WEST SHORE BANK

WEEKLY RECAP - February 3, 2025

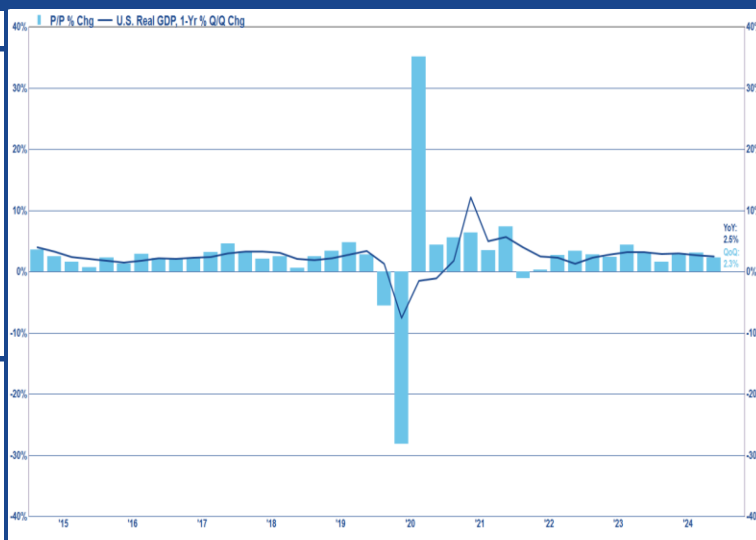
Economic & Market Commentary

In January, stock markets rose across the board posting moderate to strong gains. For the S&P 500, there was a change up thrown at the sector level as Information Technology was the worse perfroming sector declining -2.9% due to the Deep Seek AI debut sending shockwaves through the domestic AI space. All other sectors within the S&P 500 posted positive gains which is a good sign as the markets' advance was broad-based and not concentrated in a handful of tech stocks. The fundamentals that are supportive of continued stock market advances remain in place. Indeed, there were reports released last week highlighting these fundamentals. Even though these reports were released just last week, it seems like a month ago given the pace of the Trump administration. Trying to keep up with President Trump's initiatives is simililar to the I Love Lucy episode where she is trying to keep up with chocolates coming down the conveyer belt. Econonic growth is a key fundamental and in the fourth-quarter 2024 the first estimate for U.S. GDP showed the economy advanced at a +2.3% annualized pace, down from the third-quarter pace of +3.1%. The primary drivers of this growth were increases in consumer spending (+4.2%) and government spending (+2.5%), which were partially offset by a decrease in investment (-5.6%), particularly due to a decline in inventories. Imports, which are subtracted in GDP calculations, also decreased during this period. For calendar year 2024, the first estimate shows growth of +2.8% down slightly from 2023's pace of +2.7%. Consensus for 2025 U.S. GDP is for +2.0% growth. The other vital fundamental is earnings growth. Earnings growth and stock market performance are highly correlated. So far 36% of S&P 500 companies have reported 4Q24 earnings and the growth rate stands at +13.2%. Consensus for 2025 and 2026 has held steady as well at +14.8% and +13.7%, respectively. January was a good start to the year. Looks like February is off to a rocky start.

Index Total Returns - January 31, 2025

	1-Wk	YTD	1-Yr
MSCI-Developed	0.80	5.26	8.65
Dow Jones	0.27	4.78	18.93
S&P 400	-1.10	3.85	20.37
S&P 500	-0.99	2.78	26.38
Russell 2000	-0.86	2.62	19.09
MSCI-Emerging	0.32	1.79	14.75
NASDAQ	-1.63	1.66	30.37
Barclay's U.S. Bond Index			
High Yield	0.20	1.37	9.68
5-year Muni	0.36	0.64	2.14
Int. Gov. Credit	0.36	0.57	3.37
Aggregate	0.44	0.53	2.07
Municipal	0.55	0.50	2.08

U.S. GDP



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.15	4.16	4.72
U.S. 2-Yr	4.20	4.26	4.22
U.S. 3-Yr	4.24	4.32	4.00
U.S. 5-Yr	4.33	4.42	3.86
U.S. 10-Yr	4.55	4.62	3.95
U.S. 30-Yr	4.80	4.85	4.19

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.52	3.60	3.17
U.S. AA	3.56	3.64	3.19
U.S. A	3.92	4.00	3.69
U.S. Baa	4.40	4.49	4.34
U.S. Municipal	3.68	3.76	3.37
Michigan	3.81	3.89	3.53

S&P 500 Sector Total Returns - January 31, 2025

Sector	1-Wk	YTD	1-Yr
Comm. Services	2.67	9.12	45.70
Health Care	1.74	6.79	6.34
Financials	1.25	6.56	35.01
Materials	-0.22	5.59	9.84
Industrials	-1.90	5.03	24.48
Con. Discretion	0.84	4.41	40.85
Utilities	-2.03	2.93	31.00
Energy	-3.75	2.07	8.32
Consumer Staples	1.93	2.04	15.44
Real Estate	-0.32	1.84	12.50
Info Tech	-4.55	-2.90	27.60

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.04	18.53	1.19
S&P 400 - Mid Cap	16.30	15.94	1.33
S&P 600 - Small Cap	16.06	15.74	1.52

Sources: FactSet