WEST SHORE BANK

WEEKLY RECAP - September 26, 2022

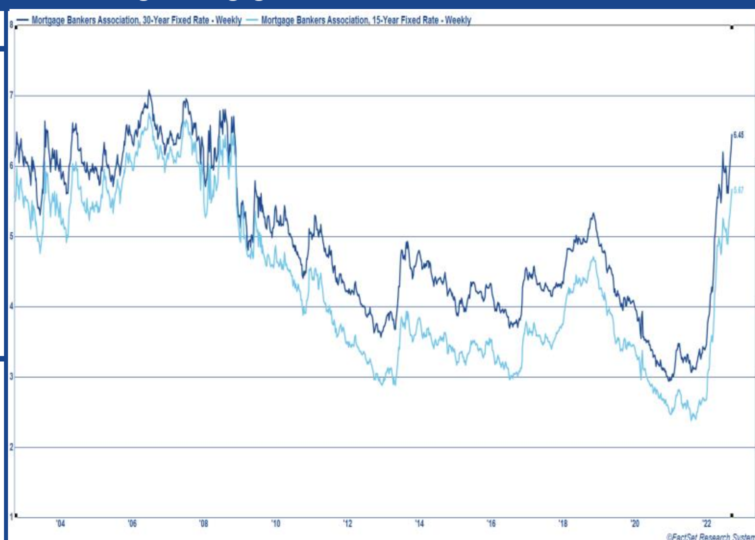
Economic & Market Commentary

Last Wednesday, the Federal Reserve raised the short-term target rate by 0.75% to a range of 3.00% - 3.25% and projected additional increases of 1.25% by year end. Fed Chair Powell also reiterated the Committee's resolve and commitment to their price stability mandate and getting inflation under control. Stock and bond markets did not react favorably to the Fed's actions, selling off sharply. Stocks are on pace for their worst year since the Great Recession while bonds are on pace for their worst year in history. Technically, the intermediate-bond market is in a correction (-13.8%) and the long-bond market is in a bear market (-26.8%). In my thirty-plus year investment career, this is a first for the bond market. Speaking of bear markets, every major broad-based stock index has closed in bear-market territory except the Dow, which moved into a bear market intra-day but closed just above the threshold. It is times like these that test the nerves of investors, and it is likely to get uglier before better, but there are signs the turmoil will likely wane. The Fed are looking for three things before moving from their restrictive monetary policy stance. First, is below trend economic growth. The Fed is trying to bring supply and demand back into balance for the economy. There are already indicators this is taking effect as the housing market has weakened considerably, economic growth in moderating, and GDP estimates are moving lower. Second, the Fed is looking for clear and consistent evidence that inflation is slowing down. This will take time, but energy prices are much lower, and the dollar is at multi-decade highs against most major currencies which will keep a lid on import prices. Finally, they are looking for a loosening of the labor market and better balance between labor supply and demand. COVID structurally changed the labor market, and the thought is that over time slower economic demand will lead to less job openings and slightly higher unemployment. More companies are announcing hiring freezes and layoffs. Let's hope the Fed is not making a policy misstep, like their response to COVID, with their aggressive rate hiking campaign against inflation. The Fed is projected to raise rates into year end, but then it is likely to be in wait and see mode.

Index Total Returns - September 23, 2022

	1-Wk	YTD	1-Yr
Dow Jones	-4.00	-17.30	-13.15
S&P 400	-5.92	-20.30	-15.91
S&P 500	-4.63	-21.61	-15.71
Russell 2000	-6.58	-24.48	-24.70
MSCI-Emerging	-4.03	-24.70	-26.79
MSCI-Developed	-5.60	-26.10	-26.29
NASDAQ	-5.06	-30.13	-27.26
Barclay's U.S. Bond Index			
5-year Muni	-1.48	-7.51	-7.79
Int. Gov. Credit	-1.17	-9.22	-9.93
Municipal	-1.35	-11.28	-11.18
High Yield	-1.75	-13.57	-13.30
Aggregate	-1.56	-13.75	-14.24

MBA Average Mortgage Rates



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	3.95	3.80	0.08
U.S. 2-Yr	4.20	3.85	0.26
U.S. 3-Yr	4.22	3.81	0.52
U.S. 5-Yr	3.98	3.63	0.93
U.S. 10-Yr	3.69	3.45	1.40
U.S. 30-Yr	3.61	3.52	1.92

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.56	3.25	0.86
U.S. AA	3.71	3.41	0.91
U.S. A	4.19	3.90	1.12
U.S. Baa	4.71	4.40	1.42
U.S. Municipal	3.87	3.57	1.00
Michigan	3.93	3.63	1.10

S&P 500 Sector Total Returns - September 23, 2022

Sector	1-Wk	YTD	1-Yr
Energy	-9.00	32.34	47.58
Utilities	-2.99	2.50	13.33
Consumer Staples	-2.15	-8.31	1.23
Health Care	-3.36	-11.88	-5.93
Industrials	-4.54	-18.83	-14.34
Financials	-5.58	-19.32	-16.73
Materials	-5.63	-23.25	-13.85
Real Estate	-6.37	-26.03	-16.76
Consumer Discretionary	-7.01	-28.19	-21.18
Info Tech	-3.57	-28.45	-20.38
Communication Services	-5.09	-37.13	-38.94

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	15.70	17.28	1.68
S&P 400 - Mid Cap	11.13	15.66	1.60
S&P 600 - Small Cap	10.60	16.34	1.61

Sources: FactSet, Federal Reserve