PEAPACK PRIVATE

The Weekly
Economic & Market Recap

February 16, 2024

Weekly Recap

Economic data was plentiful this week, with the major release being Consumer Price Index (CPI) data, which came in above expectations. Headline inflation was 3.1% year-over-year, lower than last month's 3.4% print but above the consensus of 2.9%. Equities sold off sharply as a result but were able to regain most of the lost ground during the balance of the week. Treasury yields moved higher pushing the 10-year yield to its highest level since December 2023. The Fed's preferred inflation gauge, the Core CPI (which excludes volatile food and energy prices), was up 3.9% and above expectations of 3.7%. Inflation is moderating in areas like gas prices, energy, and auto pricing but offset by price increases at restaurants, transportation services, and home & rent prices, the latter being the biggest driver of the upside surprise for the month. Investors now project a 34% chance of a rate cut at the May 1st meeting versus the 52% chance forecasted prior to the CPI report. Retail sales signaled a softening in the U.S. consumer to start the year with spending declining 0.8% versus the prior month. A sharp drop in gas station sales were a determinant, but this is not a particularly worrisome data point for the consumer. Spending was down 0.4% from last month without autos, gasoline and food. In the labor market, the consumer is seeing some support from employment conditions as initial jobless claims fell to 212,000 this week from 220,000 last week. The Producer Price Index (PPI) report came in hotter than expected, driving bond yields higher and pausing the equity rally of the past two days. The last mile of the inflation fight may take longer to navigate, causing the Fed to be in no rush to cut interest rates. Mega-cap technology stocks have led the market in gains this year, though there are some encouraging signs of a broadening in market leadership. Small-cap stocks posted solid gains for the week and outperformed the S&P 500.

Key Thought for The Week

S&P 500 earnings results for 4Q 2023 have come in better than expected. According to Goldman Sachs, consensus expectations at the start of 4Q reporting season was for earnings growth of 3%. That number has now increased to growth of 7% primarily due to better-than-feared margins. It is important to understand how corporate earnings are performing relative to analyst expectations, but it is also helpful to get a qualitative perspective on key topics that are top of mind for company managements. On Wednesday, Goldman Sachs released a report highlighting three themes emerging from earnings conference calls. Unsurprisingly, Artificial Intelligence (AI) is one of those. According to the report, the percentage of S&P 500 companies discussing AI on earnings calls rose to a new high of 36% in 4Q. Most of the commentary centered around strong demand for AI product offerings, integrating AI into existing products to improve the end-user's experience, and the potential for productivity enhancements and cost savings. Firms also noted that investments in AI will likely rise in the near term. The second theme is supply chains – corporate commentary suggests that supply chains continue to normalize relative to the congestion seen during the pandemic. Although the majority are citing improvements, pressures persist for some companies, particularly within the industrial sector. The final theme in the report is the labor market. The percentage of companies discussing layoffs rose in 4Q earnings calls; however, ongoing challenges with hiring was also noted. The main takeaway is likely that the labor market is more balanced relative to the very tight labor market experienced in recent years.

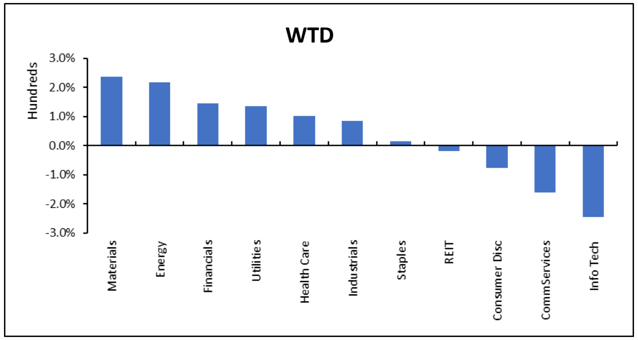
2/16/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	38,627.99	-43.70	-0.11	1.91	2.49	14.63
S&P 500	5,005.57	-21.04	-0.42	1.42	4.94	22.37
NASDAQ	15,775.65	-215.01	-1.34	0.74	5.09	33.06
S&P MidCap 400	2,828.30	19.83	0.71	1.62	1.68	5.92
EAFE	2,222.57	-0.61	-0.03	3.08	-0.61	5.20
Emerging Market	997.54	9.33	0.94	2.62	-2.56	-2.63

TREASURIES	Yield
1-Year	4.97
2-Year	4.64
5-Year	4.27
10-Year	4.28
30-Year	4.44

FOREX	Price	Wk % Change
USD/EUR	1.08	-0.06
JPY/USD	150.21	-0.61
USD/GBP	1.26	-0.21
CAD/USD	1.35	-0.19

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	776.82	1.17	0.2%	0.5%	1.9%	1.9%
Health Care	1,695.12	17.12	1.0%	3.6%	6.6%	6.6%
CommServices	270.73	-4.44	(1.6%)	5.0%	10.1%	10.1%
Eco Sensitive						
Consumer Disc	1,439.11	-11.20	(0.8%)	5.2%	1.5%	1.5%
Energy	649.59	13.78	2.2%	2.0%	1.5%	1.5%
Industrials	998.28	8.43	0.9%	4.4%	3.5%	3.5%
Info Tech	3,650.21	-91.99	(2.5%)	3.4%	7.4%	7.4%
Materials	536.49	12.37	2.4%	3.5%	(0.6%)	(0.6%)
Interest Rate Sensitive						
Financials	658.55	9.38	1.4%	2.2%	5.1%	5.1%
Utilities	309.85	4.13	1.3%	(0.7%)	(3.7%)	(3.7%)
REIT	240.82	-0.44	(0.2%)	0.5%	(4.3%)	(4.3%)



COMING UP NEXT WEEK		Consensus	Prior
02/20 Leading Indicators SA M/M	(Jan)	-0.25%	-0.10%
02/22 Chicago Fed National Activity Index	(Jan)	-0.15	-0.15
02/22 PMI Composite SA (Preliminary)	(Feb)	51.8	52.0
02/22 Markit PMI Manufacturing SA (Preliminary)	(Feb)	50.3	50.7
02/22 Markit PMI Services SA (Preliminary)	(Feb)	52.5	52.5
02/22 Existing Home Sales SAAR	(Jan)	4,015K	3,780K

Russell Style Return

WTD	Value	Blend	Growth
Large	0.95%	(0.26%)	(1.21%)
Medium	0.86%	0.67%	0.23%
Small	1.40%	1.17%	0.94%

YTD	Value	Blend	Growth
Large	2.05%	4.97%	7.46%
Medium	0.67%	1.93%	4.96%
Small	(1.83%)	0.40%	2.74%

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