WEST SHORE BANK

WEEKLY RECAP - July 1, 2024

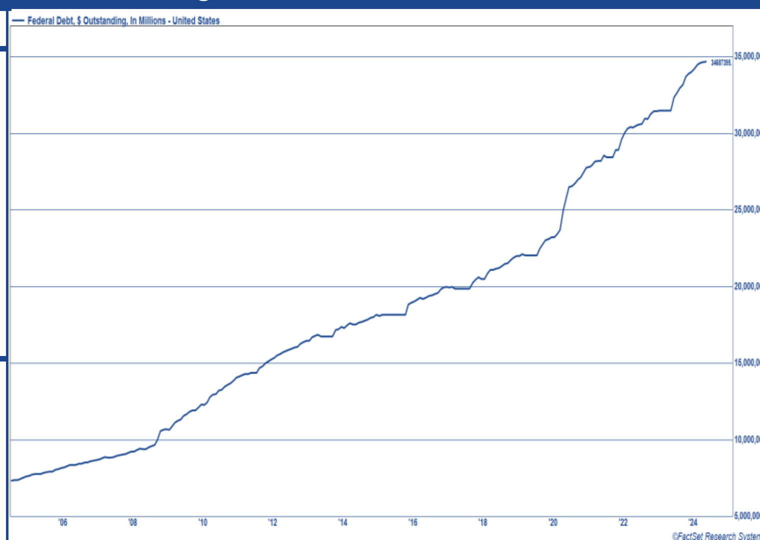
Economic & Market Commentary

Stock markets finished mixed last month while bonds moved higher on declining yields. Small and mid-cap stocks moved lower for the month while large-cap stocks posted gains. AI euphoria pushed the NASDAQ and S&P 500 to solid monthly gains of +6.0% and 3.6%, respectively. Once again, the gains were concentrated within a handful of large-cap tech companies with only five of the S&P 500 sectors posting positive total returns. The lack of depth and breadth in the market's advance underscores concerns about recent soft economic data and its potential impact on earnings estimates. June drew an increased focus on a growth slowdown. Data included a May ISM manufacturing miss, flat core capital goods orders, the lowest new home sales in six months, and the slowest pace of pending home sales since 2001. May's weaker than expected retail sales number put the consumer resilience theme under scrutiny. Additionally, many high-profile retailers noted consumers are increasingly stretched and offered cautious outlooks for the second quarter. Shifting to the bond market, the lower May inflation read along with weaker economic data sent bond yields lower for the month and accelerated expectations for the Fed's first rate cut. Fed fund futures are now pricing in a 60% chance of a September rate cut, up from 47% at the beginning of June and a 50% chance of an additional rate cut by year end. In June, the Fed is projecting only one rate cut for 2024, down from three in March. The wrench in the rate-cut spokes was the May labor report as nonfarm payrolls came in stronger than expected and average hourly wages were also hotter, adding some support to the Fed's higher-for-longer rates stance. While bond yields moved lower for the month, we still expect yields to move higher pressured by large amounts of treasury issuance to fund U.S. government spending which is completely out of control and at unsustainable levels.

Index Total Returns - June 28, 2024

	1-Wk	YTD	1-Yr
NASDAQ	0.26	18.57	29.61
S&P 500	-0.06	15.29	24.56
MSCI-Emerging	0.06	7.49	12.55
S&P 400	0.00	6.17	13.57
MSCI-Developed	0.36	5.34	11.54
Dow Jones	-0.08	4.79	16.02
Russell 2000	1.33	1.73	10.06
Barclay's U.S. Bond Index			
High Yield	0.04	2.58	10.44
Int. Gov. Credit	-0.18	0.49	4.19
Aggregate	-0.65	-0.71	2.63
Municipal	-0.22	-0.40	3.21
5-year Muni	-0.14	-0.79	2.26

U.S. Outstanding Debt



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.10	5.10	5.33
U.S. 2-Yr	4.72	4.73	4.72
U.S. 3-Yr	4.52	4.46	4.34
U.S. 5-Yr	4.34	4.27	3.98
U.S. 10-Yr	4.37	4.25	3.71
U.S. 30-Yr	4.54	4.39	3.81

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.58	3.51	3.17
U.S. AA	3.60	3.54	3.33
U.S. A	3.95	3.90	3.84
U.S. Baa	4.38	4.36	4.46
U.S. Municipal	3.72	3.66	3.49
Michigan	3.83	3.79	3.66

S&P 500 Sector Total Returns - June 28, 2024

Sector	1-Wk	YTD	1-Yr
Info Tech	-0.42	28.24	41.78
Comm. Services	1.26	26.68	44.87
Energy	2.68	10.93	15.85
Financials	-0.19	10.17	24.21
Utilities	-1.03	9.44	7.82
Consumer Staples	-0.63	8.98	8.15
Health Care	-0.33	7.81	11.68
Industrials	-0.56	7.75	15.53
Con. Discretion	0.46	5.66	13.08
Materials	-1.09	4.05	8.69
Real Estate	0.81	-2.45	5.60

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.11	18.16	1.27
S&P 400 - Mid Cap	15.20	15.92	1.44
S&P 600 - Small Cap	14.14	15.33	1.79

Sources: FactSet