality, other services, and local government. These were partly offset by employment declines in temporary help services and courier and messenger services. The labor market continues to reflect the impact of the pandemic, as the shape and character of the workforce is changing as the economy recovers. The current number of jobs is approximately 8.5 million lower than the pre-COVID level of February 2020. The labor force participation rate remains a low 61.7%, compared to the historical average of 65%. Last month, 18% of employed persons teleworked because of the pandemic. The Labor Department recently reported that another 498,000 people filed initial unemployment claims, down from more than 700,000 a month earlier; the total of continuing claims was about 3.7 million, down from 4.0 million a month earlier. Though trending in the right direction, the data indicates that the employment environment remains under stress. We expect the unemployment rate to remain above 5.0% into 2022, and look for the Fed to keep interest rates low.

INFLATION MEASURES (% CHANGE Y/Y)

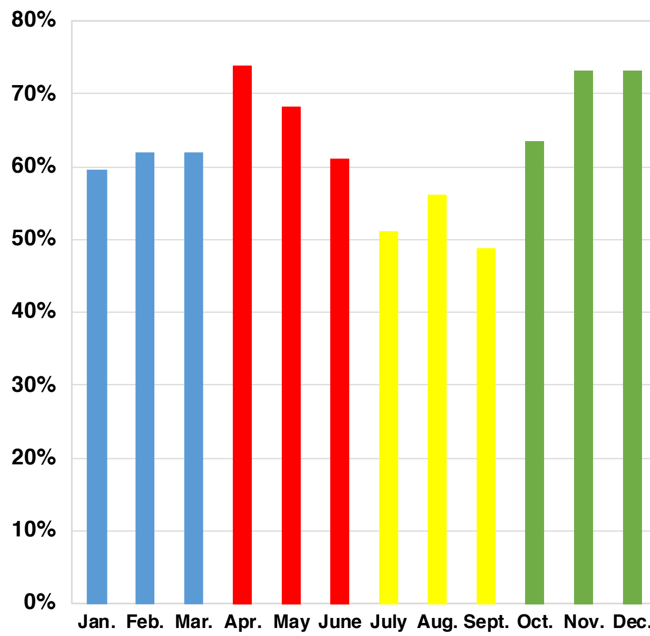


FINANCIAL MARKET HIGHLIGHTS

MAY USUALLY OK

In April, the S&P 500 delivered its best monthly gain so far in 2021 (+5.3%, including dividends). And stocks could see further growth in May. Indeed, the stock market typically rises in May (on average 0.9% and with a 68% winning percentage). We note that market returns in May have exceeded 5% on six occasions since 1980, including a 9.2% gain in 2000; last year was close, at 4.5%. But there have been some clunkers in May, too, including 2010 (-8.2%), 2012 (-6.0%), and 1984 (-5.9%). May starts as a busy month on Wall Street, as companies report their first-quarter earnings and the nonfarm payrolls report is released. But once retailers wrap up their results, investors will be left to ponder global COVID-19 trends, consider Federal Reserve activity, and enjoy the long Memorial Day weekend. We are bullish on stocks, as economic growth, earnings growth, and low interest rates all work to offset valuations that are on the high side as earnings recover. To be safe, we recommend a continued focus on quality stocks with strong earnings trends.

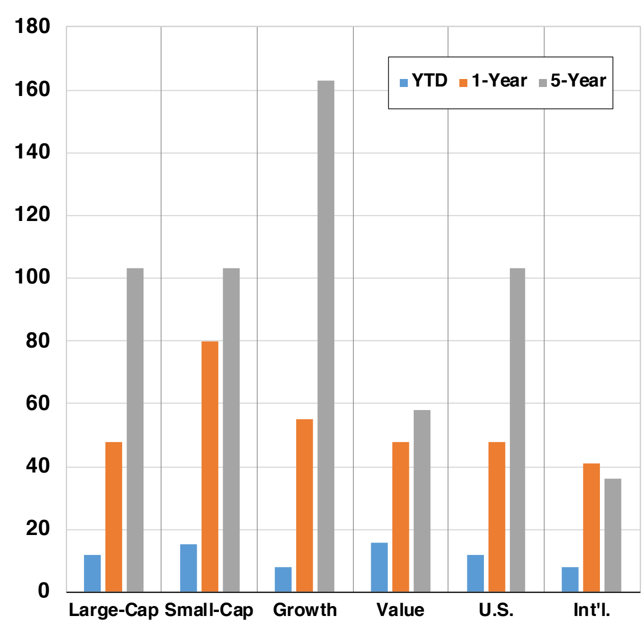
S&P 500 BATTING AVERAGES



ARGUS'S FAVORED CLASSES, SEGMENTS

Stocks kept the momentum going during April, and maintain their performance lead over bonds as summer approaches. Looking ahead, our Stock-Bond Barometer model is close to equally balanced between stocks and bonds for long-term investors. In other words, these asset classes should be near their normal weights in diversified portfolios. We have looked for large-cap companies with strong balance sheets and experienced management teams to be the leaders during the recovery from COVID-19. This has played well, and now, with vaccine distribution continuing, we believe that risks for small-caps have diminished. Our recommended exposure to small- and mid-caps is 15% of equity allocation, in line with the benchmark weighting. U.S. stocks have outperformed global stocks over the past five years. We expect this trend to continue over the long term given volatile global economic conditions and exchange rates. That said, international stocks offer favorable near-term valuations, and we recommend 15%-18% of equity exposure to the group. Value has been a surprise leader in 2021. We anticipate that growth stocks, led by Tech and Healthcare, will recover and outperform value stocks, led by Energy and Materials, as long as interest rates remain low.

MARKET SEGMENT RETURNS 2020
(% THROUGH 4/30/21)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
12-May	Consumer Price Index	April	0.6%	0.2%	0.2%	NA
	CPI ex-Food & Energy	April	0.3%	0.3%	0.3%	NA
13-May	PPI Final Demand	April	1.0%	0.5%	0.2%	NA
	PPI ex-Food & Energy	April	0.7%	0.5%	0.2%	NA
14-May	Retail Sales	April	9.7%	1.0%	0.2%	NA
	Retail Sales; ex-autos	April	8.4%	1.2%	0.6%	NA
	Business Inventories	March	0.5%	0.5%	0.2%	NA
	Import Price Index	April	1.2%	0.6%	0.6%	NA
	Industrial Production	April	1.4%	2.0%	2.2%	NA
	Capacity Utilization	April	74.4%	75.6%	75.4%	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-May	New Home Sales	April	1021000	NA	NA	NA
	Consumer Confidence	May	121.7	NA	NA	NA
27-May	Real GDP	1Q	6.4%	NA	NA	NA
	GDP Price Index	1Q	4.1%	NA	NA	NA
28-May	Personal Income	April	21.1%	NA	NA	NA
	Personal Spending	April	4.2%	NA	NA	NA