



Weekly Recap

U.S. equities traded mostly higher throughout the week closing at the best levels in a month. The strong start to the week offset negative sentiment surrounding Xi Jinping's tightening of power in China and the lack of indication of a pivot on the Chinese government's zero-COVID policy. Elsewhere, the United Kingdom elected Rishi Sunak as their next Prime Minister, replacing Liz Truss. Throughout midweek, U.S. equities continued their rally on less Fed hawkish headlines, low Q3 earnings expectations, and the dramatic U-turn from the UK's policy and leadership change. Treasuries also rallied with the long end of the curve experiencing the best gains. The rally hit on a stumbling block on Wednesday, as tech giants Alphabet, Inc. and Microsoft released disappointing quarterly earnings. The NASDAQ sold off 2.04% as concern that softening ad demand and a slowdown in consumption would be a drag on other large tech companies. The bond rally also slowed as the curve flattened with 10-year yields dipping below 4% and the 3-month/10-year spread inverting. On Thursday, U.S. equities struggled to bounce back after META's disappointing earnings release and underwhelming guidance on expense along with continued focus on the company's Reality Labs segment. Preliminary Q3 GDP growth came in higher than expected at 2.6% vs the consensus of 2.0%, a contrast from the previous two quarters that experienced a decline. Apple shares rallied on Friday after reporting better than feared earnings. Possible signs of peak inflation and lower yield were catalysts for the market. The major U.S. indices ended the week higher with Industrials the best performing sector and Communication Services the worst performing sector. The S&P 500 ended the week +3.95%, NASDAQ +2.24%, and the DOW +5.72%.

Key Thought for The Week

Small capitalization stocks (small caps) may be a bright spot within global equity markets amidst a volatile year for risk assets. Small caps are outperforming large caps (S&P 500 Index) this year. These companies benefit from several factors. First, their businesses are generally more focused in the U.S. and thus the beneficiary of recent strength in the U.S. dollar. Second, they have depressed relative valuations – the Russell 2000 has not traded at this low of a relative multiple to the S&P 500 since the early 2000s. Third, small caps are typically more levered to fluctuations in the U.S. economic cycle's rate-of-change than large cap stocks and tend to outperform during the recovery from recessions. On average, small caps have outperformed their large cap peers on a forward 12-month basis by +1400 basis points from the trough (end) date of each respective recession as designated by the National Bureau of Economic Research (NBER). For example, the Russell 2000 outperformed the S&P 500 by more than 50% over the next five years (2002-2007) after the dot-com bubble burst in the early 2000s.

10/28/2022		Wk	Wk	Div	YTD	12 Mos
	Close	Net	%	Yield	Change	%
		Change	Change			Change
STOCKS						
DJIA	32,861.80	1779.24	5.72	2.06	-9.57	-8.03
S&P 500	3,901.06	148.31	3.95	1.70	-18.15	-15.13
NASDAQ	11,102.45	242.74	2.24	0.93	-29.04	-28.13
S&P MidCap 400	2,434.93	122.72	5.31	1.80	-14.32	-12.83
EAFE	1,761.76	82.09	4.89	3.34	-24.58	-25.17
Emerging Market	859.46	-5.57	-0.64	2.77	-30.24	-32.65

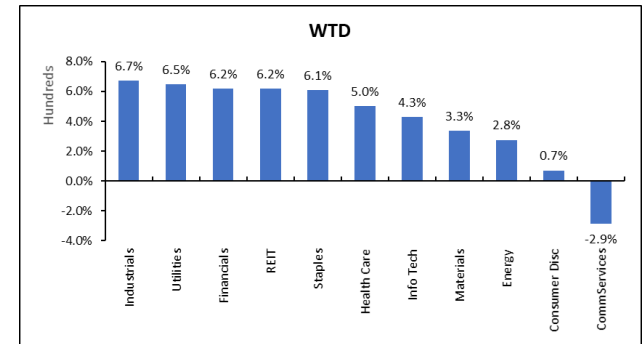
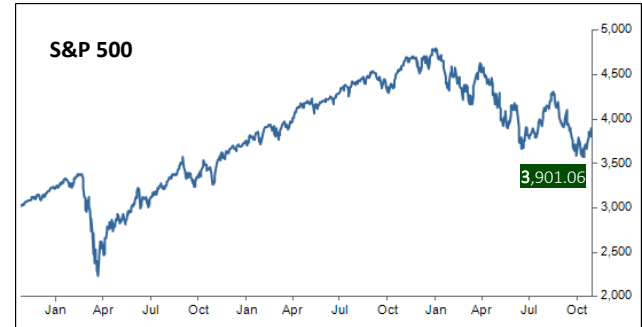
TREASURIES	Yield		FOREX	Price	Wk
				Change	%
2-Year	4.42		USD/EUR	1.00	1.04
5-Year	4.19		JPY/USD	147.60	0.04
10-Year	4.02		USD/GBP	1.16	2.76
30-Year	4.15		CAD/USD	1.36	0.32

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk	WTD	MTD	QTD	YTD
		Net				
		Change				
Defensive						
Staples	761.97	43.76	6.1%	9.5%	9.5%	(5.3%)
Health Care	1,547.85	73.74	5.0%	9.7%	9.7%	(5.8%)
CommServices	164.62	-4.83	(2.9%)	1.6%	1.6%	(38.5%)
Eco Sensitive						
Consumer Disc	1,132.37	7.95	0.7%	0.9%	0.9%	(29.7%)
Energy	685.71	18.36	2.8%	24.1%	24.1%	62.2%
Industrials	800.42	50.46	6.7%	14.2%	14.2%	(10.6%)
Info Tech	2,271.63	93.24	4.3%	9.2%	9.2%	(25.7%)
Materials	470.30	15.22	3.3%	9.9%	9.9%	(17.4%)
Interest Rate Sensitive						
Financials	568.03	33.12	6.2%	12.6%	12.6%	(12.6%)
Utilities	342.40	20.83	6.5%	3.0%	3.0%	(5.9%)
REIT	230.77	13.41	6.2%	2.1%	2.1%	(28.9%)

COMING UP NEXT WEEK		Consensus	Prior
10/31 Chicago PMI SA	(Oct)	47.1	45.7
11/01 Markit PMI Manufacturing SA (Final)	(Oct)	49.9	49.9
11/01 ISM Manufacturing SA	(Oct)	49.8	50.9
11/02 ADP Employment Survey SA	(Oct)	200.0K	208.0K
11/02 FOMC Meeting	-	-	-
11/03 Markit PMI Services SA (Final)	(Oct)	46.6	46.6
11/03 Durable Orders SA M/M (Final)	(Sep)	0.40%	0.40%
11/03 ISM Services PMI SA	(Oct)	55.3	56.7
11/04 Nonfarm Payrolls SA	(Oct)	200.0K	263.0K



Russell Style Return

WTD	Value	Blend	Growth
Large	5.04%	4.02%	3.01%
Medium	5.70%	5.59%	5.40%
Small	6.27%	6.02%	5.78%

YTD	Value	Blend	Growth
Large	(8.88%)	(17.97%)	(25.93%)
Medium	(12.53%)	(17.26%)	(25.80%)
Small	(11.20%)	(16.87%)	(22.58%)

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