WEST SHORE BANK

WEEKLY RECAP - May 19, 2025

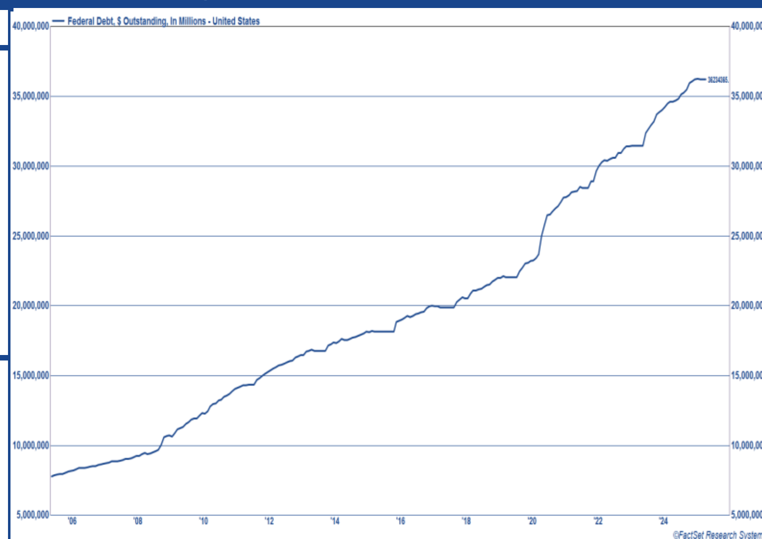
Economic & Market Commentary

Stocks markets last week posted strong gains, with easing of trade tensions between the United States and China being the biggest catalyst as the two countries came to a temporary agreement. The agreement was more aggressive than expected, with the U.S. tariff rate on Chinese goods being cut from 145% to 30%, while the China tariff rate on US goods will come down from 125% to 10%. The reductions are effective for next 90 days as the two sides work on a broader deal. Following the agreement, several Street economists raised their US growth forecasts, cut inflation projections, and see less risk of recession. The S&P 500 is now only 3% off of its February record high. Inflation in April came in lower that expected at the consumer and wholesale levels, although both are expected to drift modestly higher over the coming months due to tariffs. There was another big piece of news that came out after the close last Friday and that was the downgrade of U.S. Treasury debt from Moody's. Moody's was the last major credit rating agency to downgrade U.S. debt. Moody's downgrade from AAA to AA1 reflects deep concerns about rising debt ($36 trillion and growing), persistent deficits ($1-2 trillion annually), and growing annual interest costs (Now $1 trillion due to higher rates), compounded by a lack of effective fiscal policy responses. This decision, supported by detailed projections and aligned with other major rating agencies, underscores the urgency of addressing U.S. fiscal challenges. The long-term implications are clear: continued fiscal expansion without credible efforts to stabilize debt could eventually impact borrowing costs and economic flexibility. Standard & Poors and Fitch Ratings already downgraded U.S. debt back in 2011 and 2023, respectively, citing similar concerns about debt-ceiling brinkmanship and lack of structural reform.

Index Total Returns - May 16, 2025

	1-Wk	YTD	1-Yr
MSCI-Developed	0.94	14.35	9.88
MSCI-Emerging	3.09	10.04	9.39
S&P 500	5.33	1.81	13.99
Dow Jones	3.50	0.89	8.88
NASDAQ	7.21	-0.26	15.86
S&P 400	4.87	-0.52	4.02
Russell 2000	4.51	-4.78	2.21
Barclay's U.S. Bond Index			
Int. Gov. Credit	-0.10	2.50	5.74
High Yield	0.87	2.41	8.74
Aggregate	-0.19	2.01	4.50
5-year Muni	0.17	0.87	2.67
Municipal	0.02	-0.75	0.81

U.S. Outstanding Debt



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.12	4.05	5.12
U.S. 2-Yr	4.00	3.88	4.80
U.S. 3-Yr	3.97	3.87	4.57
U.S. 5-Yr	4.07	3.99	4.40
U.S. 10-Yr	4.44	4.38	4.38
U.S. 30-Yr	4.90	4.84	4.52

S&P 500 Sector Total Returns - May 16, 2025

Sector	1-Wk	YTD	1-Yr
Utilities	2.48	9.44	17.35
Industrials	5.59	9.43	16.60
Financials	3.53	7.28	24.39
Consumer Staples	1.56	6.92	10.86
Real Estate	0.94	3.98	12.25
Materials	2.53	3.92	-3.02
Comm. Services	6.55	2.08	18.60
Energy	3.46	0.68	-5.76
Info Tech	8.21	-0.40	17.67
Health Care	0.31	-2.82	-7.33
Con. Discretion	7.76	-4.60	21.25

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.84	3.83	3.48
U.S. AA	3.90	3.90	3.50
U.S. A	4.29	4.29	3.87
U.S. Baa	4.78	4.77	4.37
U.S. Municipal	4.03	4.03	3.63
Michigan	4.16	4.15	3.78

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.63	18.66	1.24
S&P 400 - Mid Cap	16.03	16.07	1.43
S&P 600 - Small Cap	15.37	15.39	1.66

Sources: FactSet