WEST SHORE BANK

WEEKLY RECAP - August 31, 2026

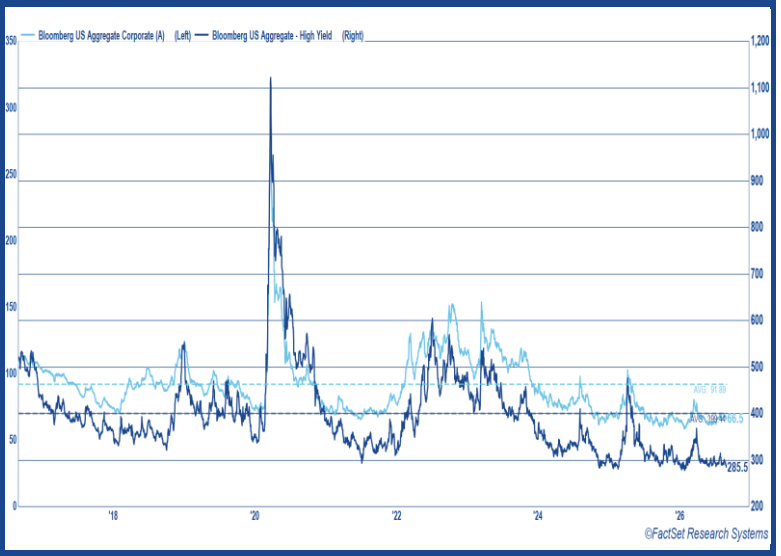
Economic & Market Commentary

Stock markets finished mixed last week as inflation and monetary policy moved back to center stage. Investor attention was focused on Wednesday's July Personal Consumption Expenditures (PCE) report, the Federal Reserve's preferred inflation gauge. While both Headline and Core PCE came in slightly hotter than expected on a monthly basis, the year-over-year figures were unchanged from June at 3.7% and 3.3%, respectively. Notably, Core PCE has now declined only twice over the past nine months, underscoring the persistence of underlying inflation pressures. Despite the modest upside surprise, bond market reaction was muted, with Treasury yields ending little changed and rising just 2-3 basis points. The more consequential event came Friday at the Federal Reserve's annual Jackson Hole symposium. In his first Jackson Hole address as Fed Chair, Kevin Warsh delivered a speech titled "Our Time" that markets interpreted as decidedly hawkish. Warsh highlighted an economy that continues to demonstrate resilience despite elevated interest rates. Business investment in equipment and intangible assets is running near 9%, its strongest pace since 2021, with more than half of 2026 growth linked to artificial intelligence-related spending. He further noted that corporate profits remain strong, margins are elevated, credit spreads remain tight, corporate bond issuance is robust, and bank commercial and industrial lending standards are accommodative. In his view, credit and loan markets are showing few signs of policy restraint. Warsh stated he would be "hard pressed" to characterize financial conditions as restrictive and described labor markets as "quite stable" and consistent with full employment. He also criticized the Fed's traditional use of forward guidance, arguing that it has "overstayed its welcome" and expressing a preference for a "quieter Fed" that allows markets to form expectations from incoming data rather than policymakers' forecasts. He concluded by emphasizing that he is "committed to a discipline, not a decision," signaling a willingness to remain data dependent while keeping all policy options available. Markets immediately repriced the path of monetary policy. The yield curve flattened as the 2-year Treasury yield rose 11 basis points to 4.34%, while the 10-year Treasury yield increased 5 basis points to 4.73%. Expectations for an additional 0.25% Fed rate hike at the September meeting climbed from the mid-30% range before the speech to the mid-to-high 50% range by week's end. The message from Jackson Hole was clear: despite signs of moderating inflation, tighter monetary policy remains firmly on the table.

Index Total Returns - August 28, 2026

	1-Wk	YTD	1-Yr
MSCI-Emerging	0.05	24.28	39.16
Russell 2000	-1.49	20.65	26.51
S&P 400	-1.32	15.29	17.11
MSCI-Developed	0.11	14.27	21.74
NASDAQ	0.85	14.03	22.37
S&P 500	0.50	13.51	20.01
Dow Jones	0.55	12.58	19.28
Barclay's U.S. Bond Index			
High Yield	0.27	2.72	4.91
5-year Muni	0.03	0.82	1.82
Municipal	-0.16	0.49	4.44
Int. Gov. Credit	-0.08	0.18	1.82
Aggregate	0.13	-0.21	1.86

Corporate Credit Spreads - Remain Well Below Avg. (Tight)



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.13	4.01	3.85
U.S. 2-Yr	4.35	4.23	3.63
U.S. 3-Yr	4.41	4.31	3.59
U.S. 5-Yr	4.49	4.42	3.69
U.S. 10-Yr	4.73	4.73	4.20
U.S. 30-Yr	5.21	5.27	4.87

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.82	3.79	3.72
U.S. AA	3.82	3.79	3.75
U.S. A	4.14	4.12	4.13
U.S. Baa	4.68	4.65	4.79
U.S. Municipal	3.93	3.90	3.89
Michigan	4.02	4.02	4.02

S&P 500 Sector Total Returns - August 28, 2026

Sector	1-Wk	YTD	1-Yr
Energy	-1.96	41.23	43.55
Info Tech	1.80	22.52	31.08
Materials	-0.37	17.66	16.56
Industrials	-1.72	14.85	17.03
Real Estate	-1.28	13.04	10.98
Health Care	-1.95	11.61	27.80
Consumer Staples	-0.49	9.91	8.91
Financials	1.07	7.07	9.63
Comm. Services	1.57	1.80	14.95
Utilities	-0.09	1.47	3.82
Con. Discretion	0.06	0.72	3.50

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	19.67	19.48	1.01
S&P 400 - Mid Cap	15.83	16.66	1.19
S&P 600 - Small Cap	14.99	16.49	1.44

Sources: FactSet, Federal Reserve, Bureau of Economic Analysis