WEST SHORE BANK

**WEEKLY RECAP - February 6, 2023**

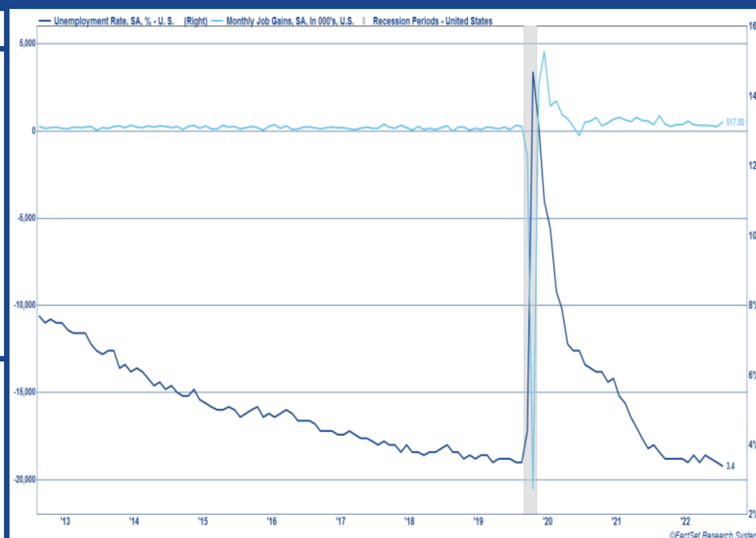
## Economic & Market Commentary

This year is off to good start as stocks returns in January were strong with the tech, small-cap, mid-cap, and international indices leading the way. Looking at the large-cap S&P 500 Index, the January rally was broad based as 8 of the 11 sectors within the S&P 500 advanced. Those sectors advancing were growth oriented while those declining were value oriented. Bonds are off to good start as well as the drop in intermediate and long-term bond yields pushed bond prices higher. Bond prices and yields are inversely related. Driving markets higher has been the continued decline in inflation rates along with signs of expanding weakness in the U.S. economy. This in turn is driving anticipation of a labor market realignment, and the expectation the Federal Reserve will soon be done raising short-term rates and pivoting towards accommodation. The Wall Street Journal has recently published labor market articles highlighting "Corporate Layoffs Spread Beyond High-Growth Tech Giants" and "Companies Cut Temp Workers in Warning Sign for Labor Market". Many high-profile companies have announced layoffs the last couple of weeks including Microsoft, Alphabet, Amazon, IBM, and 3M to name few. With all of these high-profile job layoffs, one would think that labor market data would show signs of expanding weakness. Well, think again. Last week, the December 2022 Job Openings and Labor Turnover (JOLTS) report showed that the number of available jobs increased to 11.0 million from 10.4 million in November. Then, weekly jobless claims, which historically has been a good indicator of near-term labor market trends, posted a reading of only 183,000, which is near 50-year lows. When the labor market is getting weaker, these readings should consistently be well north of 300,000. Finally, monthly job gains in January came in much higher than expected at 517,000 vs. 185,000. Clearly, the labor market is still strong and the Fed has more work to do to correct the imbalance between labor market supply and demand. January's reading may compel the Fed to extend the duration of rate hikes.

## Index Total Returns - February 3, 2023

| | 1-Wk | YTD | 1-Yr |
|---|---|---|---|
| NASDAQ | 3.33 | 14.77 | -12.74 |
| Russell 2000 | 3.90 | 12.81 | 1.17 |
| S&P 400 | 3.40 | 11.52 | 5.13 |
| MSCI-Developed | 0.46 | 9.05 | -3.67 |
| MSCI-Emerging | -1.18 | 8.65 | -11.66 |
| S&P 500 | 1.64 | 7.86 | -6.07 |
| Dow Jones | -0.15 | 2.44 | -1.33 |
| **Barclay's U.S. Bond Index** | | | |
| High Yield | 1.00 | 4.95 | -4.39 |
| Aggregate | 0.03 | 3.02 | -8.18 |
| Municipal | 0.15 | 2.99 | -3.62 |
| 5-year Muni | 0.12 | 2.10 | -1.05 |
| Int. Gov. Credit | 0.00 | 1.71 | -5.15 |

## U.S. Labor Market




## U.S. Treasury Yields

| Treasury Yields | Latest Close | Week Ago | 1-Year Ago |
|---|---|---|---|
| U.S. 1-Yr | 4.82 | 4.72 | 0.75 |
| U.S. 2-Yr | 4.28 | 4.21 | 1.20 |
| U.S. 3-Yr | 3.97 | 3.92 | 1.41 |
| U.S. 5-Yr | 3.67 | 3.62 | 1.66 |
| U.S. 10-Yr | 3.53 | 3.52 | 1.83 |
| U.S. 30-Yr | 3.63 | 3.63 | 2.14 |

## Municipal Yields - Bloomberg/Barclays Index

| Issue Type | Latest Close | Week Ago | 1-Year Ago |
|---|---|---|---|
| U.S. AAA | 2.78 | 2.77 | 1.51 |
| U.S. AA | 2.90 | 2.90 | 1.56 |
| U.S. A | 3.47 | 3.49 | 1.80 |
| U.S. Baa | 4.12 | 4.11 | 2.12 |
| U.S. Municipal | 3.09 | 3.10 | 1.66 |
| Michigan | 3.25 | 3.25 | 1.75 |

## S&P 500 Sector Total Returns - February 3, 2023

| Sector | 1-Wk | YTD | 1-Yr |
|---|---|---|---|
| Communication Services | 5.28 | 21.11 | -20.20 |
| Consumer Discretionary | 2.25 | 17.06 | -15.45 |
| Info Tech | 3.76 | 14.02 | -10.24 |
| Real Estate | 1.52 | 10.87 | -10.31 |
| Materials | 0.03 | 7.39 | 1.03 |
| Financials | 1.01 | 7.04 | -5.19 |
| Industrials | 1.72 | 4.74 | 3.49 |
| Consumer Staples | 0.64 | -1.40 | -1.77 |
| Energy | -5.90 | -1.89 | 32.68 |
| Health Care | -0.10 | -2.32 | 1.62 |
| Utilities | -1.45 | -3.71 | 1.39 |

| Index Characteristics | P/E NTM | P/E NTM 10yr-Avg. | Dividend Yield |
|---|---|---|---|
| S&P 500 - Large Cap | 18.37 | 17.41 | 1.55 |
| S&P 400 - Mid Cap | 14.57 | 15.57 | 1.41 |
| S&P 600 - Small Cap | 14.21 | 16.34 | 1.38 |

Sources: FactSet, U.S. Department of Labor, WSJ