WEST SHORE BANK

WEEKLY RECAP - July 28, 2025

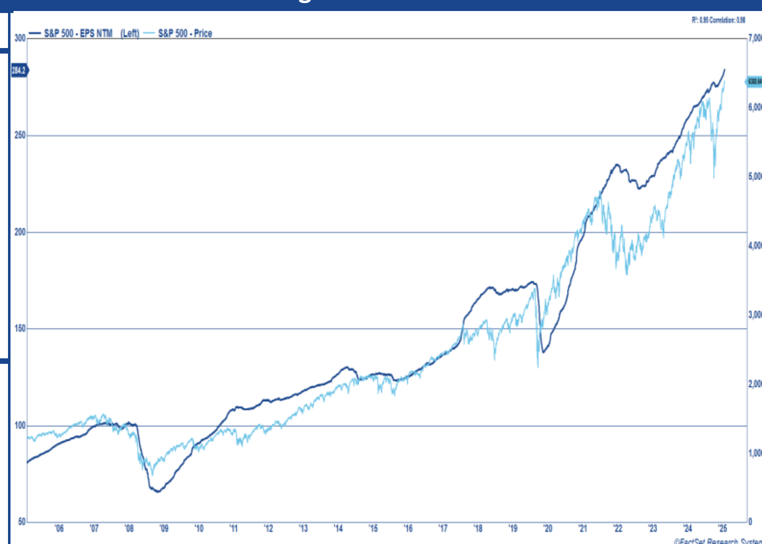
Economic & Market Commentary

Stocks advanced last this week with the S&P and Nasdaq both ending at new record highs. Corporate earnings and positive trade developments drove markets higher. With roughly one-third of way into the S&P 500 second-quarter 2025 (2Q25) earnings season, earnings are coming in better than expected. Entering 2Q25, the forecasted earnings rate was +4.9% and as of the close last Friday, the actual earnings rate is +6.4%. As we have noted frequently, the estimated earnings growth rate for calendar year 2025 (FY25) has declined substantially during the year from +14.8% last December's to +8.9% two months ago. Over the past few weeks, the forecast has crept up a bit and stands at +9.6% for FY25. Earnings growth is critically important to sustain and advance market multiples, i.e., prices. There is a strong correlation between earnings growth and market performance. The other market catalyst was positive trade developments. Last week saw trade deals announced with Indonesia, the Philippines and Japan. There were reports throughout last week the U.S. and the E.U. were closing in on a trade deal and yesterday, it was announced that they did reach a trade deal. It appears trade negotiations between the U.S. and China are moving in a positive direction as well. Increasing clarity on the trade front is a major positive as it provides businesses certainty on the path forward for normal daily activity and future investments. With large-cap valuations elevated and setting daily record highs, a market pullback is likely and actually healthy/normal. Market analysts continue to not that the economy will be dealing with a double-digit increase in the effective tariff rate this year and some level of inflation pressure will be developing this year. The estimated U.S. tariff rate averages we have seen range from 9% to 16%, which is a substantial increase from the historical overall average rate of 2.5%. So far, tariff related inflation has been muted.

Index Total Returns - July 25, 2025

	1-Wk	YTD	1-Yr
MSCI-Developed	1.92	21.12	18.77
MSCI-Emerging	0.70	18.85	19.74
NASDAQ	1.02	9.71	23.71
S&P 500	1.47	9.42	19.92
Dow Jones	1.28	6.55	14.41
S&P 400	1.49	3.98	8.01
Russell 2000	0.95	2.14	3.11
Barclay's U.S. Bond Index			
High Yield	0.35	5.07	9.12
Int. Gov. Credit	0.15	3.94	5.43
Aggregate	0.37	3.60	4.49
5-year Muni	0.26	2.99	3.96
Municipal	0.40	-0.99	-0.42

S&P 500 - Price & Earnings Correlation



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.09	4.06	4.84
U.S. 2-Yr	3.92	3.87	4.44
U.S. 3-Yr	3.86	3.84	4.26
U.S. 5-Yr	3.95	3.96	4.14
U.S. 10-Yr	4.38	4.43	4.25
U.S. 30-Yr	4.92	5.00	4.50

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.85	3.89	3.43
U.S. AA	3.89	3.94	3.45
U.S. A	4.29	4.34	3.81
U.S. Baa	4.86	4.92	4.28
U.S. Municipal	4.02	4.07	3.58
Michigan	4.19	4.23	3.71

S&P 500 Sector Total Returns - July 25, 2025

Sector	1-Wk	YTD	1-Yr
Industrials	2.30	18.37	26.71
Utilities	0.89	13.21	23.50
Info Tech	0.69	12.88	25.81
Comm. Services	2.21	11.94	33.30
Financials	1.68	11.42	26.90
Materials	2.35	10.74	4.53
Real Estate	2.24	6.86	10.50
Consumer Staples	0.01	5.62	9.36
Energy	1.40	3.50	-1.96
Health Care	3.48	0.09	-6.83
Con. Discretion	1.24	-0.35	25.41

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.58	18.81	1.16
S&P 400 - Mid Cap	16.34	16.13	1.36
S&P 600 - Small Cap	15.34	15.27	1.59

Sources: FactSet