WEST SHORE BANK

Economic & Market Commentary

Stock markets rose for the second week in a row driven higher by a pullback in commodity prices and Federal Reserve minutes which indicated they are committed to bringing inflation under control. Given upside surprises to ISM Services survey and June non-farm payrolls, the Fed's level of commitment is going to be tested in the coming months. The bond market did not react kindly to the upside surprises as bond yields rose across the entire yield curve, which inverted again between two-year and ten-year treasuries. Inversion is when short-end bond yields are higher than longer-end bond yields. Historically, an inverted yield curve has been a reliable indicator of a pending recession. The U.S. Treasury Yields section below highlights the inversion as of the close Friday. The Fed is raising short-term rates to combat inflation with the goal being to reduce overall demand. The intended by-product of the Fed's campaign will be slower economic growth and higher unemployment. June's non-farm payroll of 372,000 came in higher than expected and shows their efforts have not taken hold yet. The consensus forecast for June non-farm payrolls was 275,000. The unemployment was unchanged at 3.6% for the fourth month in a row. An important highlight to note in the U.S. Bureau of Labor Statistics report revealed the number of people not in the labor force rose to 99.8 million in June from 99.3 million in May and remains well above the level of 95 million in February 2020. As we commented on in our 2Q22 Quarterly Investment Commentary, most of these "lost workers ' are not coming back and it is one of the main reasons the labor market remains very tight. As of this morning, CBOE Fedwatch Tool shows an 80% probability short-term rates will be between 3.25% and 3.75% one year from now.

Index Total Returns - July 8, 2022

	1-Wk	YTD	1-Yr	Une
Dow Jones	0.82	-12.84	-7.18	
MSCI-Emerging	0.94	-17.50	-21.98	
S&P 500	1.98	-17.52	-8.42	0
S&P 400	1.09	-17.69	-11.12	
MSCI-Developed	0.97	-19.40	-17.35	-5,000
Russell 2000	2.43	-20.66	-19.76	
NASDAQ	4.58	-25.33	-19.52	-10,000
Barclay's U.S. Bond Index				
5-year Muni	0.56	-4.79	-4.91	-15,000
Int. Gov. Credit	-0.68	-6.93	-7.92	
Municipal	0.79	-7.93	-8.12	
Aggregate	-0.87	-10.59	-11.24	-20,000
High Yield	1.33	-12.89	-11.80	'12

U.	S. Non-Farm Payrolls		
5,000	- Unemployment Rate, SA, ½, -U, S. (Right) - Monthly Job Gains, SA, In 000's, U.S. Recession Periods - United States		16%
0,000		172.00	14%
			12%
-5,000			10%
-10,000	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		-8%
-15,000	- man	<u> </u>	6%
-20,000		15	4%
۲	12 113 114 115 116 117 118 119	'20 '21 GFactSet Research Sys	2% stems

			S&P 500 Sector Total Returns - July 8, 2022			
Latest	Week	1-Year	Sector	1-Wk	YTD	1-Yr
Close	Ago	Ago	Energy	-2.39	30.55	44.21
2.83	2.64	0.07	Utilities	-2.83	-0.95	11.53
3.12	2.83	0.19	Consumer Staples	-0.44	-4.65	7.82
3.15	2.85	0.36	Health Care	0.80	-6.48	3.52
3.14	2.88	0.73	Industrials	-0.21	-16.22	-12.32
3.10	2.89	1.29	Financials	0.61	-17.05	-8.34
3.27	3.12	1.92	Materials	-1.48	-18.56	-8.41
Municipal Yields - Bloomberg/Barclays Index			Real Estate	-0.95	-19.31	-6.38
Latest	Week	1-Year	Info Tech	4.35	-23.54	-10.87
Close	Ago	Ago	Communication Services	5.12	-26.09	-25.46
2.71	2.85	0.76	Consumer Discretionary	4.56	-28.38	-20.90
2.86	3.00	0.82		P/E	P/E NTM	Dividend
3.35	3.47	1.02	Index Characteristics	NTM	10yr-Avg.	Yield
3.86	4.00	1.37	S&P 500 - Large Cap	16.41	17.17	1.55
3.03	3.17	0.90	S&P 400 - Mid Cap	11.63	15.74	1.47
3.16	3.28	0.99	S&P 600 - Small Cap	11.45	16.40	1.41
	Close 2.83 3.12 3.15 3.14 3.10 3.27 g/Barclays Latest Close 2.71 2.86 3.35 3.86 3.03	Close Ago 2.83 2.64 3.12 2.83 3.15 2.85 3.14 2.88 3.10 2.89 3.27 3.12 g/Barclays Index Close Ago 2.71 2.85 2.86 3.00 3.35 3.47 3.86 4.00 3.03 3.17	CloseAgoAgo2.832.640.073.122.830.193.152.850.363.142.880.733.102.891.293.273.121.92g/Barclays IndexCloseAgo2.712.850.762.863.000.823.353.471.023.864.001.373.033.170.90	Close Ago Ago Energy 2.83 2.64 0.07 Utilities 3.12 2.83 0.19 Consumer Staples 3.15 2.85 0.36 Health Care 3.14 2.89 0.73 Industrials 3.10 2.89 1.29 Financials 3.27 3.12 1.92 Materials g/Barclays Index Real Estate Info Tech Close Ago Ago Communication Services 2.71 2.85 0.76 Consumer Discretionary 2.86 3.00 0.82 - 3.35 3.47 1.02 Index Characteristics 3.86 4.00 1.37 S&P 500 - Large Cap 3.03 3.17 0.90 S&P 400 - Mid Cap	CloseAgoEnergy-2.392.832.640.07Utilities-2.833.122.830.19Consumer Staples-0.443.152.850.36Health Care0.803.142.880.73Industrials-0.213.102.891.29Financials0.613.273.121.92Materials-1.48g/Barclays IndexReal Estate-0.95LatestWeek1-YearInfo Tech4.35CloseAgoAgoCommunication Services5.122.712.850.76Consumer Discretionary4.562.863.000.82P/E3.353.471.02Index CharacteristicsNTM3.864.001.37S&P 500 - Large Cap16.413.033.170.90S&P 400 - Mid Cap11.63	CloseAgoAgoEnergy-2.3930.552.832.640.07Utilities-2.83-0.953.122.830.19Consumer Staples-0.44-4.653.152.850.36Health Care0.80-6.483.142.880.73Industrials-0.21-16.223.102.891.29Financials0.61-17.053.273.121.92Materials-1.48-18.56g/Barclays IndexKeel Estate-0.95-19.31LatestWeek1-YearInfo Tech4.35-23.54CloseAgoAgoConsumer Discretionary4.56-28.382.863.000.82P/EP/E NTM3.353.471.02Index CharacteristicsNTM10yr-Avg.3.864.001.37S&P 500 - Large Cap16.4117.173.033.170.90S&P 400 - Mid Cap11.6315.74

Data Source(s): FactSet, CBOE, Bureau of Labor Statistics