



Weekly Recap

U.S. equity markets finished lower this week; however, with July coming to a close on Monday, the S&P 500 and Nasdaq have now posted five consecutive months of gains. On Monday, the Senior Loan Officer Opinion Survey (SLOOS) showed that credit conditions tightened for all categories while demand for loans weakened, in line with Fed Chair Powell's comments from the previous week. On Tuesday, the Institute for Supply Management (ISM) reported that its manufacturing index came in at 46.4, slightly below expectations of 46.9 but accelerating from June's reading of 46.0. The ISM's forward-looking new orders index increased to 47.3 in July, the highest reading since October 2022, indicating that demand for manufactured goods is holding up in the face of elevated interest rates. On Thursday, the ISM released its services index which slowed to 52.7 in July from 53.9 in June – although a reading above 50 indicates that the sector continues to grow. The Department of Labor released its June Job Openings and Labor Turnover Survey (JOLTS Report), which revealed that job openings dropped 34,000 to 9.58 million, the lowest level since April of 2021. Earlier this week, Fitch Ratings downgraded the U.S. government's credit rating from AAA to AA+. Treasury Secretary Yellen was dismissive of the rating change calling it "arbitrary and based on outdated data". Moody's continues to rate U.S. treasuries at AAA with a stable outlook. On Friday, the Bureau of Labor Statistics reported that the U.S. economy created 187,000 new jobs in July, below expectations of 200,000. The unemployment rate fell by 0.1% month over month to 3.5%.

Key Thought for The Week

Investors typically focus on short-term cyclical factors that drive financial markets. The most predominant cyclical factor central to equity and bond yield over the last 12 to 18 months has been the Federal Reserve's rate hiking cycle. Cyclical factors are important considerations that directly influence risk-adjusted returns over a full-market cycle. Investors must also be aware of secular factors that can impact markets and economic growth rates over extended periods. This week, we saw two examples of secular factors that could bias interest rates higher over the next decade. The Bank of Japan (BOJ) recently modified its yield curve control policy (YCC), and this week, the BOJ announced unscheduled purchases of Japanese Government Bonds (JGBs). The short-term effect was an increase in yields and greater currency volatility. The shift in policy represents a significant change for the BOJ. Separately, Fitch, a major bond rating agency, downgraded the U.S. government debt to AA+. Given rising interest costs due to higher yields and the U.S. Treasury's mounting borrowing needs, it is not ideal timing for a downgrade. The short-term effect of these moves will be insignificant versus the impact of cyclical factors that could cause a change in the Fed Funds rates. However, the cumulative impact of several secular factors could cause the secular trend in interest rates higher.

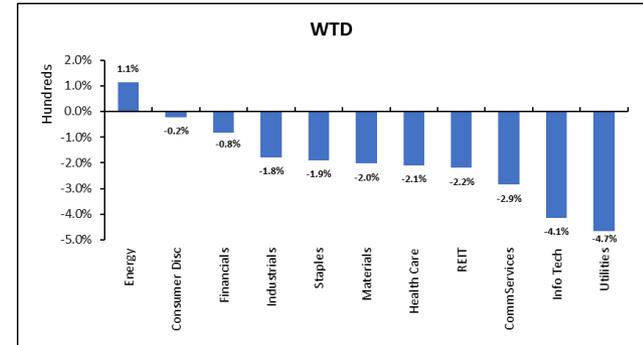
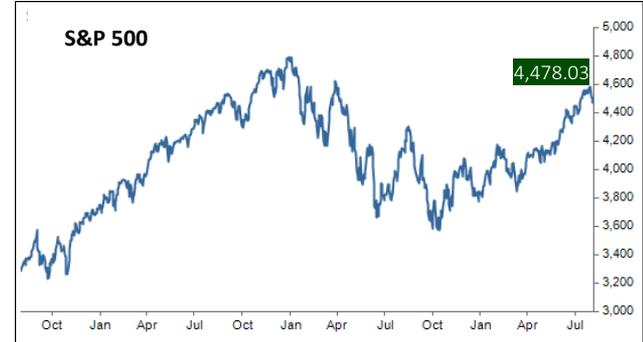
8/4/2023		Wk	Wk	Div	YTD	12 Mos
	Close	Net	%	Yield	Change	%
		Change	Change			Change
STOCKS						
DJIA	35,065.62	-393.67	-1.11	2.04	5.79	7.15
S&P 500	4,478.03	-104.20	-2.27	1.55	16.63	7.85
NASDAQ	13,909.24	-407.42	-2.85	0.78	32.89	9.34
S&P MidCap 400	2,681.58	-35.30	-1.30	1.63	10.34	7.67
EAFE	2,124.40	-71.84	-3.27	3.32	9.28	9.41
Emerging Market	1,015.81	-27.39	-2.63	2.92	6.21	2.13

TREASURIES	Yield	FOREX	Price	Change
1-Year	5.32	USD/EUR	1.10	-0.09
2-Year	4.77	JPY/USD	141.76	-0.42
5-Year	4.14	USD/GBP	1.27	-0.79
10-Year	4.04	CAD/USD	1.34	-1.06
30-Year	4.20			

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk	WTD	MTD	QTD	YTD
		Net				
		Change				
Defensive						
Staples	782.82	-15.16	(1.9%)	(1.4%)	0.5%	0.5%
Health Care	1,541.39	-32.96	(2.1%)	(1.3%)	(0.5%)	(2.8%)
CommServices	224.13	-6.58	(2.9%)	(2.8%)	3.7%	40.6%
Eco Sensitive						
Consumer Disc	1,351.90	-3.09	(0.2%)	(0.8%)	1.6%	34.5%
Energy	663.38	7.52	1.1%	(0.8%)	6.4%	(1.3%)
Industrials	915.16	-16.72	(1.8%)	(2.0%)	0.8%	10.1%
Info Tech	3,032.02	-131.07	(4.1%)	(4.3%)	(1.7%)	39.6%
Materials	525.84	-10.87	(2.0%)	(2.5%)	0.7%	7.4%
Interest Rate Sensitive						
Financials	580.02	-4.88	(0.8%)	(1.3%)	3.4%	1.8%
Utilities	324.65	-15.86	(4.7%)	(4.7%)	(2.4%)	(9.4%)
REIT	232.57	-5.24	(2.2%)	(2.9%)	(1.7%)	0.1%

COMING UP NEXT WEEK		Consensus	Prior
08/08 Wholesale Inventories SA M/M (Final)	(Jun)	-0.30%	-0.30%
08/10 CPI ex-Food & Energy SA M/M	(Jul)	0.20%	0.20%
08/10 CPI ex-Food & Energy NSA Y/Y	(Jul)	4.8%	4.8%
08/10 CPI SA M/M	(Jul)	0.20%	0.20%
08/10 CPI NSA Y/Y	(Jul)	3.3%	3.0%
08/11 PPI ex-Food & Energy SA M/M	(Jul)	0.15%	0.10%
08/11 PPI SA M/M	(Jul)	0.20%	0.10%
08/11 PPI NSA Y/Y	(Jul)	0.70%	0.13%



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(1.57%)	(2.23%)	(2.82%)	Large	6.76%	17.73%	29.40%
Medium	(1.58%)	(1.94%)	(2.81%)	Medium	7.51%	10.57%	15.53%
Small	(0.62%)	(1.19%)	(1.79%)	Small	9.15%	12.08%	15.30%

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