WEST SHORE BANK

WEEKLY RECAP - January 22, 2024

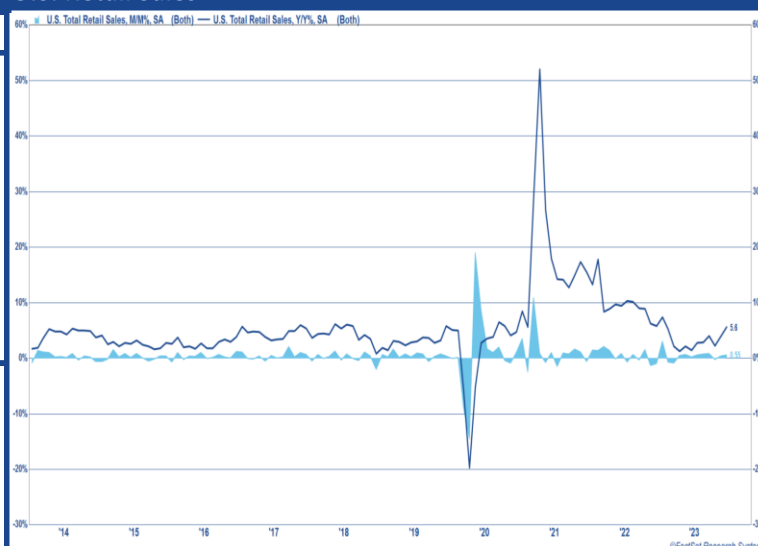
Economic & Market Commentary

Stock markets finished mixed last week however the S&P 500 closed Friday at a new all-time high of 4,389 with rate cut expectations and tech stocks leading the way. Longer-term bond yields moved higher as economic data released last week continues to show that despite much higher interest rates, the economy presses forward. The Fed's latest Beige Book notes strong consumer spending offsetting weak manufacturing. January's edition of Fed's Beige Book showed eight Districts reporting little or no change in economic activity. Three Districts reported modest growth and one reported a moderate decline. Contacts from nearly all Districts reported decreases in manufacturing activity while consumer spending met expectations in most Districts over the holidays. Districts noted high rates were hindering auto sales and real estate deals, though the prospect of falling rates was creating some optimism. Other areas of noted uncertainty included the office market, 2024 election, and overall weakening demand. Regarding labor market, nearly all Districts cited one or more signs of cooling labor market. On inflation and prices, six Districts noted slight or modest price increases with consumer price sensitivity also being cited as forcing retailers to narrow profit margins and resist suppliers' efforts to raise prices. Three Districts noted firms were expecting price increases to further ease over the next year. Shifting to retail sales, December retail sales were hotter than expected, rising 0.6% m/m against consensus for 0.4%. Analysts see report as evidence of continued consumer resilience despite high-rate backdrop and pressures such as resumption of student-loan repayments. This report could boost first-quarter 2024 GDP forecasts and play into the soft-landing narrative. Fed fund futures are pricing rate in cuts of 1.5% to 1.75% this year alone which seems rather optimistic given the turtle's pace higher rates are having on the economy. Near-term expect rate cut forecasts to adjust modestly lower while longer-term rates adjust higher. We expect the shape of the yield curve to flatten and then steepen by year end.

Index Total Returns - January 19, 2024

	1-Wk	YTD	1-Yr
NASDAQ	2.26	2.01	42.27
S&P 500	1.19	1.54	26.18
Dow Jones	0.76	0.55	17.08
S&P 400	0.46	-1.41	10.78
MSCI-Developed	-2.13	-2.52	8.20
Russell 2000	-0.33	-4.05	7.57
MSCI-Emerging	-2.54	-5.13	-3.09
Barclay's U.S. Bond Index			
Int. Gov. Credit	-0.70	-0.58	2.52
High Yield	-0.52	-0.68	8.70
5-year Muni	-0.54	-0.82	1.48
Municipal	-0.77	-1.01	2.28
Aggregate	-1.10	-1.39	0.67

U.S. Retail Sales



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.86	4.65	4.72
U.S. 2-Yr	4.39	4.17	4.12
U.S. 3-Yr	4.16	3.91	3.76
U.S. 5-Yr	4.06	3.84	3.49
U.S. 10-Yr	4.14	3.96	3.40
U.S. 30-Yr	4.34	4.20	3.57

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.23	3.07	2.73
U.S. AA	3.28	3.12	2.87
U.S. A	3.79	3.63	3.45
U.S. Baa	4.43	4.27	4.10
U.S. Municipal	3.45	3.30	3.07
Michigan	3.60	3.46	3.22

S&P 500 Sector Total Returns - January 19, 2024

Sector	1-Wk	YTD	1-Yr
Info Tech	4.32	4.98	61.20
Communication Services	1.95	4.42	51.84
Health Care	-0.70	2.36	6.53
Financials	0.96	0.84	11.24
Consumer Staples	-0.93	0.29	4.20
Industrials	0.31	-1.28	17.30
Consumer Discretionary	0.52	-1.47	33.62
Real Estate	-2.23	-3.12	3.62
Utilities	-3.70	-3.77	-8.40
Materials	-1.49	-3.88	3.55
Energy	-3.04	-4.29	-7.52

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	19.84	17.92	1.41
S&P 400 - Mid Cap	14.39	15.51	1.54
S&P 600 - Small Cap	13.67	15.20	1.80

Sources: FactSet