Peapack Private
Wealth Management

The Weekly
Economic & Market Recap

September 16, 2022

Weekly Recap

Market volatility continued this week as interest rates at the front-end of the curve moved meaningfully higher and domestic equities sold off. The primary catalyst for those moves came on Tuesday when the August Consumer Price Index (CPI) report showed inflation was hotter than expected during the month (more details in section below). The S&P 500 and Nasdaq declined 4.3% and 5.2%, respectively, their largest daily losses since June 2020. In addition, interest rates at the font-end of the curve moved sharply higher pushing the 2-year treasury yield to 3.75%, its highest level since 2007. The report served as a strong data point supporting a more aggressive Federal Reserve in its rate hiking cycle, and as a result, the debate for the September FOMC meeting shifted from a rate increase of 50 versus 75 basis points (bps) to 75 versus 100 bps. Financial market news did not improve as the week progressed. On Thursday after the close, FedEx withdrew its full-year earnings guidance and said it will implement cost-cutting initiatives to contend with soft global shipment volumes as the global economy "significantly worsened." Some are worried that the announcement is an early indicator that expectations for corporate earnings will continue to soften. For the week, large-cap stocks marginally outperformed mid and small-cap stocks, and the Russell 1000 Value outperformed the Russell 1000 Growth by 112 bps. All sectors posted large declines, but energy and healthcare held up much better than the broader market.

Key Thought for The Week

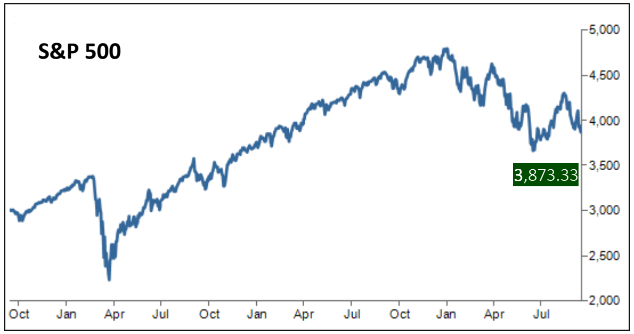
On Tuesday, the Bureau of Labor Statistics released August inflation data which were broadly disappointing. The Consumer Price Index (CPI) for the month was +0.1% higher than July, driven by food prices, housing rents, new vehicles and medical services which were all up between 0.7%-0.8%. Investors were expecting inflation to decline by 0.1%. On a year-over-year basis, the CPI increased 8.3% driven primarily by energy (+~24%), cereals, bakery and dairy products (+~16%), as well as new vehicles and vehicle maintenance (+~9-10%). Airline fares have increased over 33% since last year. Investors were expecting an increase of only 8.1% to the year-over-year CPI. Excluding volatile food and energy, the CPI increased 0.6% in August and 6.3% year-over-year, again worse than anticipated. These data indicate that inflation is still frustratingly high and that the Federal Reserve will need to remain vigilant and increase interest rates perhaps higher than hoped. In response, the S&P 500 Index declined 4.3% on Tuesday.

9/16/2022 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	30,822.42	-1,329.29	-4.13	2.19	-15.18	-11.31
S&P 500	3,873.33	-194.03	-4.77	1.70	-18.73	-13.42
NASDAQ	11,448.40	-663.90	-5.48	0.90	-26.82	-24.59
S&P MidCap 400	2,380.28	-117.77	-4.71	1.83	-16.25	-11.75
EAFE	1,806.03	-32.77	-1.78	3.40	-20.95	-21.59
Emerging Market	958.58	-11.71	-1.21	3.32	-22.19	-24.92

TREASURIES	Yield
2-Year	3.85
5-Year	3.63
10-Year	3.45
30-Year	3.52

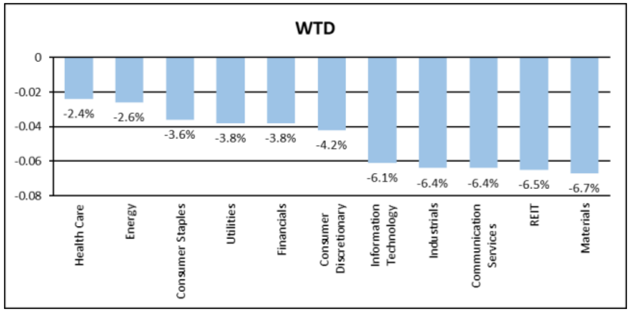
FOREX	Price	Wk % Change
USD/EUR	1.00	0.03
JPY/USD	142.94	0.34
USD/GBP	1.14	-1.29
CAD/USD	1.33	1.80

Source: FactSet



Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	740.39	-27.85	(3.6%)	(2.4%)	(1.3%)	(8.0%)
Health Care	1481.14	-36.06	(2.4%)	2.1%	(0.9%)	(9.9%)
CommServices	176.05	-12.09	(6.4%)	(4.6%)	(5.4%)	(34.2%)
Eco Sensitive						
Consumer Disc	1236.4	-53.57	(4.2%)	1.3%	14.7%	(23.2%)
Energy	596.27	-15.92	(2.6%)	(2.5%)	9.2%	41.1%
Industrials	751.77	-51.23	(6.4%)	(4.0%)	1.8%	(16.0%)
Info Tech	2251.62	-146.77	(6.1%)	(4.8%)	1.3%	(26.3%)
Materials	456.82	-32.55	(6.7%)	(3.5%)	(1.4%)	(19.8%)
Interest Rate Sensitive						
Financials	547.46	-21.67	(3.8%)	(0.1%)	4.6%	(15.8%)
Utilities	376.13	-14.93	(3.8%)	0.1%	5.5%	3.4%
REIT	251.42	-17.41	(6.5%)	(3.9%)	(1.7%)	(22.6%)



COMING UP NEXT WEEK		Consensus	Prior
09/20 Housing Starts SAAR	(Aug)	1,450K	1,446K
09/20 Building Permits SAAR (Preliminary)	(Aug)	1,628K	1,685K
09/21 Existing Home Sales SAAR	(Aug)	4,725K	4,810K
09/21 FOMC Meeting	-	-	-
09/22 Initial Claims SA	09/17	213.0K	213.0K
09/22 Leading Indicators SA M/M	(Aug)	0.0%	-0.4%
09/23 Markit PMI Manufacturing SA (Preliminary)	(Sep)	51.0	51.5
09/23 Markit PMI Services SA (Preliminary)	(Sep)	46.0	43.7

Russell Style Return

WTD	Value	Blend	Growth
Large	(4.2%)	(4.8%)	(5.4%)
Medium	(4.9%)	(5.1%)	(5.4%)
Small	(3.9%)	(4.5%)	(5.0%)

YTD	Value	Blend	Growth
Large	(11.0%)	(18.5%)	25.2%
Medium	(13.2%)	(17.8%)	26.2%
Small	(14.1%)	(19.2%)	24.4%

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