



Weekly Recap

The Federal Reserve's decision to raise rates by 75 basis points (bps) on Wednesday was widely expected. Chair Powell remained hawkish warning the pace of rate hikes is less important than the final level of rate hikes which has increased since September. Fed funds futures are now forecasting a level of 5.11% in June of next year approximately 23 bps higher than expectations at the end of last week. Throughout the week, yields increased in the belly of the curve by as much as 24 bps. The curve remains inverted with the 2-year vs. 10-year spread at -49 bps driven by the 2-year reaching levels not seen since 2007. Equities declined and value outperformed growth resulting in losses of -1.19% vs. -5.61%, respectively. Energy was again the top performer this week posting a gain of 2.37%. WTI Crude increased by 4.12% with most of the gain coming on Friday driven by comments that China is easing Covid restrictions. Communication Services and Information Technology continue to experience downward pressure posting declines of 7.44% and 6.89%, respectively. Q3 earnings season is coming to an end with 429 of 500 companies already reporting their results. In aggregate, the S&P 500 has increased sales by 10.73% and earnings by 3.17% on a year-over-year basis. Energy continues to be the strongest sector with revenue and earnings increasing by 34.25% and 149%, respectively.

Key Thought for The Week

If you have a hard time deciphering Fed speak, you are not alone. Vague statements coming out of Fed meetings provide the committee with flexibility surrounding policymaking decisions. This week's language, specifically "sufficiently restrictive" is one of those instances where you may come away more puzzled than with greater clarity as it pertains to the level, pace, and duration of future rate hikes. On Wednesday, the central bank increased the Fed funds rate 75 basis points (bps) for the fourth consecutive time following 50 bps and 25 bps at two previous meetings. The new target range for Fed funds is 3.75% to 4%. It might be better to start thinking about what "sufficiently restrictive" does not mean instead of what it really means. It does not mean neutral, where policy rates put neither upward nor downward pressure on the economy. With that in mind, you can expect the Fed to overtighten monetary policy only to begin easing shortly thereafter. Currently, the implied probability of an initial rate cut is 15.3% in July 2023.

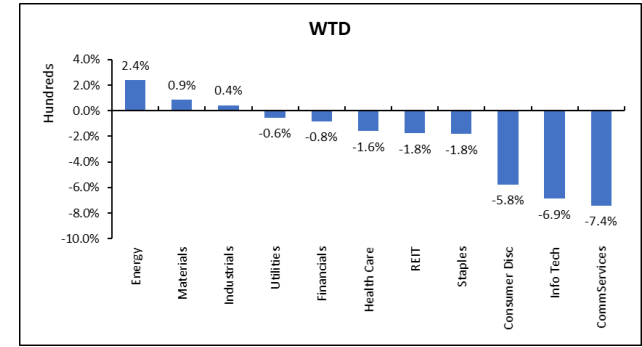
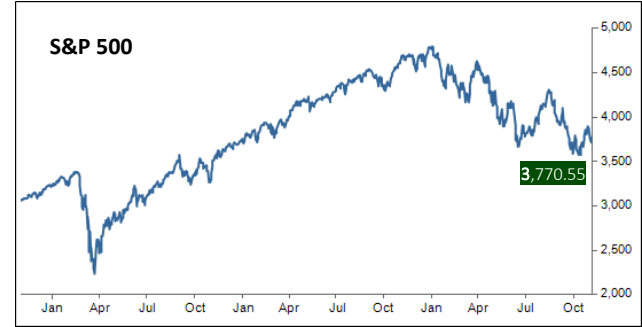
| 11/4/2022 | | Wk | Wk | Div | YTD | 12 Mos |
|-----------------|-----------|---------|--------|-------|--------|--------|
| | Close | Net | % | Yield | Change | Change |
| STOCKS | | Change | Change | | | |
| DJIA | 32,403.22 | -458.58 | -1.40 | 2.08 | -10.83 | -10.30 |
| S&P 500 | 3,770.55 | -130.51 | -3.35 | 1.76 | -20.89 | -19.43 |
| NASDAQ | 10,475.26 | -627.20 | -5.65 | 0.98 | -33.04 | -34.28 |
| S&P MidCap 400 | 2,405.74 | -29.19 | -1.20 | 1.82 | -15.35 | -16.47 |
| EAFE | 1,730.74 | -18.19 | -1.04 | 3.48 | -25.91 | -27.05 |
| Emerging Market | 860.90 | 15.32 | 1.81 | 3.53 | -30.12 | -32.13 |

