PEAPACK PRIVATE

The Weekly
Economic & Market Recap

February 2, 2024

Weekly Recap

A slew of economic data was published this week for investors to reassess and gauge the overall health of the U.S. economy, and to perhaps recalibrate financial market expectations for 2024. January's Consumer Confidence Index, a quantifiable statistic measuring consumers' feelings about the current and future economic conditions, reported 114.8 beating consensus expectations of 113. This marks three consecutive months of an increase and the highest level published since December of 2021. Unexpectedly, U.S. job openings increased in December in addition to the prior month being revised higher. Job openings and labor turnover (JOLTs) reported 9.02 million job openings beating expectations of 8.7 million, representing 1.4 job openings per available worker. January's unemployment rate remained steady at 3.7%, 10 basis points below expectations and in line with the prior month. The U.S. economy added 353,000 jobs in January, outpacing estimates for 185,000, showcasing robust employment opportunities within professional services and health-care. Wednesday marked the first FOMC meeting of 2024 with Jerome Powell indicating a March rate cut as unlikely, conflicting with market expecta-tions. Chair Powell reiterated that inflation has greatly improved from prior highs in 2023, although remains elevated above the Fed's 2% target, and interest rate cuts will depend on inflation reaching a sustainable path towards that target. The overall market reacted poorly to the commentary sending the Nasdaq and S&P 500 down 2.2% and 1.6%, respectively. However, U.S. equities finished the week higher with the S&P 500 and Nasdaq posting WTD returns of +1.38% and +1.12% off the heels of mega tech earnings beating expectations.

Key Thought for The Week

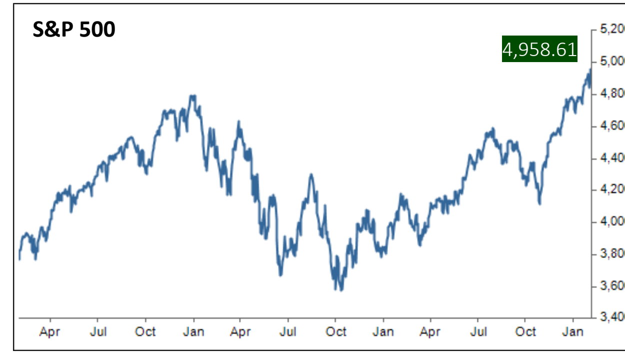
The primary focus of most investors has been on the Federal Reserve. The debate is on the timing of the first cut in the Fed Funds rate and how aggressively the Fed will be in reducing rates. According to Fed funds futures, the market is pricing up to 150 basis points in cuts this year. However, the path toward rate normalization is data dependent. Recent economic data has been surprisingly strong, as evidenced by this week's jobs report and ISM Manufacturing index, which both exceeded consensus expectations. Much of the Fed's work toward bringing inflation down to the long-term target of 2% has already been accomplished, and inflation expectations remain well anchored. However, the path toward price stability may not be as smooth as the market is projecting. From the Fed's perspective, the more concerning aspect of the labor report was the large upside surprise in average hourly earnings (AHE) that rose 4.5% year-over-year and, on a three-month annualized basis, was up 5.4% in January. Labor costs constitute a significant cost component for every employer. Higher wage rates can become quickly embedded in the price of goods as companies attempt to maintain margins and pass along the higher costs. There could be some mitigating factors in the AHE surprise, such as a decline in the workweek, causing a skewing of the labor force toward high-cost workers. But containing wage growth is an integral element to the Fed's drive to bring inflation down and the higher AHE could at least cause them to pause. The critical point is that the Federal Reserve may need to remain vigilant regarding inflation longer than the market would like.

2/2/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	38,654.42	544.99	1.43	1.91	2.56	13.51
S&P 500	4,958.61	67.64	1.38	1.44	3.96	18.63
NASDAQ	15,628.95	173.59	1.12	0.75	4.11	28.10
S&P MidCap 400	2,767.15	3.38	0.12	1.66	-0.52	1.49
EAFE	2,230.76	8.02	0.36	3.13	-0.24	4.54
Emerging Market	982.12	-2.98	-0.30	2.71	-4.07	-6.07

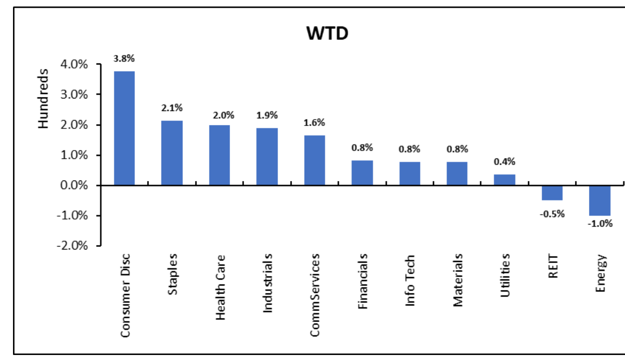
TREASURIES	Yield
1-Year	4.81
2-Year	4.37
5-Year	3.98
10-Year	4.02
30-Year	4.22

FOREX	Price	Wk % Change
USD/EUR	1.08	-0.60
JPY/USD	148.38	-0.16
USD/GBP	1.26	-0.57
CAD/USD	1.35	-0.07

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	786.09	16.37	2.1%	1.7%	3.1%	3.1%
Health Care	1,654.34	32.08	2.0%	1.1%	4.0%	4.0%
CommServices	272.38	4.38	1.6%	5.6%	10.7%	10.7%
Eco Sensitive						
Consumer Disc	1,429.48	51.81	3.8%	4.5%	0.8%	0.8%
Energy	637.35	-6.50	(1.0%)	0.1%	(0.4%)	(0.4%)
Industrials	978.44	18.07	1.9%	2.4%	1.4%	1.4%
Info Tech	3,625.92	27.63	0.8%	2.7%	6.7%	6.7%
Materials	524.02	3.97	0.8%	1.1%	(2.9%)	(2.9%)
Interest Rate Sensitive						
Financials	648.01	5.19	0.8%	0.5%	3.5%	3.5%
Utilities	312.21	1.11	0.4%	0.0%	(3.0%)	(3.0%)
REIT	240.65	-1.18	(0.5%)	0.5%	(4.3%)	(4.3%)



COMING UP NEXT WEEK		Consensus	Prior
02/05 PMI Composite SA (Final)	(Jan)	-	52.3
02/05 Markit PMI Services SA (Final)	(Jan)	52.9	52.9
02/05 ISM Services PMI SA	(Jan)	52.3	50.6
02/07 Trade Balance SA	(Dec)	-$62.0B	-$63.2B
02/07 Consumer Credit SA	(Dec)	$11.0B	$23.8B
02/08 Initial Claims SA	(02/03)	224.0K	224.0K

Russell Style Return

WTD	Value	Blend	Growth
Large	0.54%	1.34%	1.99%
Medium	0.26%	0.63%	1.49%
Small	(1.95%)	(0.77%)	0.47%

YTD	Value	Blend	Growth
Large	0.95%	3.70%	6.04%
Medium	(0.74%)	(0.01%)	1.75%
Small	(4.48%)	(3.12%)	(1.69%)

For more information about our solutions: http://peapackprivate.com