PEAPACK PRIVATE

Wealth Management

The Weekly

Economic & Market Recap

September 8, 2023

Weekly Recap

The holiday shortened week saw modest dips for all four major equity indices, with the Russell 2000 being the leading decliner at -366 basis points (bps). While last week's jobs report signaled a softening in the labor market, Wednesday's ISM non-manufacturing report showed expansion in the services sector for the eighth straight month, confirming consumer demand remains positive. Bond yields were up slightly on the week in response to this and several Fed governors spoke of elevated inflation pressures which reignited fears of the Federal Reserve keeping interest rates higher for longer. While 93% of interest rate traders foresee no change at September's Federal Open Market Committee meeting, expectations of an additional interest rate hike at the November meeting rose to 45%, and Fed officials have said they are willing to hike eventually if the data necessitates additional tightening. Russia and Saudi Arabia extended cuts to oil production, sending the price of oil above $90 per barrel for the first time this year. A beneficiary of the rise in oil prices was the energy sector, which led all sectors for the week being up 139 bps. Other factors in the equity market selloff were rising treasury yields (10-year U.S. Treasury topped 4.3% Thursday morning) as well as another monthly decline in exports from China, which fell by 9.5% in August from a year ago. The tech heavy NASDAQ struggled due to concerns that China may broaden its ban on Apple iPhone products. An interest rate sensitive area of the economy in the housing sector saw mortgage applications decline 2.9% week over week, hitting their lowest level since December 1996.

Key Thought for The Week

Consensus expectations for real GDP growth for 2023 are 2.1%, substantially higher than economists forecasted as the year began. Many economists expected consumer or business spending to remain less robust than it has in the face of substantially higher interest rates. Much of the shift in expectations for the economy occurred due to stronger-than-expected second-quarter growth driven by consumption growth of 2.3% year over year and a surprisingly strong rebound in nonresidential fixed investment. From a longer-term perspective, it is surprising that the U.S. economy has grown almost at its long-term trend rate since the beginning of the pandemic. Excess liquidity and chronic fiscal deficits have supported the economy over the last few years and have been a primary reason for the unexpected strength and resilience. The Committee for a Responsible Federal Budget, a government watchdog group, recently projected that the deficit for the 2023 fiscal year will approach $2 trillion. As a share of the economy, the deficit is roughly 7.5% of GDP. For context, since 1946, it has exceeded 6.9% only five times, all of which occurred in the last 14 years. A meaningful portion of the incremental debt, produced by the deficit spending over the previous few years, has been monetized by the Federal Reserve due to the expansion of its balance sheet. Monetization of the debt has produced the inflationary pressures that the Fed is now trying to unwind. The higher federal debt burden will also strain the federal budget due to incrementally higher interest costs, especially in a higher-rate environment. Mounting deficits and debt levels will make it more challenging to respond to future emergencies.

9/8/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	34,576.59	-261.12	-0.75	2.08	4.31	8.82
S&P 500	4,457.49	-58.28	-1.29	1.55	16.10	11.27
NASDAQ	13,761.53	-270.29	-1.93	0.79	31.48	16.01
S&P MidCap 400	2,574.53	-95.15	-3.56	1.72	5.93	4.89
EAFE	2,077.17	-26.85	-1.28	3.27	6.85	15.37
Emerging Market	793.59	-12.09	-1.23	2.87	1.80	1.71

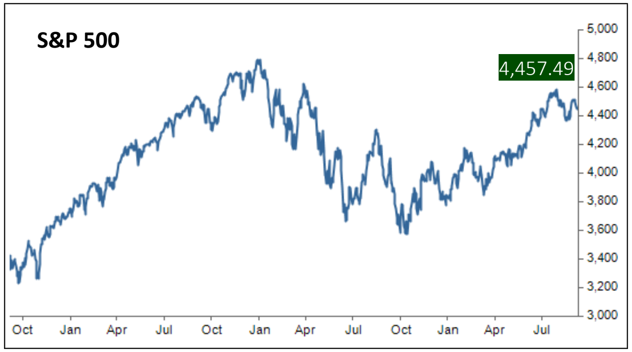
TREASURIES	Yield
1-Year	5.40
2-Year	4.99
5-Year	4.40
10-Year	4.27
30-Year	4.34

