PEAPACK PRIVATE
Wealth Management

The Weekly
Economic & Market Recap

October 14, 2022

Weekly Recap

The S&P 500 Index ended the week down 1.6% as of Friday's close. Daily declines were consistent all week except for Thursday, when the market declined early in the session by 2.4% then proceeded to rally an astonishing 5.1% from the lows through the close, with the index up 2.6% for the day. The initial drop occurred following the Consumer Price Index (CPI) numbers that were released Thursday morning. Given that the market had declined so dramatically over the previous two months, investors took the opportunity on Thursday to begin buying once again. The headline September CPI reading increased 8.2% from last year. Excluding volatile food and energy, "core" inflation was up 6.6% over the previous 12 months. These economic releases were worse than expected and have not been seen in four decades. Food prices and shelter costs continue to be stubbornly high, which may force the Federal Reserve to continue increasing rates rigorously in the near future. According to the CME FedWatch site, there is a 97% probability that the Fed will increase rates at its November meeting by 75 basis points and a 67% probability that it will lift rates in December by the same amount. This implies that the Federal Funds rate could be 4.50%-4.75% within two months. This week, value stocks continued to dramatically outperform growth stocks – particularly in the small cap space. In terms of sectors, staples (+1.4%), healthcare (+0.8%) and financial stocks (+0.2%) performed the best, while consumer discretionary (-4.1%), information technology (-3.2%) and utilities (-2.6%) lagged.

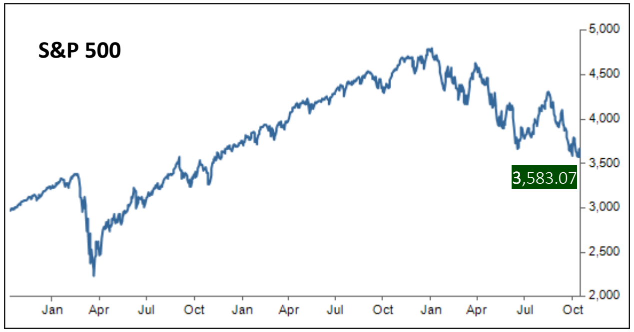
Key Thought for The Week

The official start to third quarter earnings season kicked off on Friday with several banks reporting their results. According to FactSet, as of October 7th, expectations are for S&P 500 Index companies to report year-over-year (YoY) earnings growth of 2.4% for the quarter, which would be the lowest earnings growth reported since Q3 2020. Four of the eleven sectors are projected to report YoY earnings growth, led by the energy and industrials sectors; whereas, seven sectors are predicted to report a decline in earnings, with the communication services and financials sectors forecasted to report the weakest results. Earnings growth YoY for the energy sector is expected to be north of 100% because of the surge in oil prices over the past 12 months. If energy was excluded from the S&P 500, the index would be expected to report a decline in earnings of 4.0%. Although third quarter results will provide valuable information to investors, a particular focus will be placed on the guidance provided by corporations which will help adjust expectations for earnings moving forward.

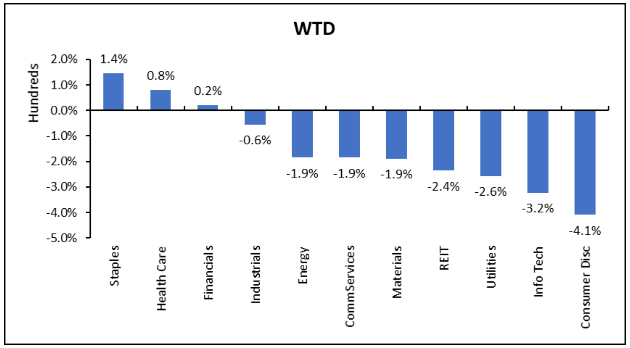
10/14/2022 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	29,634.83	338.04	1.15	2.28	-18.45	-15.12
S&P 500	3,583.07	-56.59	-1.55	1.85	-24.82	-19.27
NASDAQ	10,321.39	-331.02	-3.11	1.00	-34.03	-30.37
S&P MidCap 400	2,245.21	-21.68	-0.96	1.95	-21.00	-18.25
EAFE	1,651.54	-42.04	-2.48	3.61	-29.30	-28.22
Emerging Market	854.53	-43.21	-4.81	3.52	-30.64	-32.54

TREASURIES	Yield	FOREX	Price	Wk % Change
2-Year	4.50	USD/EUR	0.97	-0.23
5-Year	4.27	JPY/USD	148.67	-2.30
10-Year	4.02	USD/GBP	1.12	0.78
30-Year	4.00	CAD/USD	1.39	-1.05

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	703.05	10.03	1.4%	1.0%	1.0%	(12.6%)
Health Care	1,441.15	11.43	0.8%	2.1%	2.1%	(12.3%)
CommServices	161.34	-3.05	(1.9%)	(0.4%)	(0.4%)	(39.7%)
Eco Sensitive						
Consumer Disc	1,064.35	-45.38	(4.1%)	(5.2%)	(5.2%)	(33.9%)
Energy	617.48	-11.66	(1.9%)	11.7%	11.7%	46.1%
Industrials	716.63	-4.03	(0.6%)	2.3%	2.3%	(19.9%)
Info Tech	2,045.59	-68.33	(3.2%)	(1.6%)	(1.6%)	(33.1%)
Materials	428.72	-8.24	(1.9%)	0.2%	0.2%	(24.7%)
Interest Rate Sensitive						
Financials	514.70	1.04	0.2%	2.0%	2.0%	(20.8%)
Utilities	315.42	-8.35	(2.6%)	(5.1%)	(5.1%)	(13.3%)
REIT	211.45	-5.11	(2.4%)	(6.4%)	(6.4%)	(34.9%)



COMING UP NEXT WEEK		Consensus	Prior
10/17 Empire State Index SA	(Oct)	0.0	-1.5
10/18 Capacity Utilization NSA	(Sep)	79.9%	80.0%
10/18 Industrial Production SA M/M	(Sep)	0.10%	-0.20%
10/19 Housing Starts SAAR	(Sep)	1,480K	1,575K
10/20 Philadelphia Fed Index SA	(Oct)	-5.0	-9.9
10/20 Existing Home Sales SAAR	(Sep)	4,656K	4,800K
10/20 Leading Indicators SA M/M	(Sep)	-0.30%	-0.30%

Russell Style Return

WTD	Value	Blend	Growth
Large	(0.68%)	(1.75%)	(2.80%)
Medium	(1.67%)	(2.54%)	(4.08%)
Small	0.33%	(1.15%)	(2.56%)

YTD	Value	Blend	Growth
Large	(16.53%)	(24.66%)	(31.79%)
Medium	(19.87%)	(24.34%)	(32.38%)
Small	(19.12%)	(24.29%)	(29.50%)

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