WEST SHORE BANK

WEEKLY RECAP - October 20, 2025

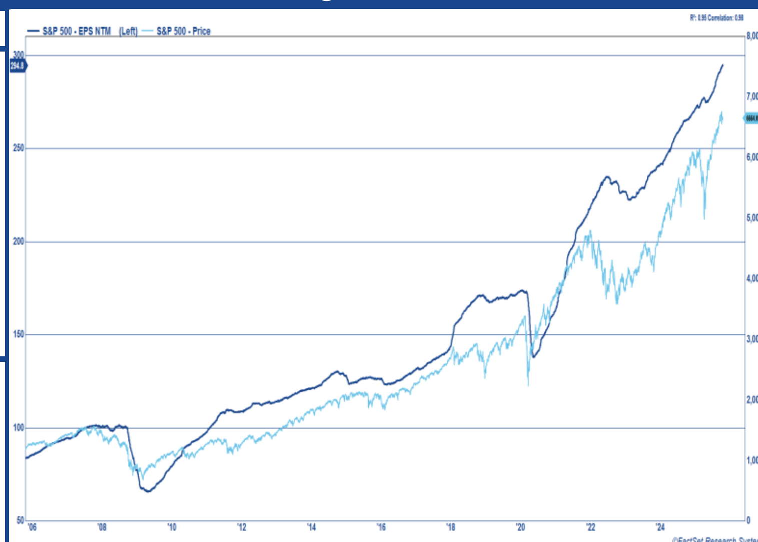
Economic & Market Commentary

Entering 2025, estimated earnings growth of companies within the S&P 500 stood at +14.8%. As new tariff and trade policies were unfolding during the first quarter, growth estimates for both earnings and the U.S. economy moved sharply lower. The lack of modern-era historical data and precedent surrounding tariffs created significant levels of uncertainty and investor angst. Estimates of the likelihood of an economic recession increased to 50%-60% and 2025 earnings growth plummeted +8.9% in May, a 40% decline from the beginning of the year. Shortly thereafter, economic data started to trickle in each month that showed tariff policies were having lower-than-expected economic impact. Estimates reversed course and started to slowly improve for both the economy and earnings growth. As stated in the Weekly numerous times over the years, there is a very high correlation (98%) between earnings growth and market advances/declines. S&P 500 earnings estimates have rebounded nicely from the May low and currently stand at +11.0%. Calendar year 2026 estimates stand at +13.9%. Earnings season for the third quarter (3Q25) kicked off last week with many bank and financial companies posting better-than-expected results including Morgan Stanley, Bank of America, JP Morgan, Travelers, Goldman Sachs and Wells Fargo. 3Q25 earnings are forecasted to grow +8.5%. The U.S. economy performed better than expected in 2Q2025 growing at a +3.8% annualized pace. The Federal Reserve Bank of Atlanta's GDPNow estimates growth of +3.9% for the third quarter driven higher by growing exports, resilient consumer spending (which accounts for two-thirds' of the U.S. economy), and robust business investment. Growth improvement is tempered by a slowing labor market which the Federal Reserve has indicated is a growing risk as both the supply and demand for labor has declined, which they noted is unusual in an expanding economy.

Index Total Returns - October 17, 2025

	1-Wk	YTD	1-Yr
MSCI-Emerging	-0.29	29.05	22.42
MSCI-Developed	0.68	25.62	18.71
NASDAQ	2.14	18.05	24.27
S&P 500	1.71	14.47	15.57
Russell 2000	2.41	11.13	8.98
Dow Jones	1.56	10.03	8.66
S&P 400	1.97	4.51	2.34
Barclay's U.S. Bond Index			
High Yield	0.47	7.06	7.43
Aggregate	0.45	7.23	5.48
Int. Gov. Credit	0.32	6.44	5.69
5-year Muni	0.12	4.75	3.91
Municipal	0.49	3.69	2.76

S&P 500 - Price and Earnings Correlation



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	3.55	3.63	4.21
U.S. 2-Yr	3.46	3.58	3.98
U.S. 3-Yr	3.46	3.59	3.89
U.S. 5-Yr	3.59	3.72	3.90
U.S. 10-Yr	4.00	4.12	4.09
U.S. 30-Yr	4.60	4.71	4.39

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.39	3.47	3.28
U.S. AA	3.44	3.52	3.30
U.S. A	3.80	3.88	3.65
U.S. Baa	4.46	4.53	4.14
U.S. Municipal	3.57	3.64	3.42
Michigan	3.73	3.82	3.59

S&P 500 Sector Total Returns - October 17, 2025

Sector	1-Wk	YTD	1-Yr
Info Tech	2.09	22.79	25.80
Comm. Services	3.64	24.84	36.51
Utilities	1.53	23.53	15.68
Industrials	1.19	16.39	10.99
Financials	0.03	9.22	11.28
Materials	1.05	7.19	-7.16
Health Care	0.81	5.58	-4.30
Energy	0.97	3.36	-2.26
Real Estate	3.46	6.05	-1.82
Con. Discretion	1.89	2.89	18.79
Consumer Staples	1.98	5.84	3.29

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.66	18.98	1.12
S&P 400 - Mid Cap	16.01	16.33	1.34
S&P 600 - Small Cap	15.06	15.84	1.56

Sources: FactSet, Federal Reserve