Sunwest Bank

BUILT FOR ENTREPRENEURS BY ENTREPRENEURS

Market Data

Interest Rates	Current	Month Ago	Year Ago
Bank Rates (As Of 11/30)			
WSJ Prime	8.50%	8.50%	7.00%
1 Month Term SOFR	5.34%	5.32%	4.13%
Fed Funds Rate	5.33%	5.33%	3.83%
30 Year Mortgage Fixed	7.22%	7.76%	6.49%
Treasury Rates (As Of 11/30)			
10 Year	4.34%	4.76%	3.51%
7 Year	4.36%	4.75%	3.59%
5 Year	4.29%	4.68%	3.66%
3 Year	4.67%	4.77%	3.97%
1 Year	5.15%	5.36%	4.64%
1 Month	5.40%	5.40%	3.81%
1-Month SOFR Term SOFR Swap Rates (As Of 11/30)			
10 Year	3.91%	4.32%	3.14%
7 Year	3.90%	4.30%	3.21%
5 Year	3.94%	4.31%	3.36%
3 Year	4.15%	4.48%	3.76%

Inflation Data	Current	Month Ago	Year Ago
CPI Headline YoY	3.2%	3.7%	7.8%
CPI Core YoY	4.0%	4.1%	6.3%
PPI Headline YoY	-0.4%	2.3%	11.2%
PPI Core YoY	3.2%	3.4%	8.2%

Economic Data	Current	Month Ago	Year Ago
PMI Manufacturing	49.4	50	47.7
PMI Services	50.8	50.6	46.2
Case/Shiller U.S. Home Price Index	312.3	311.4	300.5
Housing Permits	1,498k	1,471k	1,555k
Housing Starts	1,372k	1,346k	1,432k
Retail Sales	$612b	$613b	$602b
Unemployment Rate	3.9%	3.8%	3.7%
Non-Farm Payrolls	+150k	+297k	+324k

LETTER FROM THE PRESIDENT

The Domestic and Global Impact of Oil Costs

Very few things have a greater impact on our economy and life than the cost of energy. Energy is what heats our homes, fuels our cars and transportation, and powers our devices. Oil and gas are still the dominant raw materials in the creation of energy; therefore, the price of oil and gas is a significant determining factor in our standard of living as a society and overall economic growth.

Beyond energy, oil is also the most significant input to our global economy as petroleum and petroleum distillates are major inputs in most products today. Polymers distilled from petroleum are the base for plastics, rubber, electrical wiring, types of clothing we wear, compounds for many chemicals and so on.

As illustrated, oil, natural gas and their byproducts are extremely large inputs in our economy. If global oil production is reduced and demand remains unchanged, prices will increase. If demand increases, the price increase will be even more significant. Even the smallest adjustments in supply and demand can have outsized impacts on price because of the tight balance between supply and demand. This is because it takes large capital investment and time to increase oil production, and the world is

Equity Markets

Indices (As Of 11/30)	Current	Month Ago	Year Ago
DJIA	$35,951	9.18%	4.52%
S&P 500	$4,568	9.62%	12.05%
NASDAQ	$14,226	11.23%	23.90%

Sports Fact of the Month:

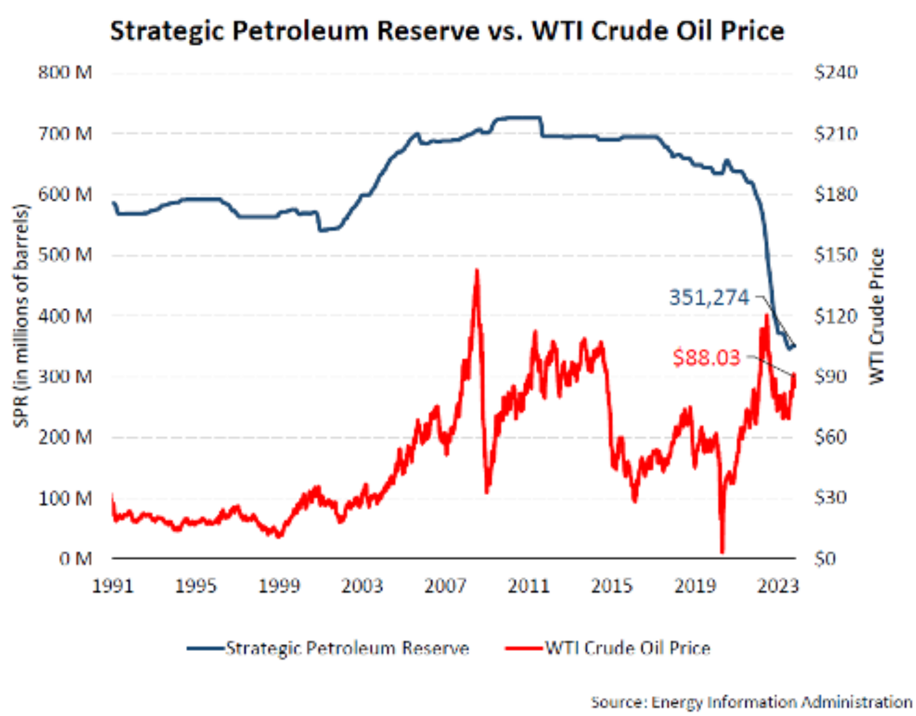
In 1989, oil tycoon Jerry Jones purchased the Dallas Cowboys football team for $140 million. As of 2023, the organization is worth $9 billion, representing more than a 6,300% appreciation.

running out of easily accessible cheap oil.

Over the past six months the price of energy has been volatile. In September, the price of Brent crude oil surged to a high of $96.55 and then declined to $74.46 at the end of November. The primary reasons for these swings are the cross currents being generated by the outlook for economic growth and energy demand as people become increasingly concerned that the world and the US are entering a recession. This is juxtaposed with two factors: the current Biden administration taking aggressive actions against domestic oil producers by canceling pipelines, restricting permitting, and a host of other regulatory impediments, and supply cuts from OPEC (Organization of Petroleum Exporting Countries) and the conflict with Russia are curtailing global oil output.

The big risk is that we could experience a global energy shock due to geopolitical tensions across the Middle East. The many geopolitical factors unfolding globally are creating a scenario for volatile and potentially increasing oil prices because the areas of conflict are directly linked to oil production. We have already seen an increase in energy prices around the globe, and further escalations will likely push energy prices higher. The attack on Israel in early October and the unfolding conflict between Israel, Palestine and the related proxy conflicts developing around the region are increasing the risk of higher global oil and gas prices.

Further, the Biden administration's decision to drain the Strategic Petroleum Reserve (SPR) to reduce the impact of higher oil prices on consumers has put the US strategic reserve at risk because it remains depleted. The US typically has a cushion from the SPR, but at current levels it has been eliminated and puts our country at risk for an oil shock. It also creates a future issue when the SPR is refilled because it will place additional demand on the oil markets amid these supply constraints.



The geopolitical outcomes are difficult to predict; however, greater international uncertainty (including the safety of shipping lanes) could ultimately result in lower production and higher prices. Therefore, despite the recent decline in the price of oil, there is a reasonable probability of higher oil prices in months and years to come. We could even experience higher oil prices while in an economic recession because of the global and domestic supply issues we have highlighted. This will create even greater economic hardship because not only will the consumer and their discretionary income be impacted, but also the margins of businesses dependent on the multitude of products that are created from oil and its byproducts. In the current landscape, it is important to closely track the price of oil and understand the potential impact of higher oil prices on your business and be prepared for a potential energy price shock.

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