WEST SHORE BANK

WEEKLY RECAP - August 19, 2024

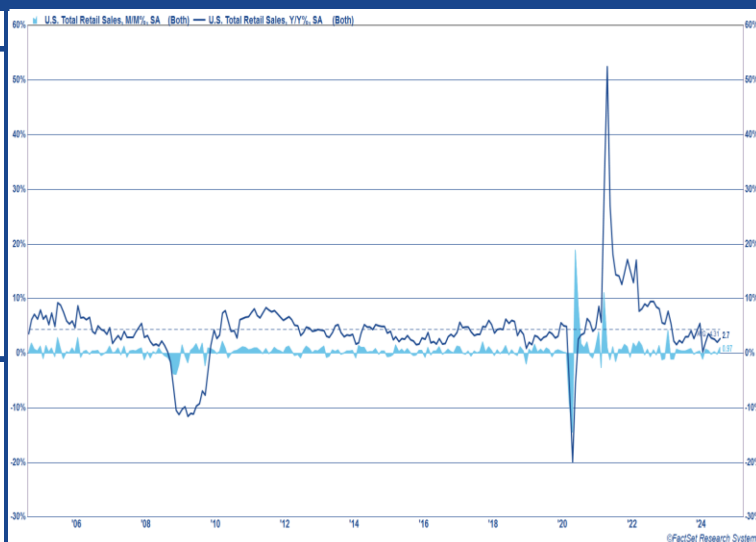
Economic & Market Commentary

The combination of a stronger-than-expected retail sales number and favorable inflation report sent stocks sharply higher last week. After a few months of lackluster retail sales, July posted a reading of +1.0%, far exceeding the consensus expectation of +0.30%. The majority of business segments rose in July including motor vehicles +3.6%, electronics +1.6%, building supplies & food and beverage +0.9%, health care products +0.8% and general merchandise & furniture +0.5%. Miscellaneous retail (-2.5%) and sporting goods (-0.7%) were the only decliners. Over the past twelve months, retail sales have grown +2.7%, which is below the 20-year historical average of +4.3%. This report helped to allay fears of a pending recession and support the economic soft-landing narrative. The July Consumer Price Inflation (CPI) report came in as expected at both the headline and core level for the month and for the past year. At the headline level, CPI rose +0.2% m/m and +2.9% y/y, the smallest 12-month increase since March 2021. At the core level, +0.2% m/m and +3.2% y/y, the smallest 12-month increase since April 2021. Some notable y/y changes: Eggs +19.1%, Frozen Drinks +19.2%, Motor Insurance +18.6%, Plants +10.6%, Sporting Events +8.8%, Furniture -8.8%, Cookware -10.3%, Used Cars -10.9%, Men's Suits -12.0%, Apples -14.5%. This CPI report should serve to further build the Federal Reserve's confidence in trend inflation and the likelihood of a September rate cut. However, current inflation levels are still high relative to the Fed's +2.0% target inflation rate, and it is likely going to be a while before reaching this target level and there will be bumps along the way. As usual, the economic data released last week, especially the retail and initial claims reports, swayed fed funds futures. A week ago, there was a 50% chance of either a 0.25% or 0.50% rate cut in September. Presently, there is a 75% chance of a 0.25% cut and 25% chance of a 0.50% rate cut.

Index Total Returns - August 16, 2024

	1-Wk	YTD	1-Yr
NASDAQ	5.35	18.00	23.93
S&P 500	3.99	17.47	22.96
S&P 400	2.63	9.27	12.26
Dow Jones	3.02	9.15	16.83
MSCI-Emerging	2.90	8.84	7.28
MSCI-Developed	4.09	8.30	11.08
Russell 2000	2.98	6.56	8.63
Barclay's U.S. Bond Index			
High Yield	0.77	5.32	11.84
Int. Gov. Credit	0.28	3.23	6.76
Aggregate	0.53	2.91	6.44
Municipal	0.18	1.20	4.46
5-year Muni	0.13	0.96	3.75

U.S. Retail Sales



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.48	4.48	5.37
U.S. 2-Yr	4.06	4.05	4.97
U.S. 3-Yr	3.86	3.87	4.67
U.S. 5-Yr	3.76	3.79	4.42
U.S. 10-Yr	3.89	3.94	4.27
U.S. 30-Yr	4.15	4.22	4.37

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.32	3.34	3.49
U.S. AA	3.34	3.36	3.52
U.S. A	3.71	3.72	4.02
U.S. Baa	4.17	4.20	4.62
U.S. Municipal	3.47	3.49	3.69
Michigan	3.59	3.61	3.88

S&P 500 Sector Total Returns - August 16, 2024

Sector	1-Wk	YTD	1-Yr
Info Tech	7.58	27.67	37.46
Comm. Services	1.00	22.49	30.98
Utilities	1.18	19.59	14.98
Financials	3.23	17.25	26.07
Consumer Staples	1.68	14.84	11.58
Health Care	1.97	13.08	15.96
Industrials	2.19	12.27	16.97
Energy	1.20	10.53	7.48
Materials	2.31	6.83	7.91
Real Estate	0.11	6.34	13.69
Con. Discretion	5.25	4.35	9.02

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.16	18.24	1.26
S&P 400 - Mid Cap	15.55	15.95	1.40
S&P 600 - Small Cap	14.98	15.28	1.69

Sources: FactSet, U.S. Census Bureau, U.S. Bureau of Labor Statistics