WEST SHORE BANK

WEEKLY RECAP - October 16, 2023

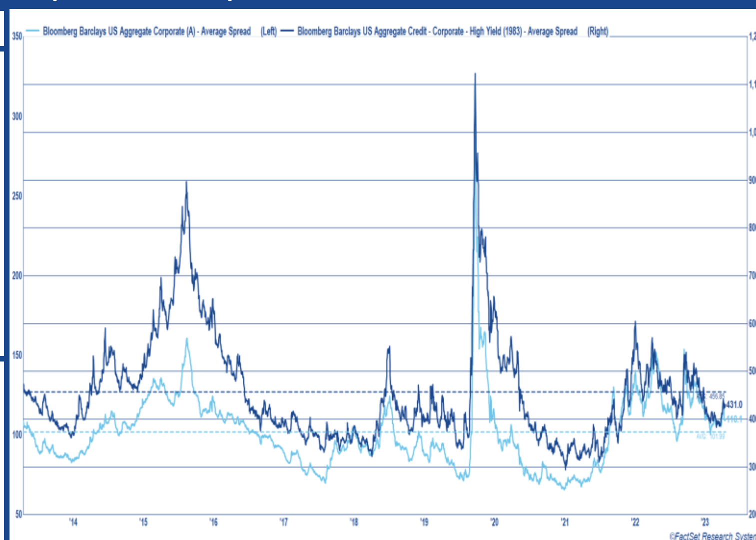
Economic & Market Commentary

Despite the breakout of war in the Middle East, stocks finished mixed with the S&P 500 and Dow Jones Industrials posting modest gains. The Middle East turmoil also raised the level of uncertainty which propelled a flight-to-safety and bond prices higher. It also decreased the likelihood of a Federal Reserve rate increase in November. A month ago, the chance of a quarter-point rate in November was 27.1% and it now stands at 9.8%. There were many other moving parts last week that will draw further scrutiny over the coming months. Remember inflation? Wholesale and consumer inflation both came in hotter than expected. The Producer Price Index (PPI) for September posted a monthly reading of +0.50% vs. the consensus expectation of +0.30% while the Consumer Price Index (CPI) posted a level of +0.40% vs. the expected +0.30%. Readings over the last 12 months for the PPI and CPI also came in higher than expected. The PPI posted +2.2% vs +1.6% while the CPI posted +3.7% vs. +3.6%. The Federal Reserve's inflation target is 2.0% so there is still a long way to go on the inflation front. Speaking of the Fed, there were several Fed officials last week who commented that the increase in longer-term rates may limit the need for further rate hikes and that financial conditions continue to tighten. The commercial space is definitely seeing pressure as spreads on commercial mortgage-backed paper have widened to levels not seen in quite a while. Investment grade and non-investment corporate credit spreads have remained stable. Finally, earnings season started late last week with most banks posting better than expected earnings. Third-quarter earnings kick into full gear this week and consensus calls for a slight earnings decline of -0.3%. Earnings growth will be a key factor for maintaining current market multiples and consensus earnings growth for 2024 currently stands at +12.2% besting the 2023 forecast of +0.9%.

Index Total Returns - October 13, 2023

	1-Wk	YTD	1-Yr
NASDAQ	-0.18	28.94	27.01
S&P 500	0.47	14.19	19.92
MSCI-Developed	0.97	6.12	25.25
Dow Jones	0.79	3.29	14.52
S&P 400	-0.50	1.84	7.95
MSCI-Emerging	1.51	1.69	14.30
Russell 2000	-1.47	-1.18	1.08
Barclay's U.S. Bond Index			
High Yield	0.53	5.14	9.29
Int. Gov. Credit	0.55	0.71	2.86
5-year Muni	0.66	-0.48	2.00
Municipal	1.22	-0.82	2.37
Aggregate	0.95	-1.43	1.46

Corporate Credit Spreads



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.41	5.42	4.23
U.S. 2-Yr	5.04	5.08	4.45
U.S. 3-Yr	4.81	4.90	4.46
U.S. 5-Yr	4.64	4.76	4.22
U.S. 10-Yr	4.63	4.79	3.95
U.S. 30-Yr	4.77	4.96	3.93

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	4.05	4.23	3.61
U.S. AA	4.10	4.26	3.76
U.S. A	4.59	4.76	4.31
U.S. Baa	5.12	5.29	4.82
U.S. Municipal	4.26	4.43	3.94
Michigan	4.40	4.57	4.03

S&P 500 Sector Total Returns - October 13, 2023

Sector	1-Wk	YTD	1-Yr
Communication Services	-0.21	44.67	40.15
Info Tech	0.17	38.95	43.66
Consumer Discretionary	-0.68	25.49	14.23
Industrials	1.00	4.93	19.56
Energy	4.52	4.84	10.95
Materials	-0.41	1.43	12.43
Financials	0.48	-1.58	7.51
Health Care	0.17	-3.00	6.16
Real Estate	2.61	-4.78	2.77
Consumer Staples	0.18	-7.55	1.20
Utilities	3.61	-13.90	-2.91

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	18.07	17.78	1.56
S&P 400 - Mid Cap	12.67	15.60	1.66
S&P 600 - Small Cap	11.84	15.22	2.04

Sources: FactSet