



Weekly Recap

U.S. equities started the week mostly higher, driven by a big tech bounce. There was a market reversal on Tuesday centered around China growth concerns as property developer Evergrande filed for bankruptcy in U.S. courts. Fitch's downgrade warning on U.S. banks also deteriorated sentiment in the market. The Commerce Department reported better-than-expected retail sales for July, increasing +0.7% month-over-month (m/m). July's data exemplifies consumers' resilience and their ability to keep up with price increases. Midweek, the S&P 500 fell below its 50-day moving average (DMA), while the NASDAQ finished the lowest since late June. The July Federal Open Market Committee (FOMC) minutes presented no surprises ahead of the Jackson Hole conference next week. Although, expectations for further tightening of monetary policy remained prevalent as inflation continues at levels higher than desired. The U.S. Census Bureau reported July housing starts +3.9% m/m, beating consensus, while building permits missed consensus, +0.1% m/m. Mortgage applications fell -0.3% week-over-week as mortgage rates rose. Major U.S. indices recorded losses for the week as sentiment continues to weaken. Investors now shift their focus to the Jackson Hole conference as they expect more upward pressure on rates. The 10-year Treasury yield moderated slightly to end the week but remained near 16-year high of 4.25%.

Key Thought for The Week

With 95% of companies having reported second quarter earnings, it is safe to say that the quarter proved to be better than feared; however, S&P 500 profits still fell by roughly 4.5% year-over-year (YoY). According to Goldman Sachs, this was the result of 1% YoY sales growth coupled with margin contraction of 92 basis points (bps). The question for corporate earnings now turns to its future trajectory, which is currently expected to be higher. S&P 500 earnings estimates call for approximately 10% growth over the next 12 months. According to Strategas, U.S. Manufacturing PMI data is something to watch closely to gauge the credibility of those estimates because historically there is a tight correlation between S&P 500 earnings gains and the Manufacturing PMI. The Purchasing Managers' Index (PMI) is a leading economic indicator which summarizes whether market conditions are expanding, staying the same, or contracting. A PMI reading above 50 represents expansion and a reading below 50 represents a contraction when compared with the previous month. The most recent data point we have is the July Manufacturing PMI which came in at 46.4 and lagged consensus expectations of 46.9. Although this signals contraction, it did increase from the prior month's reading of 46.0. In addition, one of the most forward-looking indexes within the report, new orders, posted its second consecutive monthly increase to 47.3. Strategas estimates that Manufacturing PMI will need to increase by roughly two-thirds of a point each month over the next year for the S&P 500 to grow earnings by 10% over that timeframe. Given that earnings are only reported on a quarterly basis, it may be helpful to follow the monthly Manufacturing PMI data to get an early sense of the future trajectory for corporate earnings.

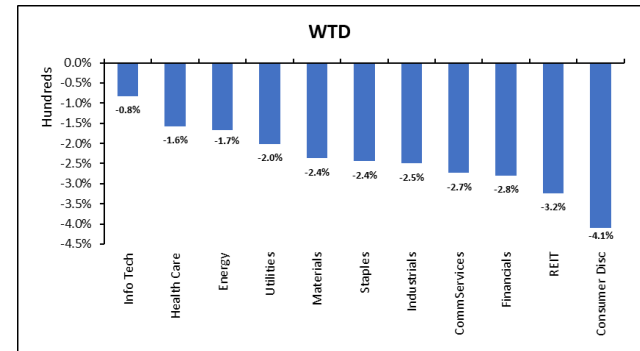
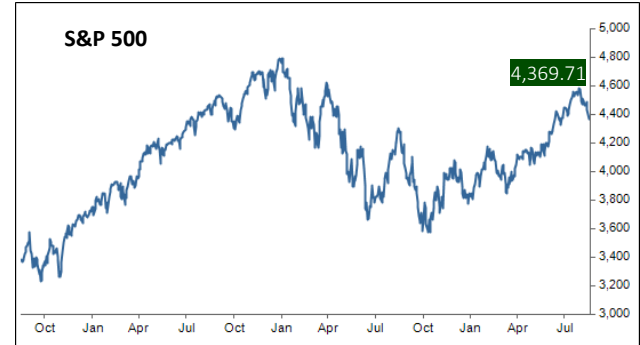
	8/18/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS						
DJIA	34,500.66	-780.74	-2.21	2.07	4.08	1.48
S&P 500	4,369.71	-94.34	-2.11	1.59	13.81	2.01
NASDAQ	13,290.78	-354.07	-2.59	0.81	26.98	2.51
S&P MidCap 400	2,578.86	-81.69	-3.07	1.71	6.11	-1.57
EAFE	2,068.98	-60.25	-2.83	3.37	6.43	6.29
Emerging Market	973.86	-23.86	-2.39	2.99	1.83	-3.54
TREASURIES						
1-Year	5.34			USD/EUR	1.09	-0.69
2-Year	4.94			JPY/USD	145.39	-0.30
5-Year	4.39			USD/GBP	1.27	0.30
10-Year	4.26			CAD/USD	1.36	-0.83
30-Year	4.38					

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	765.98	-19.18	(2.4%)	(3.6%)	(1.6%)	(1.7%)
Health Care	1,554.39	-24.87	(1.6%)	(0.5%)	0.4%	(2.0%)
CommServices	218.70	-6.16	(2.7%)	(5.2%)	1.2%	37.2%
Eco Sensitive						
Consumer Disc	1,283.67	-54.86	(4.1%)	(5.8%)	(3.5%)	27.7%
Energy	675.43	-11.41	(1.7%)	1.0%	8.3%	0.5%
Industrials	896.96	-23.01	(2.5%)	(4.0%)	(1.2%)	7.9%
Info Tech	2,920.74	-24.24	(0.8%)	(7.8%)	(5.4%)	34.5%
Materials	508.20	-12.36	(2.4%)	(5.8%)	(2.6%)	3.8%
Interest Rate Sensitive						
Financials	563.68	-16.21	(2.8%)	(4.1%)	0.5%	(1.1%)
Utilities	320.80	-6.58	(2.0%)	(5.8%)	(3.6%)	(10.5%)
REIT	226.89	-7.60	(3.2%)	(5.3%)	(4.1%)	(2.4%)

	COMING UP NEXT WEEK		Consensus	Prior
08/22	Existing Home Sales SAAR	(Jul)	4,120K	4,160K
08/23	Markit PMI Manufacturing SA (Preliminary)	(Aug)	48.2	49.0
08/23	Markit PMI Services SA (Preliminary)	(Aug)	52.0	52.3
08/23	New Home Sales SAAR	(Jul)	701.0K	697.0K
08/24	Continuing Jobless Claims SA	(08/12)	-	1,716K
08/24	Durable Orders SA M/M (Preliminary)	(Jul)	-3.8%	4.6%
08/24	Initial Claims SA	(08/19)	239.0K	239.0K
08/25	Michigan Sentiment NSA (Final)	(Aug)	71.2	71.2



Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(2.37%)	(2.12%)	(1.89%)	4.58%	14.79%	25.65%		
Medium	(2.98%)	(2.87%)	(2.59%)	3.80%	6.70%	11.36%		
Small	(3.60%)	(3.36%)	(3.09%)	3.48%	6.56%	9.24%		

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