WEST SHORE BANK

WEEKLY RECAP - July 25, 2022

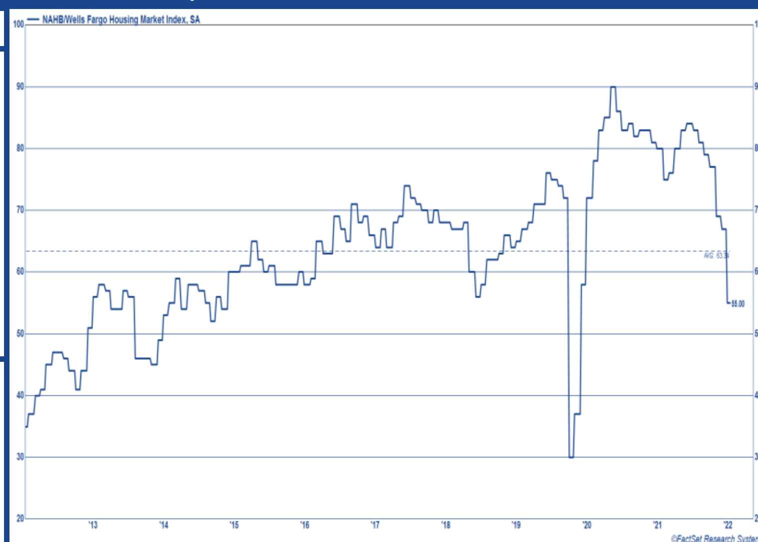
Economic & Market Commentary

Stock markets rose moderately to sharply last week on peak inflation narrative and some better than expected second-quarter earnings releases although the pace of earnings growth is slowing. The bond market is signaling a pending recession as yields fell across the curve which remains inverted between 2s and 10s. Historically, an inverted yield has been a reliable indicator of recession. Last week there continued to be signs the economy is weakening: more companies announced layoffs and/or hiring freezes; existing home sales and new housing starts came in lower than expected; home builder confidence dropped 12 points in July to 55, its second largest monthly drop ever; weekly initial jobless claims rose hitting its highest level this year at 251,000 (yet still remains well below its historical average); the Markit flash July reading on PMI services dropped to 47 which is a contractionary level; and the Leading Economic Indicators Index (LEI) came in much lower than expected and now forecasts a recession later this year or early next year. All eyes will be on the Federal Reserve this week and they are expected to raise short-term rates another 0.75% on Wednesday. The Fed has indicated they are determined to bring inflation under control even if it means pushing the economy into a recession. The Fed contends the economy and the labor market are strong enough to withstand rate hikes without pushing the economy into recession. The Fed forecasts year-end short-term rates of 3.4% in 2022 and 3.8% in 2023. The bond market disagrees and is currently reflecting lower year-end rates for both 2022 and 2023 as show below in the U.S. Treasury Yields section. The U.S. economy is in the early innings of this slowdown and investors are eager to learn the moves the Fed is going to take to ensure this slowdown doesn't go into extra innings.

Index Total Returns - July 22, 2022

	1-Wk	YTD	1-Yr
Dow Jones	2.00	-11.24	-6.60
S&P 400	4.05	-14.96	-8.23
S&P 500	2.57	-16.17	-7.95
MSCI-Developed	4.43	-17.31	-15.24
MSCI-Emerging	3.00	-18.16	-23.28
Russell 2000	3.59	-18.96	-16.85
NASDAQ	3.33	-24.05	-18.84
Barclay's U.S. Bond Index			
5-year Muni	0.22	-4.35	-4.65
Int. Gov. Credit	0.85	-5.81	-6.92
Municipal	0.24	-7.43	-7.74
Aggregate	1.17	-8.74	-9.57
High Yield	2.48	-10.50	-9.29

Home Builder Optimism Index



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	2.89	2.98	0.07
U.S. 2-Yr	2.99	3.13	0.21
U.S. 3-Yr	2.95	3.14	0.37
U.S. 5-Yr	2.88	3.05	0.73
U.S. 10-Yr	2.79	2.93	1.26
U.S. 30-Yr	3.00	3.10	1.90

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.62	2.66	0.75
U.S. AA	2.78	2.82	0.79
U.S. A	3.27	3.29	0.99
U.S. Baa	3.74	3.79	1.33
U.S. Municipal	2.94	2.98	0.88
Michigan	3.06	3.09	0.96

S&P 500 Sector Total Returns - July 22, 2022

Sector	1-Wk	YTD	1-Yr
Energy	3.54	31.06	53.68
Utilities	-0.45	-1.50	10.32
Consumer Staples	0.52	-4.05	7.25
Health Care	-0.32	-7.14	1.50
Industrials	4.14	-13.80	-10.95
Financials	2.91	-15.39	-7.86
Materials	4.15	-16.28	-5.59
Real Estate	3.02	-17.24	-5.13
Info Tech	3.61	-21.03	-9.85
Consumer Discretionary	6.81	-24.30	-16.48
Communication Services	-1.16	-29.33	-29.53

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	16.74	17.19	1.53
S&P 400 - Mid Cap	12.05	15.72	1.44
S&P 600 - Small Cap	11.75	16.35	1.41

Sources: FactSet, Federal Reserve, NAR, NAHB, Conference Board, Markit, DOL