WEST SHORE BANK

WEEKLY RECAP - May 30, 2023

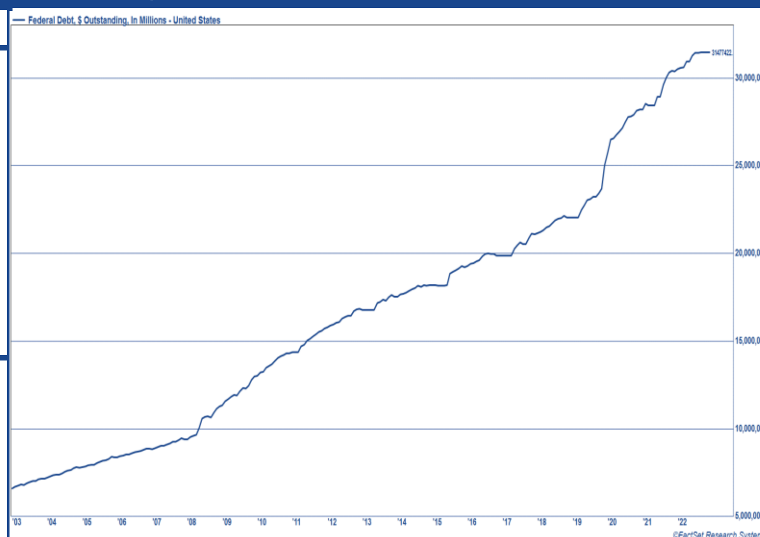
Economic & Market Commentary

The lifting of the debt ceiling has garnered much media attention and created fear and anxiety for investors. In 1917, Congress established the first debt limit thereby setting the maximum amount of outstanding federal debt the U.S. Gov't could incur (debt ceiling). Prior to 1917, Congress was required to approve each Treasury bond issued in a separate piece of legislation which was typically tied to specific project or campaign. During the 1930s, Congress passed the current debt ceiling framework giving the U.S. Treasury Dept. broad authority and flexibility to timely determine the most cost-effective way to issue debt while also simultaneously controlling the maximum level of outstanding U.S. debt allowed. Bumping up against the debt ceiling is not new. In fact, since 1960 the debt ceiling has been raised by Congress 78 times with the most recent in 2021. What used to be a rather routine and fiscally responsible occurrence became a much more contentious process since the Great Recession. That is when U.S. Gov't annual fiscal spending began to skyrocket and has since spun completely out of control, which is rather ironic given the original spirit and intent of the debt ceiling was to foster responsible and prudent spending and limit overall U.S debt. The chart below speaks volumes as to uncontrolled spending and debt. Citing a Moody's piece, "Alexander Hamilton, the nation's first Treasury Secretary, established this principle when he agreed to pay Revolutionary War bond investors 100 cents on the dollar even though the bonds were trading for pennies on the dollar because few believed the new American government would make good on its debt. When the government did make good, it established the sound credit of the U.S. and a global safe haven." U.S. Treasury bonds are still considered the safest and most liquid asset in the world i.e., a risk-free asset. This reputation is what is at stake with each debt ceiling crisis, and the loss of which would have serious and far-reaching financial ramifications. Domestic and international capital markets rely on the economic and political stability of the U.S. Historically, when an agreement is not timely hashed out, Congress temporarily suspends or raises the debt limit to allow more time for negotiations. Going forward, it is hoped Congress will act more responsibly as each debt ceiling crisis further erodes our safe haven reputation.

Index Total Returns - May 26, 2023

	1-Wk	YTD	1-Yr
NASDAQ	2.52	24.43	11.52
S&P 500	0.35	10.29	5.45
MSCI-Developed	-2.29	8.80	6.44
MSCI-Emerging	-0.42	2.52	-2.13
Russell 2000	-0.02	1.26	-2.05
S&P 400	-0.51	1.17	0.10
Dow Jones	-0.97	0.70	3.59
Barclay's U.S. Bond Index			
High Yield	-0.36	3.34	0.44
Int. Gov. Credit	-0.63	1.40	-1.58
Aggregate	-0.67	1.20	-3.76
Municipal	-0.61	1.13	0.54
5-year Muni	-0.44	0.24	0.53

Outstanding U.S. Debt



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.24	5.00	1.92
U.S. 2-Yr	4.56	4.27	2.48
U.S. 3-Yr	4.23	3.95	2.63
U.S. 5-Yr	3.93	3.75	2.72
U.S. 10-Yr	3.80	3.69	2.75
U.S. 30-Yr	3.96	3.95	2.98

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.40	3.28	2.72
U.S. AA	3.55	3.42	2.88
U.S. A	4.06	3.95	3.29
U.S. Baa	4.72	4.63	3.74
U.S. Municipal	3.71	3.59	3.02
Michigan	3.85	3.75	3.16

S&P 500 Sector Total Returns - May 26, 2023

Sector	1-Wk	YTD	1-Yr
Info Tech	5.12	34.57	23.13
Communication Services	1.21	32.98	8.88
Consumer Discretionary	0.37	18.85	3.61
Industrials	-1.40	0.58	7.14
Consumer Staples	-3.21	-0.91	2.07
Materials	-3.06	-1.45	-8.59
Real Estate	-1.34	-2.71	-15.13
Financials	-1.52	-5.72	-6.16
Health Care	-2.86	-5.76	-1.57
Utilities	-2.30	-7.74	-10.31
Energy	-1.06	-8.91	-4.63

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	18.29	17.56	1.58
S&P 400 - Mid Cap	12.93	15.46	1.65
S&P 600 - Small Cap	13.06	16.10	1.80

Sources: FactSet, Council on Foreign Affairs, Moody's Analytics, Brookings Institution and CRFB