PEAPACK PRIVATE

The Weekly

Economic & Market Recap

October 20, 2023

Weekly Recap

It was another volatile week of twists and turns as investors digested the beginning of the Q3 reporting season and the potential escalation of the Israel-Hamas war. Economic data only muddied the waters as results came in mixed. September retail sales came in hotter-than-expected, rising 0.7%. Industrial production strengthened from last month, up 0.3% and above consensus. Housing starts rose 7% to an annualized 1.358 million in September, slightly lower-than-expected. Initial jobless claims totaled 198k for the October-14 period, below consensus. This is the lowest level of jobless claims since January, indicating a persistently tight labor market. Although the chance of a November 1st rate hike is extremely low, the Fed has kept the door open for additional rate hikes in the future. Federal Reserve Chair Jerome Powell's speech on Thursday reiterated that inflation remains too high, and the Fed will "remain attentive." Higher yields on longer-term bonds were emphasized as assisting in tightening financial conditions. The 10-year Treasury yield has threatened to breach a significant 5% level, which has not happened in 16 years. This threshold will be attractive to investors, as it compensates for the risk associated with a longer-term maturity. The surge in Treasury yields has put pressure on all major U.S. indices, causing them to decline for the week. This weekend begins the Fed's blackout period ahead of the Federal Open Market Committee (FOMC) meeting on November 1st, where rates should remain unchanged. As the Q3 reporting season continues next week, investors will be able to gain more insight into the impact of rates on corporate earnings.

Key Thought for The Week

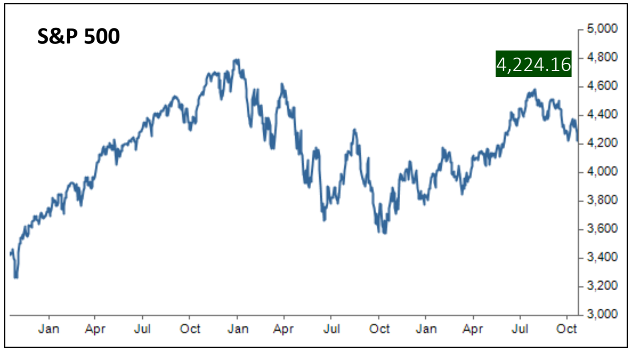
A growing debate has recently developed regarding the term premium, which is the additional yield or return required by investors for holding longer-term bonds versus a bond with a shorter maturity. It is the additional compensation demanded for accepting the greater level of uncertainty and risk associated with future cash flows. The term premium has become a hot topic due to the spike in yields across the Treasury curve. The yield on the 10-year U.S. Treasury, over the last six months, has lifted from 3.45% to 4.96%, the highest level since 2007. The expectations of rising interest rates, inflation, economic factors, higher liquidity, and market risks can cause a run-up in bond yields. Although the term premium is not directly measurable, it affects the level of rates and the shape of the yield curve. Recent signals from term premium econometric models suggest that the factor has risen. Several Wall Street economists have speculated that growing federal deficits and the expanding federal debt burden have increased the term premium. Others argue that changing rate expectations, due to a resilient economy, is the primary cause of the recent surge in bond yields. The longer-term implication of a higher-term premium is that interest rates could be structurally higher through the next economic cycle. Regardless of the exact cause of the current rate increase, there are real-world consequences. For example, mortgage rates this past week topped 8%, and mortgage applications fell to a 20-year low.

10/20/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	33,127.28	-543.01	-1.61	2.18	-0.06	9.21
S&P 500	4,224.16	-103.62	-2.39	1.64	10.02	15.23
NASDAQ	12,983.81	-423.43	-3.16	0.84	24.05	22.32
S&P MidCap 400	2,393.28	-49.52	-2.03	1.89	-1.53	5.65
EAFE	1,978.98	-33.70	-1.67	3.39	1.80	16.53
Emerging Market	930.80	-20.51	-2.16	2.93	-2.67	7.64

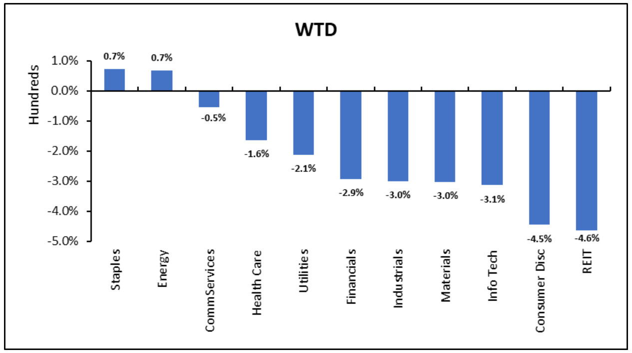
TREASURIES	Yield
1-Year	5.40
2-Year	5.08
5-Year	4.86
10-Year	4.92
30-Year	5.08

FOREX	Price	Wk % Change
USD/EUR	1.06	0.81
JPY/USD	149.86	-0.19
USD/GBP	1.22	0.17
CAD/USD	1.37	-0.37

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	710.82	5.04	0.7%	(2.3%)	(2.3%)	(8.8%)
Health Care	1,492.01	-24.75	(1.6%)	(0.6%)	(0.6%)	(5.9%)
CommServices	227.26	-1.24	(0.5%)	2.3%	2.3%	42.6%
Eco Sensitive						
Consumer Disc	1,196.39	-55.77	(4.5%)	(5.3%)	(5.3%)	19.0%
Energy	691.10	4.66	0.7%	(0.4%)	(0.4%)	2.8%
Industrials	835.20	-25.79	(3.0%)	(2.6%)	(2.6%)	0.5%
Info Tech	2,901.99	-93.80	(3.1%)	(0.1%)	(0.1%)	33.6%
Materials	473.96	-14.78	(3.0%)	(4.2%)	(4.2%)	(3.2%)
Interest Rate Sensitive						
Financials	535.85	-16.15	(2.9%)	(3.0%)	(3.0%)	(5.9%)
Utilities	294.62	-6.38	(2.1%)	(1.5%)	(1.5%)	(17.8%)
REIT	205.32	-9.98	(4.6%)	(4.0%)	(4.0%)	(11.6%)



COMING UP NEXT WEEK		Consensus	Prior
10/24 Markit PMI Manufacturing SA (Preliminary)	(Oct)	49.2	49.8
10/24 Markit PMI Services SA (Preliminary)	(Oct)	49.5	50.1
10/26 Durable Orders SA M/M (Preliminary)	(Sep)	-0.10%	0.15%
10/26 GDP Chain Price SAAR Q/Q (First Preliminary)	(Q3)	2.8%	1.7%
10/26 GDP SAAR Q/Q (First Preliminary)	(Q3)	3.1%	2.1%
10/27 Personal Income SA M/M	(Sep)	0.50%	0.40%

Russell Style Return

WTD	Value	Blend	Growth
Large	(1.84%)	(2.39%)	(2.86%)
Medium	(2.70%)	(2.61%)	(2.41%)
Small	(2.12%)	(2.25%)	(2.39%)

YTD	Value	Blend	Growth
Large	(1.17%)	11.12%	24.27%
Medium	(3.61%)	(0.03%)	6.61%
Small	(5.86%)	(3.43%)	(1.41%)

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