



Weekly Recap

Domestic equities had their best performance in two months with the Dow Jones Industrial Average and the S&P 500 Index closing at their highest levels since August of 2022. This week, investors focused on the progress toward a deal on the debt ceiling as well as strong earnings reports. The economic news was mixed beginning with advance retail sales which posted a 0.4% gain in April. This is the first positive retail sales figure since January. Industrial production for April beat estimates posting a 0.5% gain which shows continued strength in this sector of the economy. Housing starts released on Wednesday were in line with expectations and increased month over month to 1.4 million. However, building permits came in lighter than expected adding 1.42 million, down marginally month over month. The drop in permits was driven by the 7.7% decline in multi-family housing. A total of 242,000 Americans filed jobless claims last week, lower than the consensus of 255,000. Continuing claims were below 1.8 million for the first time in 10 weeks. The news flow on the debt ceiling was closely watched and the markets reacted positively when House Speaker Kevin McCarthy said, "I think at the end of the day we do not have a debt default". Sentiment changed on Friday when House Speaker McCarthy announced that debt-limits talks are on "pause," leading rates to jump 6-8 basis points (bps) and equities to turn negative. The Fed continued to be in the spotlight as members spoke throughout the week. Dallas Fed President Lori Logan said she does not see justification to skip a rate hike in June based on current economic data. Fed fund futures showed a 40% chance of a hike on June 14th following her comments but now show a 20.6% chance of a hike at the next Fed meeting after Chair Powell's less hawkish comments indicated that tighter financial conditions would allow the Fed to analyze and react to future data. Earning season is coming to an end with 471 out of 500 companies having reported Q1 results. Sales are up 4.4% and earnings are lower by 2.8% but both top and bottom have beat analyst estimates. Growth outperformed value this week gaining 2.5% and 0.8%, respectively. The strongest sector this week was technology gaining 4.2%. Utilities were the weakest sector down 4.4%.

Key Thought for The Week

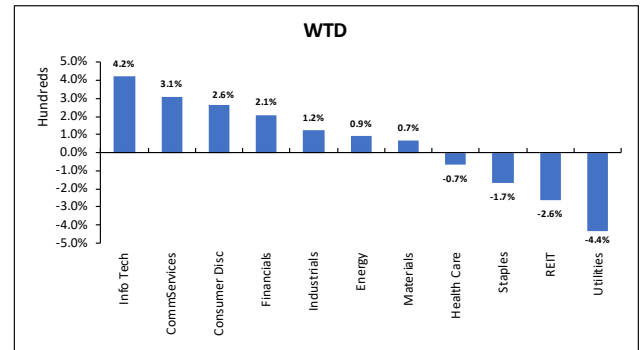
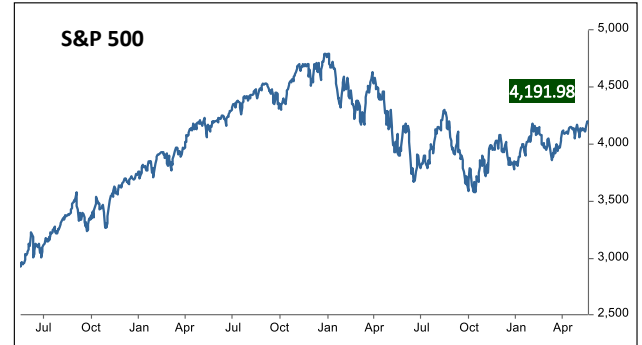
Municipal bond yields surged this week which was surprising given their safe haven status and lack of supply in the market. With debt ceiling negotiations ongoing and 30-day visible supply at negative \$17.1 billion, a bounce in municipal bond yields seemed counterintuitive. However, with speculation that the Federal Reserve may not be on pause, Muni yields have followed U.S. Treasury rates higher. Week-over-week, the 2-year U.S. Treasury Note rate increased approximately 28 bps to 4.27%. Comparatively, Bloomberg's Municipal AAA benchmark 2Y tenor rose 30 bps to 2.97%. Like the U.S. Treasury yield curve, municipal bond yields remain inverted making short-term bonds more attractive. For context, the 2-year and 10-year spread for U.S. Treasuries is at -59.3 bps, while Bloomberg's AAA Muni benchmark shows a -45 bp spread between the 2-year and 10-year tenors. New Jersey municipal bond investors currently earn 3.27% on 2-year AAA NJ bonds which is a spread of roughly 33 bps vs the Bloomberg AAA baseline.

5/19/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS					
DJIA	33,426.63	126.01	0.38	2.11	0.84
S&P 500	4,191.98	67.90	1.65	1.65	9.18
NASDAQ	12,657.90	373.15	3.04	0.85	20.94
S&P MidCap 400	2,455.89	23.16	0.95	1.97	1.05
EAFE	2,116.28	-9.98	-0.47	3.18	8.87
Emerging Market	978.16	5.16	0.53	2.48	2.28
				Wk %	
TREASURIES	Yield		FOREX	Price	Change
1-Year	5.01		USD/EUR	1.08	-0.39
2-Year	4.27		JPY/USD	137.89	-1.59
5-Year	3.73		USD/GBP	1.24	-0.09
10-Year	3.68		CAD/USD	1.35	0.37
30-Year	3.93				

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	790.19	-13.49	(1.7%)	(2.1%)	1.3%	1.4%
Health Care	1,528.47	-10.35	(0.7%)	(1.7%)	1.2%	(3.6%)
CommServices	208.41	6.19	3.1%	5.1%	8.8%	30.8%
Eco Sensitive						
Consumer Disc	1,185.73	30.37	2.6%	2.9%	1.9%	17.9%
Energy	609.30	5.46	0.9%	(7.0%)	(4.0%)	(9.4%)
Industrials	842.42	10.18	1.2%	(0.4%)	(1.7%)	1.3%
Info Tech	2,768.34	111.31	4.2%	4.5%	4.9%	27.4%
Materials	494.76	3.23	0.7%	(2.4%)	(2.6%)	1.1%
Interest Rate Sensitive						
Financials	540.65	11.05	2.1%	(2.0%)	1.0%	(5.1%)
Utilities	334.15	-15.23	(4.4%)	(4.6%)	(2.9%)	(6.8%)
REIT	224.16	-6.04	(2.6%)	(4.3%)	(3.6%)	(2.4%)

COMING UP NEXT WEEK		Consensus	Prior
05/23 Markit PMI Manufacturing SA (Preliminary)	(May)	50.0	50.2
05/23 Markit PMI Services SA (Preliminary)	(May)	53.0	53.6
05/23 New Home Sales SAAR	(Apr)	655.0K	683.0K
05/25 Pending Home Sales M/M	(Apr)	-	-5.2%
05/26 Durable Orders SA M/M (Preliminary)	(Apr)	-1.1%	2.8%
05/26 Personal Income SA M/M	(Apr)	0.40%	0.30%
05/26 Michigan Sentiment NSA (Final)	(May)	57.7	57.7



Russell Style Return

WTD	Value	Blend	Growth
Large	0.82%	1.71%	2.52%
Medium	0.54%	1.06%	1.94%
Small	2.00%	1.94%	1.88%

YTD	Value	Blend	Growth
Large	0.51%	9.53%	19.18%
Medium	(0.73%)	2.60%	8.76%
Small	(3.71%)	1.27%	6.15%

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