PEAPACK PRIVATE

The Weekly
Economic & Market Recap

December 15, 2023

Weekly Recap

Equities began the week with little direction in anticipation of important economic data and the FOMC meeting. Major stock indices posted gains in Tuesday's session after the Consumer Price Index (CPI) report showed a 3.1% year-over-year increase, largely in line with expectations. The core CPI, which excludes food and energy, increased 0.3% from last month and is up 4% from a year ago. Housing prices remain hot and were the biggest contributor to the month-over-month rise in core CPI, rising 0.4% from last month and 6.5% from last year. Markets continued to rally when Federal Reserve Chairman Jerome Powell announced interest rates will be kept steady after the third consecutive meeting, allowing investors to believe the hiking cycle is over. Bond yields fell in response, with the 10-year Treasury hitting a low of 3.92% on Thursday morning. Interest rate sensitive parts of the economy continue to outperform as a result. Despite the dovish commentary from Chairman Powell, he cautioned that inflation is still above the target rate of 2% and that rates will stay higher for longer, but did signal rate cuts will commence in 2024. Stocks continued their upward momentum on Thursday, with the Russell 2000 (small-cap index) outperforming the S&P 500. U.S. retail sales rose 0.3% in November from the prior month, easily beating the expectation of a 0.2% decline. Retail spending has highlighted the remarkable strength of the consumer this year. On the corporate front, there were signs of life in the M&A activity, which has been slow for the last few years. Two investment banks made a $5.8 billion offer to take Macy's private. Occidental Petroleum will acquire privately held energy producer CrownRock. These deals can be viewed as an indication that capital investment may begin to pick up as businesses and investors are intrigued by a less restrictive interest rate environment and signs of economic resilience ahead.

Key Thought for The Week

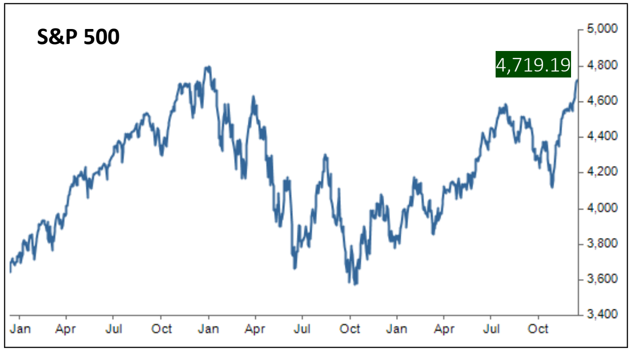
Many pundits are forecasting a soft landing for the economy, continued improvement in the battle against inflation, a Fed that will cut rates in 2024, and a solid increase in S&P 500 earnings. Still, others foresee that the Fed's tightening campaign will ultimately lead to an economy that tips into recession, leading to labor market deterioration and disappointing S&P 500 constituent earnings. While Fed Chairman Jerome Powell stated, "inflation was caused by a combination of demand shocks and supply chain restrictions," he also alluded to the possibility of "fundamental structural shifts in the economy" and the risk of the lag effect of Fed policy. The ultimate level and path of interest rate cuts will be crucial to equity market performance in 2024. The danger of the Fed waiting too long to lower rates could put a soft landing in serious jeopardy as the potential for a deteriorating economic environment increases due to the lag effects of prior rate hikes. The Fed seems more focused on the potential negative impact of being too restrictive for too long, which has given the green light to investors to reallocate to risk assets, at least until fundamentals shift. The contrasting risk investors are not currently concerned with is the potential that prematurely easing monetary policy could rekindle inflation in 2025.

12/15/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	37,305.16	1,057.29	2.92	1.97	12.54	12.36
S&P 500	4,719.19	114.82	2.49	1.49	22.91	21.14
NASDAQ	14,813.92	409.95	2.85	0.75	41.54	37.03
S&P MidCap 400	2,745.60	113.51	4.31	1.67	12.97	12.47
EAFE	2,197.33	58.90	2.50	3.23	13.04	12.02
Emerging Market	992.51	17.50	1.79	2.84	3.78	3.36

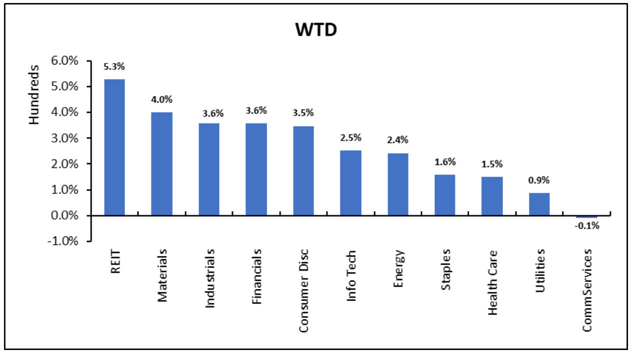
TREASURIES	Yield
1-Year	4.96
2-Year	4.45
5-Year	3.91
10-Year	3.91
30-Year	4.01

FOREX	Price	Wk % Change
USD/EUR	1.09	1.23
JPY/USD	142.15	1.97
USD/GBP	1.27	1.05
CAD/USD	1.34	1.52

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	749.43	11.68	1.6%	0.7%	3.0%	(3.8%)
Health Care	1,558.59	22.91	1.5%	2.1%	3.8%	(1.7%)
CommServices	237.27	-0.23	(0.1%)	1.1%	6.8%	48.9%
Eco Sensitive						
Consumer Disc	1,416.96	47.53	3.5%	6.0%	12.1%	40.9%
Energy	638.29	15.07	2.4%	(0.5%)	(8.1%)	(5.1%)
Industrials	951.80	32.83	3.6%	5.4%	11.0%	14.5%
Info Tech	3,386.07	83.33	2.5%	3.5%	16.5%	55.9%
Materials	534.42	20.57	4.0%	3.3%	8.1%	9.2%
Interest Rate Sensitive						
Financials	620.17	21.38	3.6%	4.2%	12.3%	8.9%
Utilities	322.36	2.80	0.9%	1.8%	7.7%	(10.1%)
REIT	249.47	12.49	5.3%	7.1%	16.7%	7.4%



COMING UP NEXT WEEK		Consensus	Prior
12/19 Housing Starts SAAR	(Nov)	1,380K	1,372K
12/20 Consumer Confidence	(Dec)	106.5	102.0
12/20 Existing Home Sales SAAR	(Nov)	3,780K	3,790K
12/21 GDP SAAR Q/Q (Final)	(Q3)	5.2%	5.2%
12/21 Philadelphia Fed Index SA	(Dec)	-3.0	-5.9
12/21 Leading Indicators SA M/M	(Nov)	-0.40%	-0.80%
12/22 Durable Orders SA M/M (Preliminary)	(Nov)	2.2%	-5.4%
12/22 Personal Income SA M/M	(Nov)	0.50%	0.20%
12/22 Michigan Sentiment NSA (Final)	(Dec)	70.0	69.4

Russell Style Return

WTD	Value	Blend	Growth
Large	3.31%	2.71%	2.20%
Medium	4.18%	4.24%	4.39%
Small	5.54%	5.60%	5.66%

YTD	Value	Blend	Growth
Large	9.98%	25.06%	41.22%
Medium	11.13%	15.56%	24.04%
Small	12.28%	14.36%	15.89%

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