WEST SHORE BANK

WEEKLY RECAP - May 20, 2024

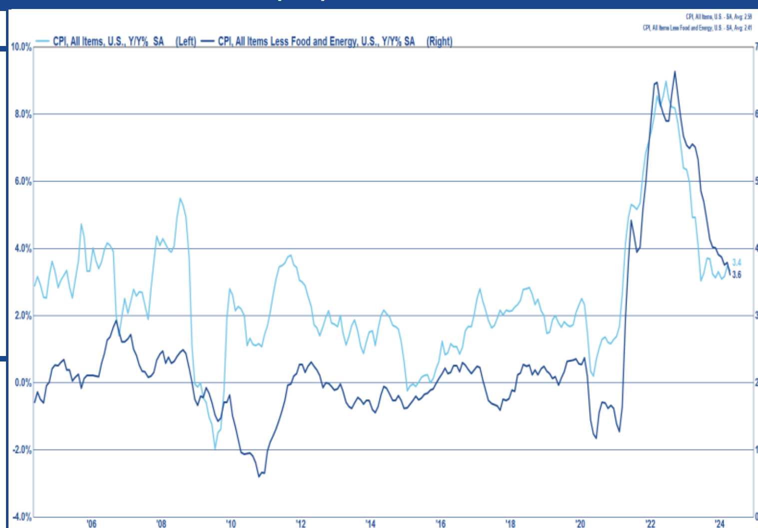
Economic & Market Commentary

Over the past ten months, good economic news and higher than anticipated inflation has been bad news for the markets as it prolonged the theory of “rates higher for longer” by the Fed. Since March 2022, the Fed has aggressively raised rates. Eleven times in fact as the markets anxiously wait, hope, and pray for inflation to further trend towards the Fed's 2% target rate, the labor market to soften, and for the economy to weaken more broadly outside of interest-rate-sensitive industries like manufacturing and housing. In April, markets were under pressure from solid economic readings and three consecutive higher than anticipated monthly inflation readings. Indeed, these readings propelled the prospect that the Fed's first-rate cut could be pushed into 2025. This month, economic readings are painting a weakening landscape and the markets have responded accordingly as stock and bond prices are higher. Headline inflation (CPI) in April posted a level of +0.30% which was lower than the consensus level of +0.40% while the core CPI rate, which excludes food and energy prices, was in-line with consensus at +0.30%. CPI readings over the past year were in-line as well posting +3.4% and 3.6%, respectively. Last Wednesday, a U.S. Bureau of Labor Statistics report showed that average hourly wages posted a modest +0.20% increase in April which indicates the labor market may be further cooling and is consistent with April's monthly payroll gains of 175,000 vs 235,000 consensus. There are signs consumers are starting to feel the higher inflation and interest-rate environment pinch. Retail sales in April were flat missing consensus of +0.40% and are up a modest +3.0% over the past year. The University of Michigan's consumer sentiment index fell 10 percentage points in May to 67.4%, its lowest reading since last November and largest decline in three years. Consumer's 12-month inflation expectations rose to 3.5% from 3.2% and longer-term expectations moved higher as well. Finally, a Federal Reserve Bank of New York report shows delinquencies for credit cards and auto loans are on the rise with 8.9% and 7.9% past due at least 30-days, respectively.

Index Total Returns - May 17, 2024

	1-Wk	YTD	1-Yr
S&P 500	1.60	11.80	29.51
NASDAQ	2.15	11.47	34.52
S&P 400	0.79	9.03	24.76
MSCI-Emerging	2.71	8.32	15.78
MSCI-Developed	1.66	8.06	15.69
Dow Jones	1.35	6.90	22.24
Russell 2000	1.79	3.90	19.92
Barclay's U.S. Bond Index			
High Yield	0.39	1.85	11.32
Int. Gov. Credit	0.37	-0.27	2.33
Municipal	-0.06	-0.61	3.13
5-year Muni	-0.07	-0.66	2.32
Aggregate	0.57	-1.40	1.38

Consumer Price Index (CPI)



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.12	5.17	4.91
U.S. 2-Yr	4.83	4.87	4.16
U.S. 3-Yr	4.61	4.67	3.82
U.S. 5-Yr	4.44	4.51	3.59
U.S. 10-Yr	4.42	4.50	3.57
U.S. 30-Yr	4.56	4.64	3.88

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.50	3.46	3.14
U.S. AA	3.51	3.48	3.27
U.S. A	3.89	3.87	3.80
U.S. Baa	4.38	4.39	4.51
U.S. Municipal	3.65	3.61	3.44
Michigan	3.80	3.78	3.61

S&P 500 Sector Total Returns - May 17, 2024

Sector	1-Wk	YTD	1-Yr
Comm. Services	1.70	21.30	45.69
Utilities	1.52	15.23	12.81
Info Tech	2.95	15.08	44.67
Energy	1.22	14.52	24.49
Financials	1.39	13.28	33.04
Consumer Staples	0.80	10.51	8.05
Industrials	-0.30	10.38	28.42
Materials	0.31	8.03	20.57
Health Care	1.88	7.75	13.59
Con. Discretion	-0.03	2.89	24.61
Real Estate	2.53	-2.53	10.02

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	20.84	18.11	1.31
S&P 400 - Mid Cap	15.75	15.53	1.43
S&P 600 - Small Cap	14.62	15.32	1.75

Sources: FactSet, U.S. Dept. of Labor, U.S. Dept. of Commerce, NY Fed Reserve Bank