WEST SHORE BANK

WEEKLY RECAP - August 8, 2022

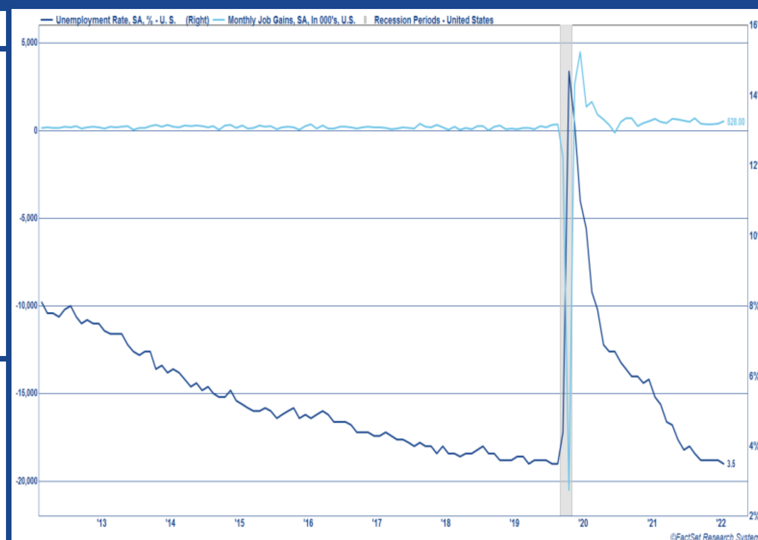
Economic & Market Commentary

The Federal Reserve has a dual mandate of price stability (long-term inflation rate goal of 2%) and maximum employment. Right now, these two objectives are at the opposite ends of the scale. The labor market is one of the tightest or strongest in history, certainly in my lifetime, while inflation rates are at forty-year highs. The Federal Reserve is currently in the midst of its most aggressive rate hike campaign since the early 1990s to bring these two mandates back into better balance. At the last FOMC meeting in July, the Fed shifted gears and was not giving near-term forward guidance on how much they would raise rates or which way they were leaning for rate hikes at the next FOMC meeting which is in September. Instead, Fed Chair Powell noted the decision on the level of the next rate hike would be data dependent and that there would be roughly eight weeks between now and the next meeting which will include two more readings on the inflation and the labor market. More specifically, they will be looking at the level of economic activity, labor market conditions, alignment between supply and demand, and of course inflation, especially core inflation. In three of these four criteria, they are looking for meaningful signs of a measured slowdown. Well, based on the economic reports released last week, the Fed is likely to be leaning towards more aggressive rate hikes. First, both ISM business activity surveys came in higher than expected. Manufacturing activity came in at a level of 52.8% vs. expected of 52.0% while Service activity came in at 56.7% vs. expected of 53.5%. Respondents in both surveys noted rising costs, still tight labor market, inventory reductions, slow easing of supply chain issues and an overall rising cautious outlook. Second, July job data came in much stronger than expected with job gains of 528,000 vs. expected of 250,000 and the unemployment rate dropped to 3.5%. The job gains were broad-based by industry and wages rose at a hefty 0.5% for the month. Also, both May and June job gains were revised upward.

Index Total Returns - August 5, 2022

	1-Wk	YTD	1-Yr
Dow Jones	-0.11	-8.71	-4.60
S&P 400	-0.31	-11.09	-6.10
S&P 500	0.39	-12.24	-5.01
Russell 2000	1.96	-13.77	-13.00
MSCI-Developed	-0.65	-16.11	-16.24
MSCI-Emerging	0.96	-17.04	-20.72
NASDAQ	2.18	-18.73	-14.40
Barclay's U.S. Bond Index			
5-year Muni	-0.09	-3.87	-4.41
Int. Gov. Credit	-0.92	-6.12	-7.29
Municipal	-0.12	-6.69	-7.08
High Yield	0.66	-8.53	-7.24
Aggregate	-1.04	-9.11	-10.08

U.S. Labor Market



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	3.15	2.84	0.08
U.S. 2-Yr	3.23	2.90	0.20
U.S. 3-Yr	3.19	2.82	0.38
U.S. 5-Yr	2.97	2.70	0.72
U.S. 10-Yr	2.84	2.64	1.21
U.S. 30-Yr	3.07	2.98	1.86

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.54	2.47	0.73
U.S. AA	2.68	2.62	0.78
U.S. A	3.16	3.11	0.99
U.S. Baa	3.62	3.60	1.29
U.S. Municipal	2.84	2.79	0.87
Michigan	2.90	2.90	0.97

S&P 500 Sector Total Returns - August 5, 2022

Sector	1-Wk	YTD	1-Yr
Energy	-6.80	34.82	56.93
Utilities	0.41	5.35	13.33
Consumer Staples	0.11	-2.36	8.08
Health Care	-0.70	-5.95	0.32
Industrials	0.58	-8.36	-5.26
Financials	-0.01	-12.87	-7.41
Materials	-1.29	-13.97	-5.05
Real Estate	-1.32	-14.35	-3.83
Info Tech	2.00	-15.35	-4.64
Consumer Discretionary	1.17	-19.17	-10.24
Communication Services	1.16	-26.73	-28.68

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	17.66	17.21	1.47
S&P 400 - Mid Cap	12.64	15.72	1.37
S&P 600 - Small Cap	12.25	16.42	1.34

Sources: FactSet, ISM, Federal Reserve, U.S. Dept. of Labor