WEST SHORE BANK

WEEKLY RECAP - November 21, 2022

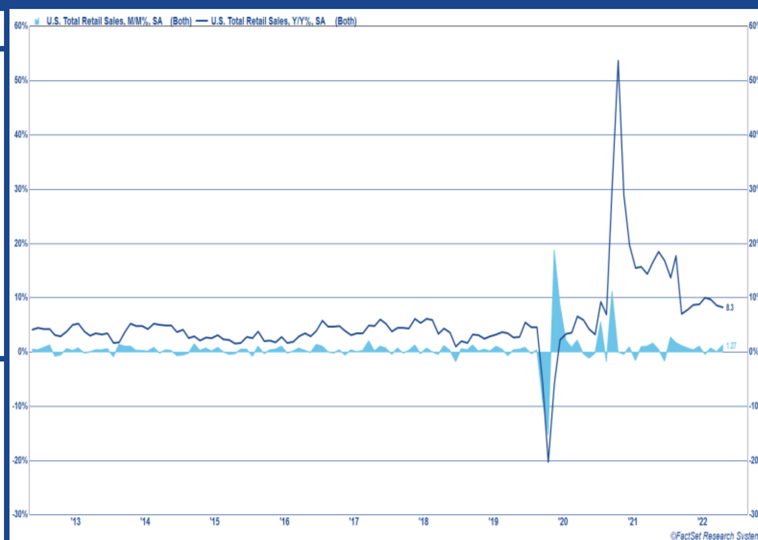
Economic & Market Commentary

Two weeks ago, October inflation (CPI) came in lower than expected and stock markets posted a strong rally on the good news. The bond market welcomed the good reading and bond yields dropped sharply across most of the yield curve falling roughly -0.30% to -0.40% which propelled bond prices and returns higher. Bond yields and prices are inversely related. For the month, headline CPI rose +0.4% vs. expected +0.6% while core CPI, which excludes food and energy, rose +0.3% vs. expected +0.5%. For the last twelve months, headline CPI rose +7.7% vs. expected +8.0% while core CPI rose +6.3% vs. expected +6.5%. Rent/shelter costs, which make up roughly 32% of CPI, continued to increase, rising +0.8% in October, the largest monthly increase in that index since August 1990. Other components posting sharp monthly increases included fuel oil, car insurance, and airfares. Those components posting large monthly declines included used car prices, natural gas, electricity, and health insurance, although health insurance is up +20.6% over the last year. The question becomes is this rally sustainable or just a bear-market rally? Last week stock returns were mixed while bonds yields pushed lower on the longer part of the curve and higher on the short end. One month of good inflation data does not make a trend but the trend has to start somewhere, and this is what the stock market is anticipating. Bond market sentiment shifted as well with the CBOE FedWatch Tool showing the likelihood of a +0.50% rate hike increasing sharply, rising from +59.1% to +80.6% since the CPI release. Prior sentiment favored a +0.75% rate hike. November CPI is scheduled to be released the morning of December 13th which coincides with the start of the two-day FOMC meeting. While indicators continue to point to a coming recession, consumers remain resilient as October retail sales came in much stronger than expected. The Fed still has demand to quell.

Index Total Returns - November 18, 2022

	1-Wk	YTD	1-Yr
Dow Jones	0.11	-5.41	-3.97
S&P 400	-0.79	-10.41	-11.53
S&P 500	-0.61	-15.60	-14.36
Russell 2000	-1.70	-16.63	-20.67
MSCI-Developed	0.26	-15.51	-15.93
MSCI-Emerging	0.79	-21.50	-23.86
NASDAQ	-1.51	-28.23	-29.75
Barclay's U.S. Bond Index			
5-year Muni	1.07	-6.52	-6.24
Int. Gov. Credit	0.02	-8.86	-8.79
Municipal	1.90	-9.67	-9.22
High Yield	0.70	-11.58	-10.83
Aggregate	0.48	-13.69	-13.48

Retail Sales



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.76	4.63	0.16
U.S. 2-Yr	4.50	4.32	0.50
U.S. 3-Yr	4.28	4.20	0.84
U.S. 5-Yr	3.99	3.95	1.22
U.S. 10-Yr	3.81	3.82	1.59
U.S. 30-Yr	3.93	4.06	1.97

S&P 500 Sector Total Returns - November 18, 2022

Sector	1-Wk	YTD	1-Yr
Energy	-1.85	71.81	69.81
Utilities	1.08	-1.70	5.93
Consumer Staples	1.73	-1.07	6.24
Health Care	1.03	-3.37	2.17
Industrials	-0.14	-4.82	-4.86
Financials	-1.47	-8.13	-8.62
Materials	-1.56	-10.28	-7.59
Real Estate	-1.76	-24.78	-18.91
Info Tech	-0.78	-23.77	-21.88
Consumer Discretionary	-3.11	-31.55	-33.82
Communication Services	-0.08	-37.28	-39.14

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.37	3.64	1.00
U.S. AA	3.52	3.81	1.06
U.S. A	4.12	4.40	1.31
U.S. Baa	4.69	4.95	1.58
U.S. Municipal	3.72	3.99	1.16
Michigan	3.82	4.11	1.28

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	17.29	17.32	1.61
S&P 400 - Mid Cap	13.25	15.56	1.48
S&P 600 - Small Cap	12.64	16.23	1.50

Sources: FactSet, CBOE