PEAPACK PRIVATE

The Weekly
Economic & Market Recap

January 19, 2024

Weekly Recap

U.S. equity markets were mixed in the holiday-shortened trading week, following a strong rebound in the prior week. In economic news, the New York Federal Reserve's Empire State Manufacturing Index was -43.7, 29.9 points lower than the previous month. This is the Index's second-lowest reading since May 2020, indicating a slowdown in new manufacturing orders. The U.S. consumer remains resilient, as spending at U.S. retailers rose 0.6% in December from the prior month – a much stronger pace than November's 0.3% gain and above economists' expectations of 0.4%. The University of Michigan's Consumer Sentiment index jumped to 78.8 in January, the highest reading since July 2021 and well above economists' expectations of 70. There were comments from several Fed officials last week ahead of the quiet period prior to the FOMC meeting at the end of January. On Tuesday, Fed Governor Waller stated that the Fed's 2% inflation target is now within "striking distance," but the central bank should not rush to cut its benchmark interest rate until it is clear lower inflation will be sustained. Atlanta Fed President Bostic presented a more hawkish tone, stating he expects to see much slower progress on inflation and forecasts that the Fed will reach its goal in 2025. As of 1/19, the market is pricing in a 50% chance of a 25 bps rate cut at the Federal Reserve's March meeting. Initial jobless claims for the week ending January 13th came in at 187,000, below estimates of 205,000, and the lowest initial claims since September 2022. In corporate news, a district court judge blocked JetBlue's proposed acquisition of Spirit Airlines for $3.8B, ruling that the deal violates the Clayton Antitrust Act of 1914 – the decision caused Spirit Airlines' stock to plunge by over 50% on the week. Elsewhere, Amazon agreed to purchase a minority stake in Diamond Sports Group for $115M. Diamond owns 18 networks under the Bally Sports Banner with the rights to 37 professional teams – the deal will allow Amazon to provide access to these networks via Prime Video.

Key Thought for The Week

This week, we participated in a call hosted by Callan Associates. This widely respected pension plan advisor provides independent market research and capital market assumptions that we use to construct asset allocation models and financial planning projections. One of the most interesting illustrations the firm shared, during their presentation, compared the asset allocation required and the related level of risk an investor would have to take to achieve a 7% annualized return over a ten-year planning horizon. In 2022, an investor had to allocate approximately 96% to return-seeking assets and only 4% to fixed income to achieve a 7% return and would have to accept a 16.8% level of risk. However, due to the Fed's rate hike campaign, the firm's market research now indicates investors can achieve the same level of return by allocating 52% to fixed income and the remaining in return-seeking assets at an 8.6% level of risk. Projected returns over the next ten years for equities range between 7.50-7.70% (annualized) and standard deviation (projected risk) of 17-26% compared to fixed income ranging between 4.25-6.80% (annualized) and standard deviation (projected risk) of 2.40-13.75%. The research company also illustrated that the spread between the firm's forecasted return for the S&P 500 Index and the Bloomberg Aggregate Index is 2.25%, its lowest level since 2000.

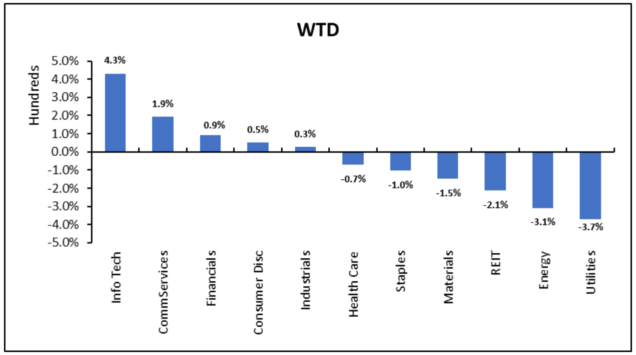
1/19/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	37,863.80	270.82	0.72	1.94	0.46	14.58
S&P 500	4,839.81	55.98	1.17	1.47	1.47	24.13
NASDAQ	15,310.97	338.21	2.26	0.76	2.00	41.09
S&P MidCap 400	2,740.96	12.33	0.45	1.69	-1.46	8.90
EAFE	2,171.14	-55.74	-2.50	3.17	-2.91	4.89
Emerging Market	961.34	-34.96	-3.51	2.78	-6.09	-6.48

TREASURIES	Yield
1-Year	4.86
2-Year	4.39
5-Year	4.05
10-Year	4.12
30-Year	4.33

FOREX	Price	Wk % Change
USD/EUR	1.09	-0.48
JPY/USD	148.12	-2.19
USD/GBP	1.27	-0.39
CAD/USD	1.34	-0.14

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	763.37	-8.01	(1.0%)	0.1%	0.1%	0.1%
Health Care	1,625.99	-11.76	(0.7%)	2.2%	2.2%	2.2%
CommServices	256.42	4.90	1.9%	4.2%	4.2%	4.2%
Eco Sensitive						
Consumer Disc	1,397.23	7.18	0.5%	(1.5%)	(1.5%)	(1.5%)
Energy	612.33	-19.44	(3.1%)	(4.3%)	(4.3%)	(4.3%)
Industrials	952.12	2.71	0.3%	(1.3%)	(1.3%)	(1.3%)
Info Tech	3,565.21	147.36	4.3%	4.9%	4.9%	4.9%
Materials	518.55	-7.85	(1.5%)	(3.9%)	(3.9%)	(3.9%)
Interest Rate Sensitive						
Financials	630.96	5.88	0.9%	0.7%	0.7%	0.7%
Utilities	309.79	-11.91	(3.7%)	(3.8%)	(3.8%)	(3.8%)
REIT	243.07	-5.30	(2.1%)	(3.4%)	(3.4%)	(3.4%)



COMING UP NEXT WEEK		Consensus	Prior
01/24 Markit PMI Manufacturing SA (Preliminary)	(Jan)	48.1	47.9
01/24 Markit PMI Services SA (Preliminary)	(Jan)	52.0	51.4
01/25 Durable Orders ex-Transportation SA M/M (Preliminary)	(Dec)	0.25%	0.40%
01/25 Durable Orders SA M/M (Preliminary)	(Dec)	1.0%	5.4%
01/25 GDP SAAR Q/Q (First Preliminary)	(Q4)	1.3%	4.9%
01/25 New Home Sales SAAR	(Dec)	640.0K	590.0K
01/26 Personal Consumption Expenditure SA M/M	(Dec)	-	0.20%
01/26 Personal Income SA M/M	(Dec)	0.30%	0.40%
01/26 Pending Home Sales M/M	(Dec)	1.0%	0.0%

Russell Style Return

WTD	Value	Blend	Growth
Large	(0.20%)	1.11%	2.21%
Medium	(0.39%)	(0.04%)	0.82%
Small	(0.59%)	(0.33%)	(0.05%)

YTD	Value	Blend	Growth
Large	(0.83%)	1.28%	3.07%
Medium	(2.02%)	(1.56%)	(0.44%)
Small	(4.42%)	(4.05%)	(3.66%)

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