WEST SHORE BANK

**WEEKLY RECAP - January 2, 2024**

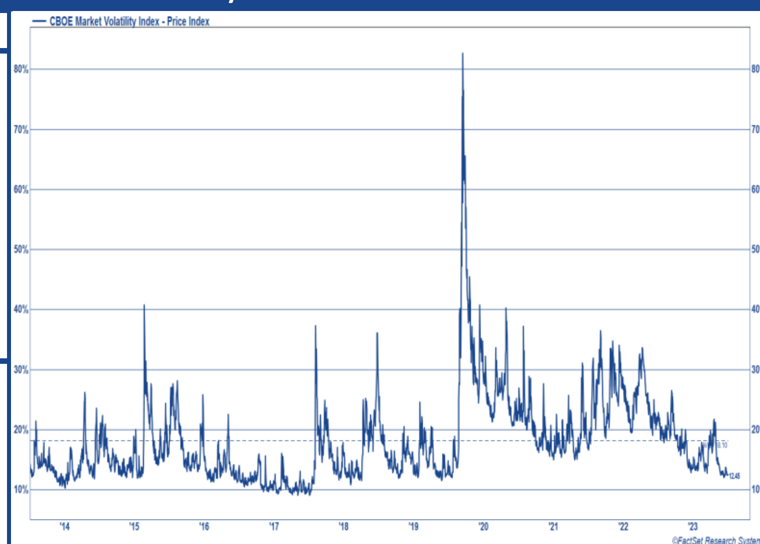
## Economic & Market Commentary

Happy New Year! The last week of the year saw the S&P 500 post its ninth consecutive week of gains. According to FactSet, this is the longest weekly winning streak since 2004. As usual during the holidays, trading volume was light but the march higher to close out the last two months of the year was fueled by the Federal Reserve's policy pivot and by momentum surrounding an economic soft landing. The Fed's December FOMC meeting cemented the prospect that they were done raising rates and they projected three rate cuts in 2024. The timing of these rate cuts is of great speculation, but the die has been cast that rate hikes are done. This time last year consensus expectation was for the economy to cool significantly which would coincide with at least two rate cuts by the end of 2023. As the year unfolded the economy, defying banking turmoil and high interest rates, held its ground and then accelerated in the third quarter to an annualized pace of 4.9% fueled by a resiliently tight labor market and firm consumer spending. In August, this resiliency quickly shifted investor expectation to rates being “higher for longer” and that the Fed had more work to do slow the economy and bring inflation under control. This change in policy outlook put significant pressure on stock and bond markets from August through October. During this market downturn, good economic news was bad news for the markets as it prolonged the “rates higher for longer” Fed policy stance. Investor wishes were finally answered in November as the majority of economic releases painted a weakening economic picture and, just like that, bad news was good news for the markets. Upward market momentum carried over into December as the Fed signaled they were done raising rates. The bond market had a volatile ride last year but in the end posted modest returns as well as longer-term interest rates plummeted the last two months of the year.

## Index Total Returns - December 29, 2023

| | 1-Wk | YTD | 1-Yr |
|---|---|---|---|
| NASDAQ | 0.14 | 44.64 | 44.48 |
| S&P 500 | 0.34 | 26.29 | 26.29 |
| MSCI-Developed | 1.16 | 18.24 | 18.24 |
| Dow Jones | 0.81 | 16.18 | 16.18 |
| S&P 400 | -0.14 | 16.44 | 16.44 |
| Russell 2000 | -0.28 | 16.93 | 16.93 |
| MSCI-Emerging | 3.24 | 9.83 | 9.83 |
| **Barclay's U.S. Bond Index** | | | |
| High Yield | 0.40 | 13.44 | 13.44 |
| Municipal | 0.18 | 6.40 | 6.40 |
| Aggregate | 0.48 | 5.53 | 5.53 |
| Int. Gov. Credit | 0.35 | 5.24 | 5.24 |
| 5-year Muni | 0.12 | 4.31 | 4.31 |

## S&P 500 - Volatility




## U.S. Treasury Yields

| Treasury Yields | Latest Close | Week Ago | 1-Year Ago |
|---|---|---|---|
| U.S. 1-Yr | 4.78 | 4.85 | 4.74 |
| U.S. 2-Yr | 4.25 | 4.33 | 4.38 |
| U.S. 3-Yr | 4.01 | 4.04 | 4.18 |
| U.S. 5-Yr | 3.85 | 3.87 | 3.96 |
| U.S. 10-Yr | 3.88 | 3.90 | 3.84 |
| U.S. 30-Yr | 4.03 | 4.05 | 3.92 |

## S&P 500 Sector Total Returns - December 29, 2023

| Sector | 1-Wk | YTD | 1-Yr |
|---|---|---|---|
| Info Tech | 0.27 | 57.84 | 57.84 |
| Communication Services | -0.40 | 55.80 | 55.80 |
| Consumer Discretionary | -0.43 | 42.41 | 42.41 |
| Industrials | 0.74 | 18.13 | 18.13 |
| Materials | -0.07 | 12.55 | 12.55 |
| Real Estate | 0.86 | 12.26 | 12.26 |
| Financials | 0.78 | 12.15 | 12.15 |
| Health Care | 0.97 | 2.06 | 2.06 |
| Consumer Staples | 1.11 | 0.52 | 0.52 |
| Energy | -1.37 | -1.33 | -1.33 |
| Utilities | 1.21 | -7.08 | -7.08 |

## Municipal Yields - Bloomberg/Barclays Index

| Issue Type | Latest Close | Week Ago | 1-Year Ago |
|---|---|---|---|
| U.S. AAA | 2.98 | 2.99 | 3.20 |
| U.S. AA | 3.04 | 3.06 | 3.35 |
| U.S. A | 3.57 | 3.59 | 3.94 |
| U.S. Baa | 4.22 | 4.22 | 4.59 |
| U.S. Municipal | 3.22 | 3.23 | 3.55 |
| Michigan | 3.36 | 3.39 | 3.67 |

| Index Characteristics | P/E NTM | P/E NTM 10yr-Avg. | Dividend Yield |
|---|---|---|---|
| S&P 500 - Large Cap | 19.60 | 17.90 | 1.42 |
| S&P 400 - Mid Cap | 14.48 | 15.48 | 1.51 |
| S&P 600 - Small Cap | 14.24 | 15.25 | 1.73 |

Sources: FactSet