| TREASURIES | Yield | FOREX | Price | Wk |
|------------|-------|---------|--------|--------|
| 2-Year | 4.66 | USD/EUR | 1.00 | % |
| 5-Year | 4.33 | JPY/USD | 146.62 | Change |
| 10-Year | 4.16 | USD/GBP | 1.14 | |
| 30-Year | 4.25 | CAD/USD | 1.35 | 0.87 |

Source: FactSet/Bloomberg

| Sector - Large Cap | Close | Wk | WTD | MTD | QTD | YTD |
|--------------------------------|----------|---------|--------|--------|--------|---------|
| | | Net | | | | |
| | | Change | | | | |
| Defensive | | | | | | |
| Staples | 748.01 | -13.96 | (1.8%) | (1.2%) | 7.5% | (7.0%) |
| Health Care | 1,523.29 | -24.56 | (1.6%) | (1.5%) | 7.9% | (7.3%) |
| CommServices | 152.38 | -12.24 | (7.4%) | (5.9%) | (5.9%) | (43.0%) |
| Eco Sensitive | | | | | | |
| Consumer Disc | 1,066.96 | -65.41 | (5.8%) | (5.1%) | (4.9%) | (33.8%) |
| Energy | 701.99 | 16.28 | 2.4% | 1.8% | 27.0% | 66.1% |
| Industrials | 803.92 | 3.50 | 0.4% | 0.8% | 14.7% | (10.2%) |
| Info Tech | 2,115.17 | -156.46 | (6.9%) | (5.6%) | 1.7% | (30.8%) |
| Materials | 474.35 | 4.05 | 0.9% | 1.8% | 10.9% | (16.7%) |
| Interest Rate Sensitive | | | | | | |
| Financials | 563.29 | -4.74 | (0.8%) | (0.1%) | 11.7% | (13.3%) |
| Utilities | 340.51 | -1.89 | (0.6%) | 0.4% | 2.4% | (6.4%) |
| REIT | 226.67 | -4.10 | (1.8%) | (1.6%) | 0.3% | (30.2%) |

| COMING UP NEXT WEEK | | Consensus | Prior |
|--|-------|-----------|-----------|
| 11/07 Consumer Credit SA | (Sep) | \$26.5B | \$32.2B |
| 11/10 CPI ex-Food & Energy SA M/M | (Oct) | 0.50% | 0.60% |
| 11/10 CPI SA M/M | (Oct) | 0.70% | 0.40% |
| 11/10 Treasury Budget NSA | (Oct) | -\$100.0B | -\$429.7B |
| 11/11 Michigan Sentiment NSA (Preliminary) | (Nov) | 59.7 | 59.9 |



Russell Style Return

| | WTD | Value | Blend | Growth |
|--------|---------|---------|---------|--------|
| Large | (1.19%) | (3.39%) | (5.61%) | |
| Medium | (1.28%) | (2.04%) | (3.44%) | |
| Small | (1.60%) | (2.52%) | (3.43%) | |

| | YTD | Value | Blend | Growth |
|--------|----------|----------|----------|--------|
| Large | (9.97%) | (20.75%) | (30.09%) | |
| Medium | (13.65%) | (18.95%) | (28.35%) | |
| Small | (12.60%) | (18.96%) | (25.24%) | |

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