



Weekly Recap

Following June's rally, U.S. equities finished the holiday-shortened trading week in the red. The market action this week was uneventful but several notable economic reports were released. The Institute for Supply Management (ISM) manufacturing PMI for June contracted to 46.0, below expectations. This marked the eighth month of contraction and the longest contraction trend since the Great Recession. The June ISM services index was up 3.6 points month-over-month (m/m) to 53.9, beating consensus. This was the sixth straight month of expansion. The Federal Open Market Committee (FOMC) minutes on Wednesday reiterated the higher-for-longer narrative. ADP June private payrolls beat expectations and increased by 497,000 jobs. The hotter-than-expected ADP print combined with this week's FOMC minutes initiated a big rate backup. The 2-year Treasury yield was above 5% on Thursday and reached the highest level since 2007. U.S. June nonfarm payrolls rose by 209,000 jobs m/m with an unemployment rate of 3.6%, missing expectations. This cooler jobs report could potentially be viewed as a harbinger for slower growth. Although rates are at recent highs, global tightening fears are in focus for many investors with the anticipation of an aggressive Fed. Earnings risk theme, pricing power, and wage pressure are growing concerns. Geopolitical tensions have also heightened this week as China could restrict exports of gallium and germanium products which are used in a variety of semiconductors and electric vehicles (EVs). Investors now have their sights set on next week's June CPI report, the beginning of bank earnings season, and Treasury Secretary Janet Yellen's talks in China addressing trade tensions.

Key Thought for The Week

The surprising resilience of the domestic economy in the first half of 2023 has led to more hawkish rhetoric from the Federal Reserve. Minutes from the Fed's June FOMC meeting, released this week, confirmed that most participants felt additional hiking would be appropriate. Market expectations for another 25-basis point hike at the end of July is probably inevitable. The more robust economy has driven bond yields meaningfully higher, especially at the short end of the yield curve. Since the start of June, yields on the two-year Treasury have risen 55 basis points and are again near the 5% level. Financial markets seem to be acknowledging that core inflation is sticky, which may necessitate keeping rates higher for longer, but the behavior of riskier asset classes suggests that there is a low risk of a hard economic landing. For example, high-yield bonds have performed very well this year. In contrast to the financial markets, the staff economists at the Fed are forecasting a recession beginning in the fourth quarter. A recession is preferable to the Fed than stubbornly high inflation. The path forward for the economy and the markets will be determined by how rapidly inflation comes down.

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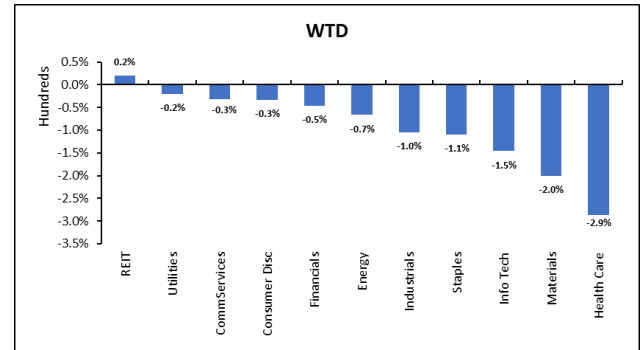
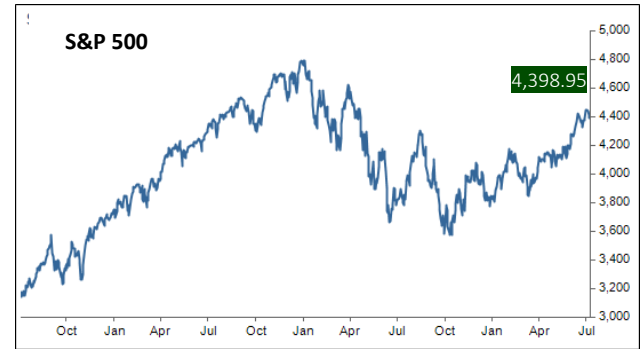
	7/7/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS	Close					
DJIA	33,734.88	-672.72	-1.96	2.11	1.77	7.49
S&P 500	4,398.95	-51.43	-1.16	1.57	14.57	12.72
NASDAQ	13,660.72	-127.21	-0.92	0.79	30.52	17.55
S&P MidCap 400	2,603.24	-19.10	-0.73	1.76	7.11	11.82
EAFE	2,076.87	-54.85	-2.57	3.36	6.84	12.82
Emerging Market	984.69	-4.79	-0.48	2.96	2.96	-0.97

	Yield	FOREX	Price	Wk %
TREASURIES				
1-Year	5.41	USD/EUR	1.10	0.52
2-Year	4.95	JPY/USD	142.12	1.54
5-Year	4.35	USD/GBP	1.28	1.04
10-Year	4.06	CAD/USD	1.33	-0.26
30-Year	4.05			

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	770.30	-8.52	-1.1	(1.1%)	(1.1%)	(1.1%)
Health Care	1,504.14	-44.48	-2.9	(2.9%)	(2.9%)	(5.1%)
CommServices	215.39	-0.69	-0.3	(0.3%)	(0.3%)	35.1%
Eco Sensitive						
Consumer Disc	1,326.17	-4.37	-0.3	(0.3%)	(0.3%)	31.9%
Energy	619.40	-4.16	-0.7	(0.7%)	(0.7%)	(7.9%)
Industrials	898.61	-9.48	-1.0	(1.0%)	(1.0%)	8.1%
Info Tech	3,040.87	-44.97	-1.5	(1.5%)	(1.5%)	40.0%
Materials	511.46	-10.47	-2.0	(2.0%)	(2.0%)	4.5%
Interest Rate Sensitive						
Financials	558.53	-2.58	-0.5	(0.5%)	(0.5%)	(2.0%)
Utilities	332.14	-0.66	-0.2	(0.2%)	(0.2%)	(7.3%)
REIT	237.16	0.49	0.2	0.2%	0.2%	2.1%

COMING UP NEXT WEEK		Consensus	Prior
07/12 CPI ex-Food & Energy SA M/M	(Jun)	0.35%	0.40%
07/12 CPI ex-Food & Energy NSA Y/Y	(Jun)	5.0%	5.3%
07/12 CPI NSA Y/Y	(Jun)	3.0%	4.0%
07/13 PPI ex-Food & Energy SA M/M	(Jun)	0.20%	0.20%
07/13 PPI SA M/M	(Jun)	0.20%	-0.30%
07/13 PPI NSA Y/Y	(Jun)	0.40%	1.1%
07/13 Treasury Budget NSA	(Jun)	-\$10.0B	-\$240.3B
07/14 Michigan Sentiment NSA (Preliminary)	(Jul)	66.0	64.4



Russell Style Return

	WTD	Value	Blend	Growth
Large	(1.06%)	(1.08%)	(1.10%)	
Medium	(0.27%)	(0.61%)	(1.43%)	
Small	(0.71%)	(1.26%)	(1.81%)	

	YTD	Value	Blend	Growth
Large	3.99%	15.41%	27.60%	
Medium	4.92%	8.33%	14.28%	
Small	1.74%	6.70%	11.49%	