



July 29, 2022

Weekly Recap

Stocks continued their strong rally this week driven by a busy week for earnings, including big tech. AAPL, MSFT, and AMZN all provided encouraging guidance for upcoming quarters despite the strength of the U.S. dollar and supply chain constraints, sending shares higher following their reports. The S&P, Dow, and Nasdaq gained 4.26%, 2.97%, and 4.70%, respectively, backed by strength in all sectors. The top performing sector this week was energy, increasing 10.31%, supported by strong earnings derived from record high energy prices. Meanwhile, growth outperformed value this week returning 4.98% and 3.35%, respectively. The fixed income market contributed solid performance this week after a 75 bp rate hike and commentary from Fed Chairman Powell. Treasuries saw the largest gains in intermediate tenors, specifically the 5-year and 7-year Treasury yields, decreasing 14-16 basis points (bps) since the beginning of the week. The 10-year U.S Treasury yield has fallen 82 bps from the highest point of the tightening cycle, now sitting at 2.66%. Gains were also prominent in the municipal market with the benchmark for 10-year state and local debt richer by 20.3 bps. In economic data, recession fears grew larger following consecutive quarters of shrinking output with GDP declining 0.9% during the second quarter. The release of PCE prices on Friday cooled off the rally in Treasuries on the front-end of the curve as June PCE inflation rose 1% proving inflation is broad-based and needs further action from the Fed to bring it down to their target of 2%. Core PCE (excluding food and energy) increased 4.8% y/y and accelerated at the fastest rate since April 2021.

Key Thought for The Week

The FOMC met this week and increased the Fed funds rate by 75 basis points. The decision was unanimous and brings the overall Fed funds rate to a range of 2.25% to 2.50%. Moreover, Chairman Powell stated that the main reason for the aggressive rate increase was because “the labor market is extremely tight and inflation is much too high.” There is no doubt that elevated inflation has weighed on consumer demand and is negatively impacting economic growth. The Fed is acutely focused on bringing inflation down closer to its 2% target and is fully aware that it may induce a recession to uphold its mandate of price stability. The recent rally in risk assets may be short lived if inflation does not abate in the near term and the Fed is forced to tighten monetary policy beyond what the market is currently predicting.

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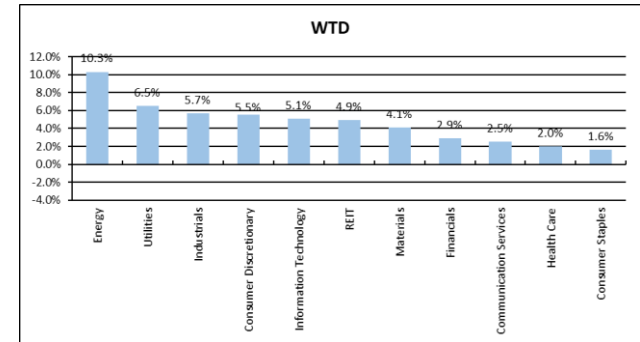
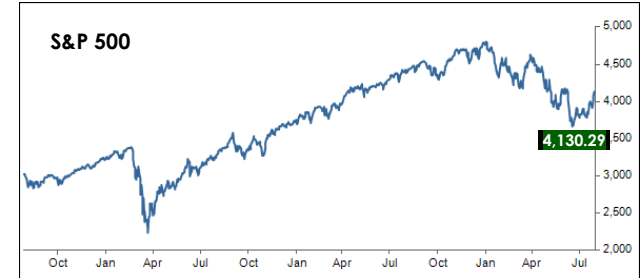
STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	32,845.13	945.84	2.97	2.02	-9.61	-6.38
S&P 500	4,130.29	168.66	4.26	1.56	-13.34	-6.54
NASDAQ	12,390.69	556.58	4.70	0.82	-20.80	-16.16
S&P MidCap 400	2,512.73	116.00	4.84	1.73	-11.59	-7.16
EAFE	1,915.34	17.96	0.95	3.33	-18.01	-18.21
Emerging Market	997.61	7.24	0.73	3.08	-19.03	-22.99

TREASURIES	Yield	FOREX	Price	Wk % Change
2-Year	2.90	Euro/Dollar	1.02	1.16
5-Year	2.70	Dollar/Yen	133.65	-1.76
10-Year	2.64	GBP/Dollar	1.22	1.06
30-Year	2.98	Dollar/Cad	1.28	-0.18

Source: FactSet/Bloomberg

Sector – Large Cap	Close	WTD	MTD	QTD	YTD
Defensive					
Staples	773.5	1.6%	3.1%	3.1%	(3.9%)
Health Care	1541.88	2.0%	3.2%	3.2%	(6.2%)
CommServices	192.55	2.5%	3.5%	3.5%	(28.0%)
Eco Sensitive					
Consumer Disc	1281.51	5.5%	18.9%	18.9%	(20.4%)
Energy	598.74	10.3%	9.6%	9.6%	41.6%
Industrials	808.28	5.7%	9.5%	9.5%	(9.7%)
Info Tech	2522.61	5.1%	13.5%	13.5%	(17.4%)
Materials	491.31	4.1%	6.1%	6.1%	(13.7%)
Interest Rate Sensitive					
Financials	560.04	2.9%	7.0%	7.0%	(13.8%)
Utilities	375.65	6.5%	5.4%	5.4%	3.3%
REIT	277.49	4.9%	8.5%	8.5%	(14.6%)

COMING UP NEXT WEEK		Consensus	Prior
08/01 ISM Manufacturing SA	(Jul)	52.2	53.0
08/03 Durable Orders SA M/M (Final)	(Jun)	1.9%	1.9%
08/03 Factory Orders SA M/M	(Jun)	0.75%	1.6%
08/03 ISM Services PMI SA	(Jul)	53.0	55.3
08/05 Hourly Earnings Y/Y (Preliminary)	(Jul)	4.9%	5.1%
08/05 Nonfarm Payrolls SA	(Jul)	245.0K	372.0K
08/05 Private Nonfarm Payrolls	(Jul)	225.0K	381.0K
08/05 Unemployment Rate	(Jul)	3.6%	3.6%



Russell Style Return

	WTD	Value	Blend	Growth
Large	2.4%	2.7%	3.0%	
Medium	3.1%	3.3%	3.7%	
Small	3.7%	3.7%	3.6%	

	YTD	Value	Blend	Growth
Large	(9.0%)	(15.5%)	(21.3%)	
Medium	(10.9%)	(15.4%)	(23.6%)	
Small	(10.8%)	(16.6%)	(22.3%)	