WEST SHORE BANK

WEEKLY RECAP - March 13, 2023

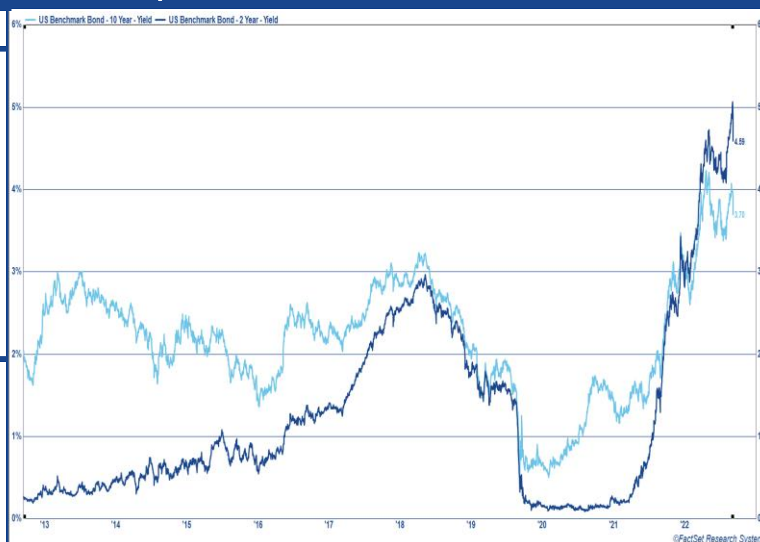
Economic & Market Commentary

Haven't seen a week like that in quite a while and what a week it was. Stocks finished sharply lower while bonds experienced significant volatility but finished the week mostly higher. The volatile week started with Federal Reserve Chair Jerome Powell's testimony to Congress. Fed Chair Powell noted they are prepared to speed up the pace of rate hikes if economic data indicates faster tightening is warranted. He observed that getting inflation down to the 2% target will likely be bumpy, pointing to a broad reversal of the disinflationary trend in January. Powell added that stronger recent data suggests the ultimate level of interest rates may be higher than expected. He reiterated the likelihood of the higher-for-longer approach and noted the historical record strongly cautions against prematurely loosening policy. Overall, Powell was viewed as more hawkish than expected, with the bond market increasing the likelihood of a 50 bp hike at next week's FOMC meeting. The target rate was seen reaching 5.50-5.75% by June. Stocks sold off on Tuesday's testimony and the short-end of the yield curve shot up sharply with the 2yr-Treasury note closing at 5.06%, its highest level since July 25, 2006. Six-month and 1yr T-bills touched 5.30%. This all changed late last week with the financial sector turmoil, which sent stock prices and bond yields plummenting. At the end of last week, the 2yr-Treasury note experienced one of its largest declines on record. It finished the week at 4.59% and as of this afternoon stands at 4.07%. A drop of almost 1.0% in less than a week! The outlook for further Fed rate hikes has also changed dramatically. There is now a 25% chance of no rate hike next week, up from 0% last Friday, and the likelihood of a rate cut coming in the second of half of this year has increased significantly. Last Friday, the chance of a rate cut in July or September was 0%, now it is 44% and 71% respectively.

Index Total Returns - March 10, 2023

	1-Wk	YTD	1-Yr
NASDAQ	-4.68	6.63	-14.40
MSCI-Developed	-0.76	5.96	2.72
S&P 400	-7.35	1.20	-3.93
S&P 500	-4.51	0.92	-7.79
Russell 2000	-8.03	0.89	-10.58
MSCI-Emerging	-3.29	0.03	-10.88
Dow Jones	-4.35	-3.24	-1.71
Barclay's U.S. Bond Index			
High Yield	-0.90	1.87	-4.46
Aggregate	1.17	1.45	-7.35
Municipal	0.94	1.31	-3.24
Int. Gov. Credit	0.95	0.81	-4.56
5-year Muni	0.53	0.49	-1.49

U.S. Treasury Yields - 2Yr and 10Yr



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.92	5.09	1.14
U.S. 2-Yr	4.59	4.86	1.72
U.S. 3-Yr	4.28	4.61	1.90
U.S. 5-Yr	3.95	4.27	1.94
U.S. 10-Yr	3.70	3.97	2.01
U.S. 30-Yr	3.69	3.89	2.38

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.22	3.35	1.91
U.S. AA	3.33	3.47	2.01
U.S. A	3.85	4.00	2.28
U.S. Baa	4.44	4.60	2.62
U.S. Municipal	3.51	3.65	2.11
Michigan	3.64	3.78	2.15

S&P 500 Sector Total Returns - March 10, 2023

Sector	1-Wk	YTD	1-Yr
Info Tech	-3.05	9.22	-6.95
Communication Services	-4.10	7.40	-23.00
Consumer Discretionary	-5.49	6.98	-19.14
Industrials	-4.43	0.88	2.14
Materials	-7.61	0.65	-2.94
Real Estate	-6.88	-2.31	-19.29
Financials	-8.46	-3.70	-8.27
Consumer Staples	-1.89	-4.52	1.02
Energy	-5.30	-5.73	11.76
Health Care	-3.90	-8.63	-2.87
Utilities	-2.82	-8.66	-6.12

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	17.08	17.47	1.69
S&P 400 - Mid Cap	13.39	15.57	1.58
S&P 600 - Small Cap	13.15	16.35	1.54

Sources: FactSet