PEAPACK PRIVATE
Wealth Management

The Weekly
Economic & Market Recap

March 17, 2023

Weekly Recap

The U.S. equities experienced a turbulent week with banks under noticeable pressure as the market processed the recent Silicon Valley Bank (SVB) and Signature Bank failures. New concerns about Credit Suisse emerged mid-week when its top shareholder (Saudi National Bank) stated that it would not increase its stake in the bank, sending the share price plummeting to record lows. Tensions began to ease as large banks were in talks to provide support to First Republic Bank and the Swiss National Bank agreed to aid Credit Suisse. By the end of the week, market expectations for the Fed rate path had come down given the uncertainty in the financial sector. The market now expects a 0.25% rate hike at the March meeting, lifting the Fed funds rate upper bound to approximately 5.0%, with anticipation for the Fed to then cut rates soon after. This week's economic reports provided encouraging news on inflation ahead of next week's FOMC meeting. The February Consumer Price Index (CPI) increased 0.4%, in line with expectations and declining for the eighth-straight month. A determining factor in keeping CPI under control was the decrease in energy costs deriving from the decline of natural-gas prices. The February Producer Price Index (PPI) was softer than expected, falling 0.1% for the month. Retail sales also fell last month as consumers reduced spending, down 0.4%. U.S. equities finished strong for the week with the S&P 500 and Nasdaq closing in the green, while the Dow Jones 30 Industrials Average experienced a slight decline. As expected, the financial sector was an underperformer, down 6.09%, while growth stocks dominated value stocks. The bond market was incredibly volatile this week and U.S. Treasuries rallied amid a flight to quality.

Key Thought for The Week

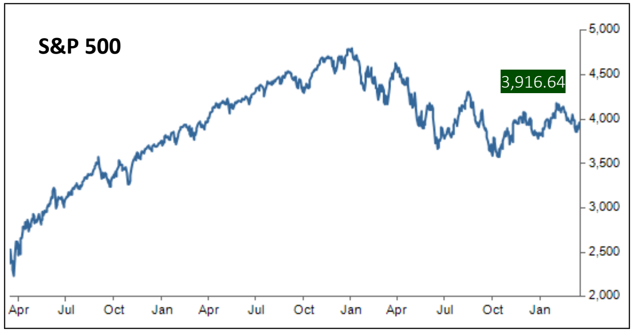
The travails and failures of both Silicon Valley and Signature banks have sent the financial markets into spasms. The banking situation is the immediate concern for most investors leaping in front of the Federal Reserve and inflation. The magnitude and speed of a dramatic shift in a crucial economic parameter, such as the level of interest rates, often can cause some investors' portfolios to be misaligned, leaving them more exposed to risk. That was the problem that took down Long Term Capital back in 1998. The impacts of rapid and arguably excessive Fed tightening have broad effects on many sectors of the economy. The primary cause of the sudden liquidity problem experienced by SVB was principally related to a poorly diversified deposit base, rapid balance sheet growth during a period of low interest rates and a loss of confidence. Although higher interest rates are an issue for many financial institutions, deposit concentration, a liability problem for some banks, is relatively isolated. The longer-term challenge for the financial markets is still inflation from the Fed's perspective. The Fed will conclude its two-day meeting on March 22nd and markets are still anticipating a 25-basis point increase in the Fed funds rate with an approximate probability of 60%.

3/17/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	31,861.98	-47.66	-0.15	2.20	-3.88	-7.59
S&P 500	3,916.64	55.05	1.43	1.76	2.01	-11.22
NASDAQ	11,630.51	491.63	4.41	0.92	11.12	-14.57
S&P MidCap 400	2,374.45	-78.14	-3.19	1.93	-2.30	-11.54
EAFE	1,988.12	-64.10	-3.12	3.40	2.27	-7.52
Emerging Market	941.35	-13.93	-1.46	3.28	-1.57	-16.02

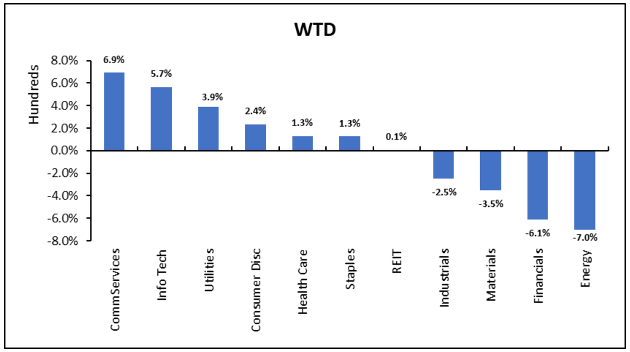
TREASURIES	Yield
2-Year	3.84
5-Year	3.50
10-Year	3.43
30-Year	3.63

FOREX	Price	Wk % Change
USD/EUR	1.07	0.25
JPY/USD	131.85	2.41
USD/GBP	1.22	1.19
CAD/USD	1.37	0.74

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	750.63	9.46	1.3%	(0.1%)	(3.7%)	(3.7%)
Health Care	1,462.81	18.90	1.3%	(1.2%)	(7.7%)	(7.7%)
CommServices	182.56	11.85	6.9%	5.2%	14.6%	14.6%
Eco Sensitive						
Consumer Disc	1,097.66	25.23	2.4%	(2.9%)	9.2%	9.2%
Energy	584.64	-44.14	(7.0%)	(8.4%)	(13.0%)	(13.0%)
Industrials	815.00	-20.48	(2.5%)	(4.3%)	(2.0%)	(2.0%)
Info Tech	2,500.96	133.97	5.7%	5.1%	15.1%	15.1%
Materials	474.00	-17.26	(3.5%)	(7.9%)	(3.2%)	(3.2%)
Interest Rate Sensitive						
Financials	513.02	-33.26	(6.1%)	(13.5%)	(10.0%)	(10.0%)
Utilities	337.87	12.67	3.9%	2.8%	(5.7%)	(5.7%)
REIT	226.38	0.18	0.1%	(5.6%)	(2.6%)	(2.6%)



COMING UP NEXT WEEK		Consensus	Prior
03/21 Existing Home Sales SAAR	(Feb)	4,170K	4,000K
03/22 Fed Funds Target Upper Bound	-	5.00%	4.75%
03/23 New Home Sales SAAR	(Feb)	637.5K	670.0K
03/24 Durable Orders SA M/M (Preliminary)	(Feb)	1.0%	-4.5%
03/24 Markit PMI Manufacturing SA (Preliminary)	(Mar)	47.0	47.3
03/24 Markit PMI Services SA (Preliminary)	(Mar)	50.2	50.6

Russell Style Return

WTD	Value	Blend	Growth
Large	(1.64%)	1.25%	4.12%
Medium	(3.05%)	(2.03%)	(0.24%)
Small	(3.85%)	(2.58%)	(1.36%)

YTD	Value	Blend	Growth
Large	(3.94%)	2.28%	8.94%
Medium	(4.18%)	(1.54%)	3.37%
Small	(4.49%)	(1.71%)	1.02%

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