WEST SHORE BANK

WEEKLY RECAP - March 22, 2021

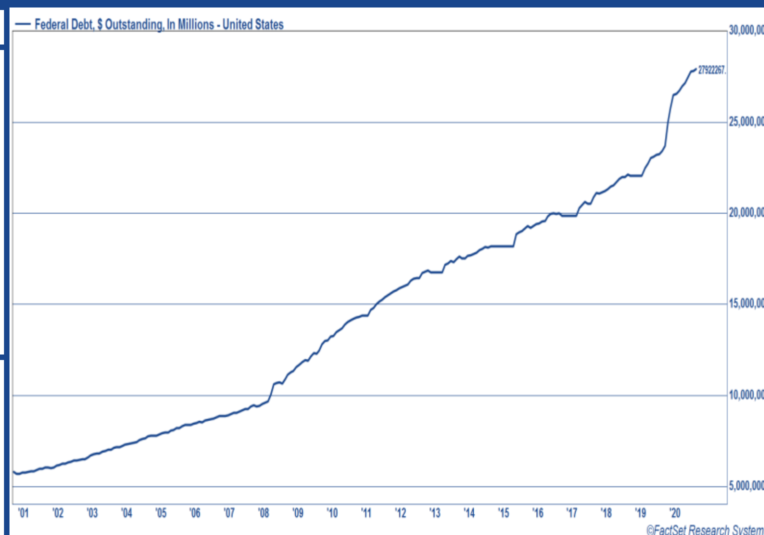
Economic & Market Commentary

In many ways, the current state of U.S. budget and fiscal policy is similar to the factors that eventually led to the financial difficulties of domestic automakers. The first similarity is an aging population. The baby boomer generation began retiring circa 2000 and this demographic trend will continue until around 2030. Like automakers, the rise in an aging demographic has and will significantly increase U.S. liability costs for mandatory Social Security and health care spending programs. According to the Congressional Budget Office (CBO), "By 2050, federal spending for Social Security, Medicare, and Medicaid for people 65 and older would account for about half of all federal noninterest spending, rising from about one-third in 2020." On top of this aging demographic trend is the fact that Americans are living longer. The CBO estimates that the percentage of Social Security, Medicare, and Medicaid will rise from 10.8% of U.S. GDP in 2019 to 17.0% of U.S. GDP in 2050. Another similarity is a shrinking revenue base and poor management. While liabilities were increasing, domestic automakers saw their market share of U.S. auto sales plummet in the 1980s and 1990s, which led to production over capacity, an imbalance between supply (higher costs) and demand (lower revenues), and an unsustainable debt load. With an aging U.S. population, tax revenue from the U.S. labor force needed to support increased spending is forecasted to shrink as the population percentage of those 65 and older is estimated to grow faster than those aged 24 to 64. The level of U.S. debt as a percentage of U.S. GDP is 133% and growing. Congress has and will continue to ignore the growing debt and will continue to mismanage U.S. fiscal policy because money equals power. The glaring dissimilarity between the U.S. fiscal and automakers situations is accountability. GM and Ford were/are accountable to capital markets and their risk premiums were/are appropriately measured. Congress is beholden to voters every two to four years and basically remains unaccountable. At some point, capital markets will drive needed spending changes in Congress and everyone will have to make difficult sacrifices to right this fiscal policy ship and get it moving in a responsible direction.

Total Returns - March 19, 2021

	1-Wk	YTD	1-Yr
Russell 2000	-2.76	16.04	118.70
S&P 400	-1.19	13.63	101.44
Dow Jones	-0.45	7.12	65.98
S&P 500	-0.74	4.55	65.25
MSCI-Developed	0.59	4.29	65.00
MSCI-Emerging	-0.81	3.79	78.15
NASDAQ	-0.77	2.70	86.32
Barclay's U.S. Bond Index			
High Yield	-0.53	-0.05	29.94
5-year Muni	-0.35	-0.58	9.00
Municipal	-0.51	-0.76	10.18
Int. Gov. Credit	-0.14	-1.89	4.17
Aggregate	-0.28	-3.61	4.26

U.S. Outstanding Debt



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	0.06	0.09	0.17
U.S. 2-Yr	0.15	0.15	0.39
U.S. 3-Yr	0.32	0.33	0.51
U.S. 5-Yr	0.88	0.84	0.64
U.S. 10-Yr	1.72	1.63	1.12
U.S. 30-Yr	2.45	2.40	1.77

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	1.03	0.91	2.70
U.S. AA	1.11	1.00	2.85
U.S. A	1.43	1.32	3.20
U.S. Baa	1.95	1.87	4.01
U.S. Municipal	1.25	1.14	3.01
Michigan	1.31	1.21	3.04

Total Returns - March 19, 2021

Sector	1-Wk	YTD	1-Yr
Energy	-7.65	30.92	103.87
Financials	-1.65	16.14	79.63
Industrials	-0.28	8.95	82.28
Communication Services	0.55	8.73	67.86
Materials	-0.82	7.59	89.25
Real Estate	-0.92	5.67	39.04
Consumer Discretionary	-0.14	2.13	82.96
Health Care	0.38	1.38	42.42
Info Tech	-1.33	-0.56	75.53
Utilities	-0.33	-0.87	23.89
Consumer Staples	0.36	-2.18	26.25

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.88	16.06	1.43
S&P 400 - Mid Cap	20.00	15.79	1.16
S&P 600 - Small Cap	20.67	15.82	1.16

Data Source(s): FactSet, CBO