WEST SHORE BANK

WEEKLY RECAP - September 3, 2024

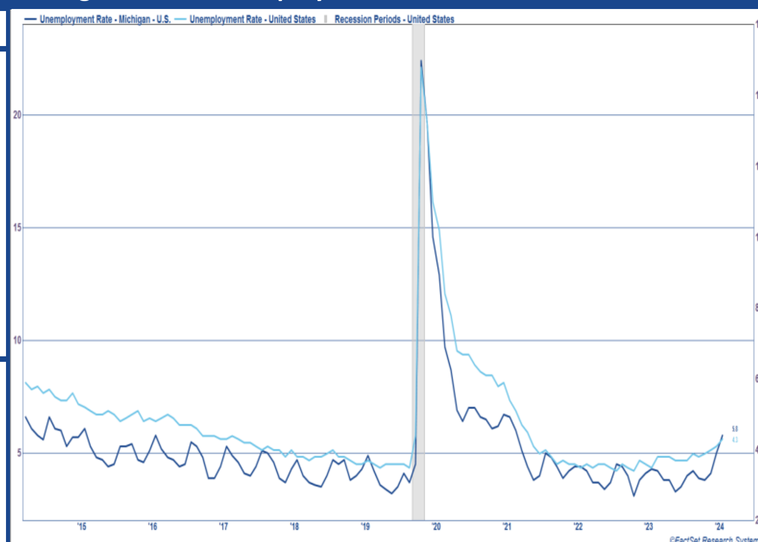
Economic & Market Commentary

The major indices were mostly higher in August with the S&P 500 up for a fourth-straight month. Nasdaq underperformed but still posted modest monthly gains while small caps underperformed. Defensive sectors were the best performers. August started with a sharp selloff, with the S&P 500 shedding more than 6% in the first three trading days and the Magnificent Seven lost nearly 10% in the first week of the month. The selloff was driven by growth fears after the July payrolls miss raised concerns that the Fed is behind the curve. Following the weak report, Fed rate cut expectations spiked, with the bond market pricing in a 70% chance of a 50 bp cut in September. The market selloff was also amplified by an unwinding of the yen carry trade given the divergence in Fed and BoJ monetary policy expectations, while the VIX spiked above 65 in early August in the biggest intraday jump on record. However, as the month progressed the market rebounded and erased the early month declines as soft landing odds rose over the course of the month and July CPI was in-line with consensus expectations. Following the inflation data, Fed Chair Powell confirmed the Fed's shift in focus to the labor market in his speech in Jackson Hole. Powell said upside risks to inflation have diminished and that the Fed will do everything it can to support a strong labor market. This Friday's August payrolls report is a key data point ahead of the September 18th FOMC rate decision. Rate cut optimism was a key piece of last month's market rebound. As growth fears eased, Fed rate cut expectations also came down, with the market now pricing in just a 30% chance of a 0.50% cut in September and a 70% chance of a 0.25% cut. Treasuries rallied sharply last month for a fourth-straight monthly advance, the longest since 2020. The yield curve flattened significantly as well, with the 2Y/10Y spread falling as low as -2 bp near the end of the month.

Index Total Returns - August 30, 2024

	1-Wk	YTD	1-Yr
S&P 500	0.27	19.53	27.14
NASDAQ	-0.91	18.57	27.15
S&P 400	-0.13	12.24	18.75
MSCI-Developed	0.43	11.76	19.19
Dow Jones	1.07	11.75	22.06
Russell 2000	-0.01	10.39	18.47
MSCI-Emerging	-0.37	9.19	14.70
Barclay's U.S. Bond Index			
High Yield	0.20	6.29	12.55
Int. Gov. Credit	-0.20	3.55	7.11
Aggregate	-0.44	3.15	7.38
5-year Muni	0.06	1.52	5.03
Municipal	0.01	1.30	6.09

Michigan & U.S. Unemployment Rate



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.41	4.38	5.40
U.S. 2-Yr	3.92	3.91	4.88
U.S. 3-Yr	3.79	3.72	4.56
U.S. 5-Yr	3.71	3.65	4.28
U.S. 10-Yr	3.92	3.80	4.11
U.S. 30-Yr	4.21	4.10	4.23

S&P 500 Sector Total Returns - August 30, 2024

Sector	1-Wk	YTD	1-Yr
Info Tech	-0.36	27.14	38.73
Comm. Services	-0.67	23.11	32.13
Financials	2.63	22.58	35.39
Utilities	0.55	22.55	25.55
Consumer Staples	0.10	17.68	18.58
Health Care	1.22	16.31	20.11
Industrials	1.83	16.26	23.60
Energy	-0.09	11.35	6.35
Materials	1.25	11.21	16.15
Real Estate	0.48	10.64	21.95
Con. Discretion	0.64	6.37	12.43

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.30	3.29	3.59
U.S. AA	3.31	3.30	3.62
U.S. A	3.68	3.68	4.13
U.S. Baa	4.17	4.16	4.71
U.S. Municipal	3.45	3.44	3.80
Michigan	3.57	3.58	3.95

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.36	18.27	1.24
S&P 400 - Mid Cap	15.87	15.95	1.36
S&P 600 - Small Cap	15.33	15.27	1.64

Sources: FactSet, Federal Reserve