WEST SHORE BANK

WEEKLY RECAP - May 2, 2022

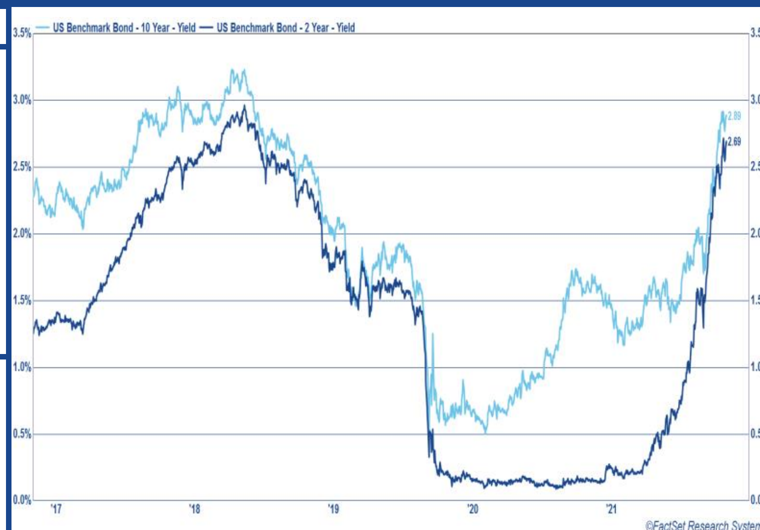
Economic & Market Commentary

For the second consecutive Friday, stock markets sold off sharply sending the S&P 500 to its lowest close of the year capping off a dismal month. The S&P had its worst month since March 2008. For the month of April, the S&P 500 fell -8.72%, NASDAQ -13.24, Russell 2000 -9.91% and the Dow -4.82%. There were many factors pressuring markets last month with the biggest centered around inflation. Hawkish takeaways from Federal Reserve Governors during the month, along with indications of near-term tightening in 50 bp increments and additional color on the unwinding of the Fed's balance sheet in the March FOMC minutes, played into the more aggressive policy shift dynamic. Fed Chair Powell confirmed that a 50 bp rate hike is on the table for May, while the market priced in 50 bp moves for June and July as well, with the funds rate just below 2.70% by year end. The biggest headwind for risk assets in April remained the velocity and magnitude of the bond yield backup. A Goldman Sachs report noted the latest bout of upward pressure for a one-month change in yields registered +3 standard deviations, a historic rate of change. Other developments in the month also played into the risk-off theme. The sharp jump in mortgage rates along with steep home price increases are affecting home affordability and fostering some angst around what has been a very strong housing market. Persistent supply chain and input price pressures and along with skepticism about the ability of corporate America to keep taking price increases is raising concerns surrounding 2022 earnings estimates. The China COVID lockdowns are another noted earnings headwind from companies in a wide range of industries. Geopolitical tensions remained unsettled in April and played into both the cautious guidance and commodity rally/persistent inflation narratives. Finally, the first reading on 1Q22 U.S. GDP showed a decline of -1.4% coming in much weaker than the expected +1.1%. Low inventory build, a decline in exports and a sharp increase in imports drove the GDP decline. Consumer and business spending held up well advancing +2.7% and +2.3% respectively for the quarter. Expect volatility to remain high for the next few months.

Index Total Returns - April 29, 2022

	1-Wk	YTD	1-Yr
Dow Jones	-2.47	-8.73	-1.36
S&P 400	-3.18	-11.64	-8.27
S&P 500	-3.26	-12.92	-0.50
MSCI-Developed	-2.20	-12.00	-9.07
MSCI-Emerging	0.08	-12.15	-19.34
Russell 2000	-3.94	-16.69	-17.92
NASDAQ	-3.92	-21.00	-11.83
Barclay's U.S. Bond Index			
Int. Gov. Credit	-0.01	-6.42	-6.43
5-year Muni	-0.05	-6.66	-6.48
High Yield	-0.91	-8.22	-5.19
Municipal	-0.25	-8.82	-7.88
Aggregate	-0.01	-9.50	-8.42

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



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	1.99	2.00	0.05
U.S. 2-Yr	2.69	2.72	0.16
U.S. 3-Yr	2.86	2.88	0.34
U.S. 5-Yr	2.91	2.94	0.87
U.S. 10-Yr	2.89	2.90	1.64
U.S. 30-Yr	2.94	2.95	2.31

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.92	2.89	0.84
U.S. AA	3.07	3.01	0.93
U.S. A	3.40	3.33	1.19
U.S. Baa	3.73	3.67	1.65
U.S. Municipal	3.18	3.13	1.04
Michigan	3.24	3.15	1.11

S&P 500 Sector Total Returns - April 29, 2022

Sector	1-Wk	YTD	1-Yr
Energy	-1.23	36.89	56.45
Utilities	-4.05	0.32	10.99
Consumer Staples	-2.05	1.53	16.55
Real Estate	-5.65	-9.56	12.70
Health Care	-2.51	-7.16	8.81
Materials	-0.82	-5.78	3.25
Industrials	-3.31	-9.71	-5.88
Financials	-4.53	-11.21	-3.89
Consumer Discretionary	-7.88	-20.85	-10.55
Info Tech	-1.26	-18.70	0.45
Communication Services	-4.09	-25.68	-23.18

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	17.70	17.09	1.44
S&P 400 - Mid Cap	12.82	15.67	1.32
S&P 600 - Small Cap	12.19	16.15	1.28

Data Source(s): FactSet, Federal Reserve, U.S. Bureau of Economic Analysis