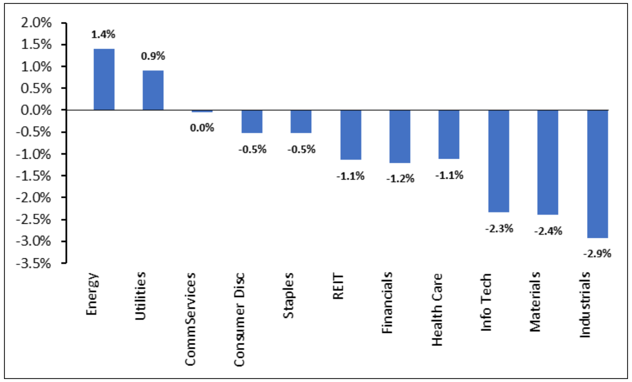
FOREX	Price	Wk % Change
USD/EUR	1.07	-0.74
JPY/USD	147.83	-1.09
USD/GBP	1.25	-0.97
CAD/USD	1.36	-0.35

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	753.62	-4.03	(0.5%)	(1.4%)	(3.2%)	(3.3%)
Health Care	1,535.49	-17.46	(1.1%)	(0.9%)	(0.8%)	(3.2%)
CommServices	228.39	-0.09	(0.0%)	(0.6%)	5.7%	43.3%
Eco Sensitive						
Consumer Disc	1,330.46	-7.06	(0.5%)	(1.1%)	(0.0%)	32.3%
Energy	700.97	9.58	1.4%	3.5%	12.4%	4.3%
Industrials	890.79	-26.79	(2.9%)	(2.4%)	(1.9%)	7.1%
Info Tech	3,054.92	-73.29	(2.3%)	(2.1%)	(1.0%)	40.6%
Materials	513.26	-12.87	(2.4%)	(1.5%)	(1.7%)	4.8%
Interest Rate Sensitive						
Financials	568.29	-6.98	(1.2%)	(0.4%)	1.3%	(0.3%)
Utilities	318.83	2.73	0.9%	0.3%	(4.2%)	(11.1%)
REIT	226.13	-2.61	(1.1%)	(1.3%)	(3.1%)	(1.6%)

COMING UP NEXT WEEK		Consensus	Prior
09/13 CPI ex-Food & Energy SA M/M	(Aug)	0.20%	0.20%
09/13 Cpi ex-Food & Energy NSA Y/Y	(Aug)	4.4%	4.7%
09/13 CPI NSA Y/Y	(Aug)	3.6%	3.2%
09/14 Initial Claims SA	(09/09)	234.0K	216.0K
09/14 PPI ex-Food & Energy SA M/M	(Aug)	0.20%	0.30%
09/14 PPI SA M/M	(Aug)	0.40%	0.30%
09/14 PPI NSA Y/Y	(Aug)	1.4%	0.80%
09/14 Retail Sales ex-Auto Fuel SA M/M	(Aug)	0.35%	1.0%
09/14 Retail Sales ex-Auto SA M/M	(Aug)	0.50%	1.0%
09/14 Retail Sales SA M/M	(Aug)	0.20%	0.70%
09/15 Industrial Production SA M/M	(Aug)	0.10%	1.0%
09/15 Michigan Sentiment NSA (Preliminary)	(Sep)	68.5	69.5





Russell Style Return

WTD	Value	Blend	Growth
Large	(1.38%)	(1.30%)	(1.24%)
Medium	(2.25%)	(2.21%)	(2.11%)
Small	(3.79%)	(3.58%)	(3.37%)

YTD	Value	Blend	Growth
Large	4.92%	17.31%	30.56%
Medium	4.12%	7.63%	13.88%
Small	2.32%	6.20%	9.77%

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