PEAPACK PRIVATE

The Weekly
Economic & Market Recap

October 6, 2023

Weekly Recap

Headline news was abundant as the fourth quarter commenced this week. Economic activity in the manufacturing sector strengthened in September, with the Manufacturing Purchasing Manager Index (PMI) increasing to 49.0, beating consensus expectations of 47.9 and improving from August's reading of 47.6. However, September marks 11 consecutive months with the Manufacturing PMI remaining at contractionary levels, a reading below 50. The non-manufacturing ISM index continues highlighting resiliency among the services sector as activity expanded in September to 53.6, slightly above consensus estimates of 53.5. Output has shifted from goods to services following the COVID-era lockdowns, and the Institute for Supply Management (ISM) numbers suggest that this trend is not slowing down as we enter the final quarter of this year. The Labor Department on Tuesday released the latest Job Openings and Labor Turnover Survey (JOLTS), which after three consecutive months of deceleration, reported an increase in job openings of 9.6 million in August compared to 8.9 million in July. Nonfarm Payrolls also increased by 336,000 for the month, outpacing expectations for 170,000, and average hourly earnings rose .2% for the month and 4.2% year over year. From a sector perspective, leisure and hospitality saw the largest increase in new jobs with 96,000 and government gaining an additional 73,000 job openings. Interestingly, the unemployment rate rose to 3.8% compared to the 3.7% forecasted but remains far below the long-term average of 4.5%-5.5%. With the Fed conveying data dependency for future rate hikes, the recent JOLTS and unemployment numbers will keep the risks tilted towards the potential for additional hikes or at least rates remaining higher for longer than the market had previously expected.

Key Thought for The Week

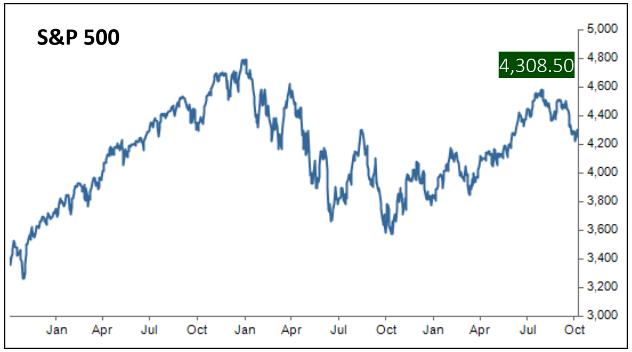
Equities have been struggling since the beginning of August amidst the backdrop of rising interest rates. The jump in rates, particularly in longer tenors, fueled concerns about equity valuations and the increased competition for stocks posed by higher-yielding, lower-risk alternatives. Although the rise in yields is welcomed by the Federal Reserve and its campaign to control inflation, borrowers face an increasingly challenging environment when they try to access capital. For example, the housing affordability index is at 40-year lows for U.S. homebuyers, partially because mortgage rates nationally have risen to over 8%. According to real estate listing company Redfin, the typical new home buyer's monthly mortgage payment in July, factoring in higher rates and home values, was up 19% year-over-year. While periodic economic data suggests the U.S. economy remains healthy, despite the rising rate environment, only time will tell if the Federal Reserve manages to turn the elusive "soft-landing" economic scenario into a reality. San Francisco Federal Reserve President Mary Daly stated this week that "with monetary policy well into restrictive territory . . . the Fed may not need to raise rates anymore." However, analysts on Wall Street warn that the velocity of the rise in rates and the level of rates, now near 20-year highs, threatens to undercut the economy by drastically raising borrowing costs for consumers and companies alike.

10/6/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	33,407.58	-99.92	-0.30	2.16	0.79	11.63
S&P 500	4,308.50	20.45	0.48	1.61	12.22	15.06
NASDAQ	13,431.34	212.02	1.60	0.81	28.33	21.29
S&P MidCap 400	2,455.43	-46.69	-1.87	1.85	1.03	5.59
EAFE	1,983.21	-48.05	-2.37	3.36	2.02	14.90
Emerging Market	930.23	-22.55	-2.37	2.91	-2.73	2.16

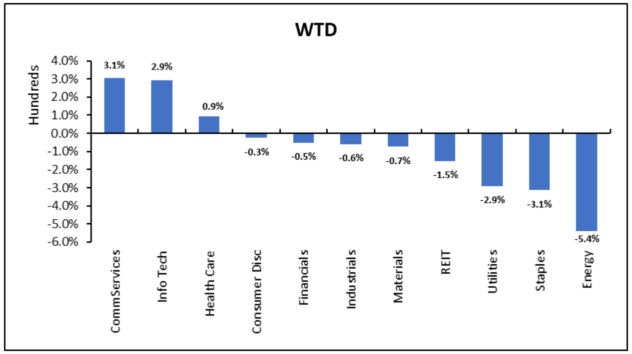
TREASURIES	Yield
1-Year	5.43
2-Year	5.08
5-Year	4.75
10-Year	4.79
30-Year	4.96

FOREX	Price	Wk % Change
USD/EUR	1.06	0.12
JPY/USD	149.32	0.03
USD/GBP	1.22	0.30
CAD/USD	1.37	-0.63

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	704.51	-22.85	(3.1%)	(3.1%)	(3.1%)	(9.6%)
Health Care	1,515.28	14.06	0.9%	0.9%	0.9%	(4.4%)
CommServices	228.99	6.78	3.1%	3.1%	3.1%	43.7%
Eco Sensitive						
Consumer Disc	1,260.72	-3.28	(0.3%)	(0.3%)	(0.3%)	25.4%
Energy	656.79	-37.40	(5.4%)	(5.4%)	(5.4%)	(2.3%)
Industrials	852.50	-5.07	(0.6%)	(0.6%)	(0.6%)	2.5%
Info Tech	2,991.10	85.54	2.9%	2.9%	2.9%	37.7%
Materials	490.89	-3.65	(0.7%)	(0.7%)	(0.7%)	0.3%
Interest Rate Sensitive						
Financials	549.36	-2.80	(0.5%)	(0.5%)	(0.5%)	(3.6%)
Utilities	290.51	-8.69	(2.9%)	(2.9%)	(2.9%)	(19.0%)
REIT	210.54	-3.28	(1.5%)	(1.5%)	(1.5%)	(9.4%)



COMING UP NEXT WEEK		Consensus	Prior
10/11 PPI ex-Food & Energy SA M/M	(Sep)	0.20%	0.20%
10/11 PPI SA M/M	(Sep)	0.30%	0.70%
10/11 PPI NSA Y/Y	(Sep)	1.6%	1.6%
10/12 CPI ex-Food & Energy SA M/M	(Sep)	0.30%	0.30%
10/12 CPI SA M/M	(Sep)	0.30%	0.60%
10/12 CPI NSA Y/Y	(Sep)	3.6%	3.7%
10/13 Michigan Sentiment NSA (Preliminary)	(Oct)	67.8	68.1

Russell Style Return

WTD	Value	Blend	Growth
Large	(1.51%)	0.37%	2.05%
Medium	(1.55%)	(1.13%)	(0.10%)
Small	(2.60%)	(2.18%)	(1.77%)

YTD	Value	Blend	Growth
Large	0.24%	13.42%	27.54%
Medium	(1.04%)	2.72%	9.78%
Small	(3.16%)	0.26%	3.37%

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