PEAPACK PRIVATE

The Weekly

Economic & Market Recap

March 8, 2024

Weekly Recap

U.S. equities lost some momentum this week with the Dow, S&P 500, and Nasdaq all finishing lower. On Monday, Atlanta Fed President Raphael Bostic stated that the Federal Reserve is under no urgent pressure to cut interest rates given a prospering economy and job market – Bostic expects two 25 basis point rate cuts before the end of the year. Fed Chair Powell appeared before the House Financial Services Committee on Wednesday and stated that he believes that the Fed's tightening cycle is currently at its peak, and if the economy evolves as expected, it will likely be appropriate to dial back policy restraint at some point this year. In economic data, the February ISM services index came in at 52.6, below consensus of 52.9 and falling from 53.4 in January. However, new orders increased 1.1 points to 56.1 – a six-month high – pointing to underlying strength in the sector. The survey's measure of services sector employment decreased to 48.0 from 50.5 in January, with a reading below 50 indicating contraction. Private sector employment improved during February though growth was slightly less than expected. Companies added 140,000 positions for the month, an increase from 111,000 in January but below estimates of 150,000. Annual pay increased 5.1% for those staying in their jobs which was the smallest rise since August 2021, indicating that inflationary pressures may be receding. On Friday, it was revealed that the U.S. economy added 275,000 nonfarm payroll jobs in February, significantly more than the 200,000 expected. Meanwhile, the unemployment rate increased to 3.9% from 3.7% in January. The February edition of the Fed's Beige Book showed a slight increase in economic activity. However, consumer spending on retail goods ticked down in recent weeks as businesses have found it harder to pass their own higher costs onto customers "who became increasingly sensitive to price changes".

Key Thought for The Week

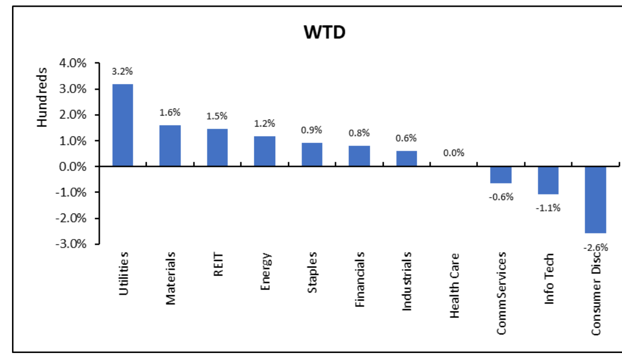
During the last decade, the concentration of corporate earnings and market capitalization in the largest stocks have risen and even accelerated amidst the strong returns from mega-cap tech stocks during the past year. The ten largest stocks now account for 33% of S&P 500 market capitalization, well above the 27% market share at the Tech Bubble's peak in 2000. During the past 12 months, the market cap-weighted S&P 500 has rallied by 30%, while the median index constituent has risen only 11%. Today's market participants are somewhat anxious, given the extreme degree of market concentration relative to recent history. Valuations for the largest stocks today, however, trade at much lower levels than a similar cohort did at the Tech Bubble peak and similar valuations (albeit with much higher profit margins and returns-on-equity) when compared to those of the Nifty Fifty era in the early 1970s. Acknowledging investor concerns, elevated concentration alone may not lead to downside risk for the market. In fact, during the 12 months after past episodes of peak concentration, the S&P 500 rallied more often than it declined. What is worthy of attention is that large swings in momentum are consistently evident following periods of heightened concentration. According to research from Goldman Sachs, while performance from momentum leaders was inconsistent, the laggards from the previous period appreciated in absolute terms across 26 different episodes. Perhaps the 490+ stocks away from the S&P 500's largest constituents are about to enjoy a rotation of capital.

3/8/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	38,722.69	-364.69	-0.93	1.85	2.74	18.06
S&P 500	5,123.69	-13.39	-0.26	1.39	7.42	28.35
NASDAQ	16,085.11	-189.83	-1.17	0.74	7.15	38.95
S&P MidCap 400	2,952.39	41.73	1.43	1.55	6.14	14.15
EAFE	2,344.67	40.77	1.77	2.96	4.85	13.96
Emerging Market	1,030.27	5.59	0.55	2.68	0.64	5.34

TREASURIES	Yield	FOREX	Price	Wk % Change
1-Year	4.94	USD/EUR	1.09	0.94
2-Year	4.48	JPY/USD	147.06	2.08
5-Year	4.05	USD/GBP	1.29	1.60
10-Year	4.08	CAD/USD	1.35	0.58
30-Year	4.25			

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	796.14	7.23	0.9%	0.9%	4.4%	4.4%
Health Care	1,703.26	0.47	0.0%	1.0%	7.1%	7.1%
CommServices	272.12	-1.78	(0.6%)	(0.1%)	10.6%	10.6%
Eco Sensitive						
Consumer Disc	1,452.39	-38.63	(2.6%)	(2.2%)	2.4%	2.4%
Energy	668.50	7.69	1.2%	2.4%	4.4%	4.4%
Industrials	1,032.45	6.25	0.6%	1.0%	7.0%	7.0%
Info Tech	3,774.23	-41.02	(1.1%)	0.7%	11.1%	11.1%
Materials	561.79	8.76	1.6%	2.0%	4.1%	4.1%
Interest Rate Sensitive						
Financials	673.97	5.39	0.8%	0.6%	7.6%	7.6%
Utilities	321.41	9.95	3.2%	2.5%	(0.2%)	(0.2%)
REIT	251.68	3.61	1.5%	2.6%	0.0%	0.0%



COMING UP NEXT WEEK		Consensus	Prior
03/12 CPI ex-Food & Energy SA M/M	(Feb)	0.30%	0.40%
03/12 CPI ex-Food & Energy NSA Y/Y	(Feb)	3.7%	3.9%
03/12 CPI SA M/M	(Feb)	0.40%	0.30%
03/14 PPI ex-Food & Energy SA M/M	(Feb)	0.20%	0.50%
03/14 PPI SA M/M	(Feb)	0.30%	0.30%
03/14 Retail Sales ex-Auto SA M/M	(Feb)	0.40%	-0.60%
03/14 Retail Sales SA M/M	(Feb)	0.90%	-0.80%
03/15 Industrial Production SA M/M	(Feb)	-0.10%	-0.10%
03/15 Michigan Sentiment NSA (Preliminary)	(Mar)	78.0	76.9

Russell Style Return

WTD	Value	Blend	Growth
Large	1.12%	(0.21%)	(1.27%)
Medium	1.15%	0.83%	0.09%
Small	0.39%	0.34%	0.30%

YTD	Value	Blend	Growth
Large	5.40%	7.47%	9.23%
Medium	4.70%	5.56%	7.62%
Small	(0.30%)	2.97%	6.40%

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