



Weekly Recap

The S&P 500 posted modest gains this week, closing at 4,536, up from last week's close at 4,505. Technology stocks continued to push the index closer to its all-time high, and the Dow Jones Industrial Average registered its longest daily winning streak since 2019 with ten straight days of gains, hitting a 15-month high Friday morning. Growth stocks continue to outperform value; growth stocks are up 31.01% YTD, and value stocks are up 8.18% YTD. At the sector level, the top performers for the week were healthcare and energy, up 3.5% after several big names reported solid earnings. Financials also performed well, up 2.95%, despite some earnings misses. Several pieces of economic data came out this week including U.S. retail sales, which rose only 0.2% in June versus a 0.5% expectation. However, excluding autos and gas, retail sales rose 0.3% which met consensus. Restaurant sales were essentially flat in June, but up 8.4% for the year, which is a good indication Americans feel secure enough financially to spend on discretionary items like dinner and drinks. Overall, consumer spending is still strong as many are spending on services rather than goods. Similarly, the U.S. labor market has exhibited strength as jobless claims dropped to a two-month low of 228,000, suggesting that companies have sufficient demand for their goods and services to retain their workers. Thus, the labor market and inflation are still at odds, and many are expecting a 25-basis point (bps) interest rate hike at the next Fed meeting. In terms of fixed income, the spread between the 2- to 10-year Treasury yields widened to 100 bps and the yield curve steepened.

Key Thought for The Week

The rally in the S&P 500 has been driven by multiple expansion as investors have become more comfortable with the soft-landing narrative for the economy. The price-to-earnings multiple on the S&P 500 has risen to approximately 21x FY 2023 EPS, in contrast to the mere 15x comparable PE multiple witnessed during the October 2022 low. Part of the multiple expansion has been due to the decline in earnings estimates. Roughly, 18% of S&P 500 constituents have reported Q2 earnings, showing a modest growth rate of 1.43% year-over-year (Y/Y). Of the S&P 500 companies having reported so far, 73% have exceeded analyst estimates, below the 80% average over the last three years. As we progress through Q2 earnings season, time will reveal if the forthcoming earnings reports justify the current market valuation. This week, market leaders in many growth-oriented sectors reported earnings, such as consumer discretionary and communications services. Generally, recent reports revealed impressive top-line revenue growth Y/Y but mixed bottom-line results. Several bellwether names that have led the market rally had decreasing profit margins and offered weak guidance, leading to selling pressure by investors. In the current market environment, marked by high valuations and narrow breadth, there is little room for imperfection from market leaders.

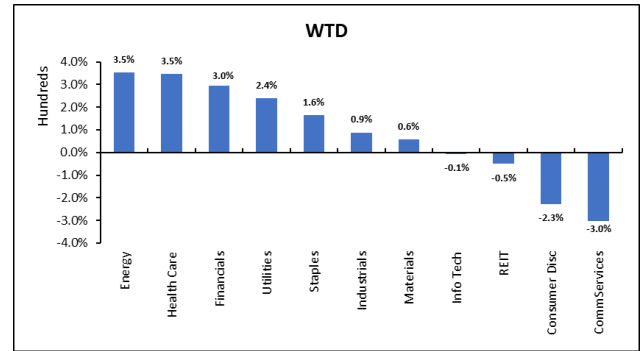
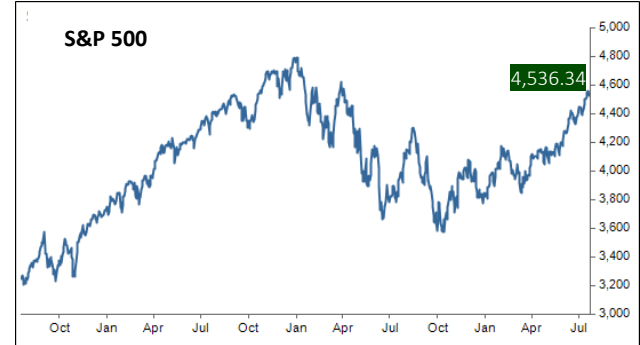
7/21/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS					
DJIA	35,227.69	718.66	2.08	6.28	9.96
S&P 500	4,536.34	30.92	0.69	1.53	13.44
NASDAQ	14,032.81	-80.90	-0.57	0.77	34.07
S&P MidCap 400	2,705.82	31.88	1.19	1.70	11.91
EAFE	2,181.93	-7.06	-0.32	3.28	15.98
Emerging Market	1,018.06	-10.44	-1.01	2.90	6.45
				Wk %	
TREASURIES	Yield		FOREX	Price	Change
1-Year	5.33		USD/EUR	1.11	-0.93
2-Year	4.84		JPY/USD	141.73	-2.07
5-Year	4.09		USD/GBP	1.29	-1.83
10-Year	3.84		CAD/USD	1.32	-0.06
30-Year	3.90				

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	792.31	12.79	1.6%	1.7%	1.7%	1.7%
Health Care	1,587.77	53.08	3.5%	2.5%	2.5%	0.1%
CommServices	215.92	-6.71	(3.0%)	(0.1%)	(0.1%)	35.5%
Eco Sensitive						
Consumer Disc	1,338.83	-31.27	(2.3%)	0.6%	0.6%	33.2%
Energy	645.00	21.98	3.5%	3.4%	3.4%	(4.1%)
Industrials	926.65	8.12	0.9%	2.0%	2.0%	11.5%
Info Tech	3,123.42	-2.36	(0.1%)	1.2%	1.2%	43.8%
Materials	527.18	3.03	0.6%	1.0%	1.0%	7.7%
Interest Rate Sensitive						
Financials	586.32	16.83	3.0%	4.5%	4.5%	2.9%
Utilities	347.80	8.14	2.4%	4.5%	4.5%	(3.0%)
REIT	242.17	-1.23	(0.5%)	2.3%	2.3%	4.2%

COMING UP NEXT WEEK		Consensus	Prior	
07/24	Markit PMI Manufacturing SA (Preliminary)	(Jul)	46.5	46.3
07/25	Consumer Confidence	(Jul)	110.3	109.7
07/26	New Home Sales SAAR	(Jun)	726.0K	763.0K
07/27	Durable Orders SA M/M (Preliminary)	(Jun)	1.0%	1.8%
07/27	GDP Chain Price SAAR Q/Q (First Preliminary)	(Q2)	2.9%	4.1%
07/28	Personal Consumption Expenditure SA M/M	(Jun)	0.20%	0.10%
07/28	Personal Income SA M/M	(Jun)	0.55%	0.40%
07/28	Michigan Sentiment NSA (Final)	(Jul)	72.6	72.6



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	2.12%	0.71%	(0.53%)	8.18%	19.23%	31.01%	
Medium	1.44%	1.05%	0.13%	9.00%	12.59%	18.89%	
Small	2.30%	1.52%	0.73%	7.39%	12.20%	16.78%	

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