The Weekly

Economic & Market Recap

PEAPACK PRIVATE

November 17, 2023

Weekly Recap

The expectation that the Fed will end its hiking cycle has caused U.S. equities to rally for its third straight week of gains and pushed Treasury yields lower. This week's economic data extended the disinflation and soft-landing narrative within the market. The October Consumer Price Index (CPI) report was softer-than-expected with the headline flat month-over-month (m/m) and core CPI rising 0.2% m/m. October retail sales had its first decline since March, down 0.1% m/m. October headline Producer Price Index (PPI) had a positive surprise print, declining 0.5% m/m. Initial jobless claims were at the highest level since the August 18 period, while continuing claims were the highest in two years. Nonetheless, even with the disinflationary undertones, Fedspeak reiterated that inflation will be monitored closely to ensure it is on the path to their 2% target. There are signs that the rate hikes have impacted the economy as oil prices have entered a bear market, down approximately 20% from September highs. The market has also witnessed weakened earnings and consumer pressures. Walmart Inc. CEO Doug McMillon commented that the company "may be managing through a period of deflation" as they have seen a slowing in merchandise price increases. Additionally, the dollar has posted its worst weekly decline since July, down 1.9%. Next week, policymakers and investors will be on alert to see if this disinflation momentum continues, though trading volumes may be light due to the holiday-shortened week.

Key Thought for The Week

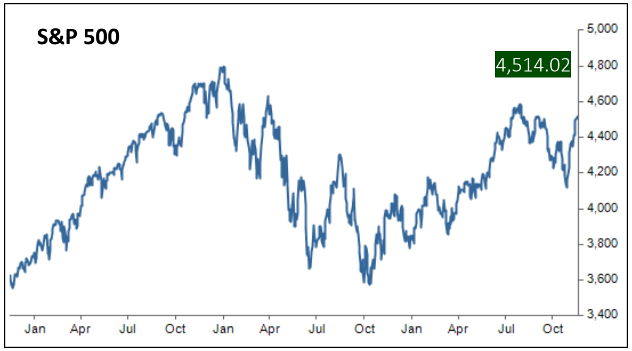
The growing gap between federal spending and revenue over the last few years has concerned most government budget analysts. The fiscal deficit has averaged a staggering $4.98 trillion in the previous five years. In fiscal year 2023, total federal government spending was $6.13 trillion, and total revenue was $4.44 trillion, which resulted in a deficit of $1.7 trillion, an increase of $320 billion. For perspective, deficits are typically compared to the size of the economy. The deficit in fiscal 2023 was 6.4% of GDP, which is unusually large in a non-recessionary period. According to the Congressional Budget Office, the federal budget deficit will continue to grow to 13% of GDP by 2051 unless Washington makes a course correction. One of the significant implications of a large deficit and an increasing national debt is that the U.S. Treasury Department must increase the size of its coupon auctions. The Treasury Department has long attempted to maintain a "regular and predictable" funding schedule to minimize its impact on financial market volatility. The size of the quarterly refunding, announced earlier this month, was not materially different than market expectations. Still, the government sold fewer longer-dated bonds than expected, and bond markets rallied on the news. With additional deficit spending ahead, the Treasury's task will become increasingly complicated. It will be more difficult for the Treasury to remain predictable and for investors to anticipate how the quarterly refunding will be implemented. The impact will be higher volatility around quarterly refunding announcements.

11/17/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	34,947.28	664.18	1.94	2.08	5.43	4.18
S&P 500	4,514.02	98.78	2.24	1.54	17.57	14.38
NASDAQ	14,125.48	327.37	2.37	0.77	34.96	26.74
S&P MidCap 400	2,536.78	97.16	3.98	1.77	4.38	1.69
EAFE	2,079.51	67.61	3.36	3.32	6.97	9.36
Emerging Market	982.25	33.93	3.58	2.88	2.71	4.23

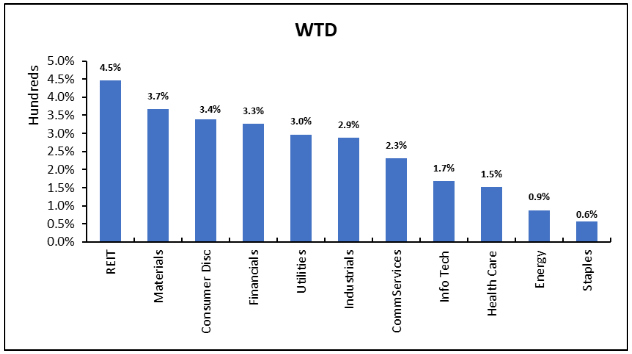
TREASURIES	Yield
1-Year	5.24
2-Year	4.89
5-Year	4.45
10-Year	4.44
30-Year	4.59

FOREX	Price	Wk % Change
USD/EUR	1.09	2.12
JPY/USD	149.65	1.25
USD/GBP	1.25	1.94
CAD/USD	1.37	0.63

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	732.38	4.15	0.6%	2.1%	0.7%	(6.0%)
Health Care	1,492.44	22.45	1.5%	2.8%	(0.6%)	(5.9%)
CommServices	237.25	5.35	2.3%	9.0%	6.8%	48.9%
Eco Sensitive						
Consumer Disc	1,323.93	43.34	3.4%	9.7%	4.7%	31.7%
Energy	643.50	5.62	0.9%	(1.3%)	(7.3%)	(4.3%)
Industrials	891.12	24.91	2.9%	7.1%	3.9%	7.2%
Info Tech	3,247.72	53.97	1.7%	11.9%	11.8%	49.5%
Materials	504.69	17.89	3.7%	5.4%	2.1%	3.1%
Interest Rate Sensitive						
Financials	581.31	18.36	3.3%	8.1%	5.3%	2.0%
Utilities	314.76	9.08	3.0%	3.9%	5.2%	(12.2%)
REIT	225.03	9.60	4.5%	8.4%	5.2%	(3.2%)



COMING UP NEXT WEEK		Consensus	Prior
11/20 Leading Indicators SA M/M	(Oct)	-0.60%	-0.70%
11/21 Existing Home Sales SAAR	(Oct)	3,900K	3,960K
11/22 Durable Orders ex-Transportation SA M/M (Preliminary)	(Oct)	-0.10%	0.44%
11/22 Durable Orders SA M/M (Preliminary)	(Oct)	-3.5%	4.6%
11/22 Initial Claims SA	(11/18)	229.0K	231.0K
11/22 Michigan Sentiment NSA (Final)	(Nov)	60.4	60.4
11/24 Markit PMI Manufacturing SA (Preliminary)	(Nov)	50.5	50.5

Russell Style Return

WTD	Value	Blend	Growth
Large	2.89%	2.46%	2.10%
Medium	3.72%	3.74%	3.80%
Small	5.71%	5.48%	5.24%

YTD	Value	Blend	Growth
Large	3.67%	18.90%	35.25%
Medium	2.67%	6.61%	14.04%
Small	1.47%	3.43%	4.88%

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