



Weekly Recap

U.S. equities had a volatile week with several economic reports and the release of the Fed meeting minutes driving the narrative. The Commerce Department reported that U.S. housing starts fell 9.6% month-over-month to an annualized 1.446 million in July, below the consensus of 1.540 million. Building permits also fell 1.3% to an annualized 1.674 million month-over-month, above the consensus of 1.657 million. Housing starts in July were the slowest in 17 months, suggesting a cooling housing market given rising mortgage rates and a declining macroeconomic backdrop. Even so, there are positives as mortgage rates have recently stabilized. The July Federal Open Market Committee (FOMC) minutes emphasized that further rate hikes will be necessary as inflation remains uncomfortably high. The main question is how aggressive the rate increases will be and when the Fed believes they can ease up. The Census Bureau released U.S. retail sales for July, which showed an evident stall as retail sales fell to 0.0%, below the consensus of a 0.2% increase. There appears to be some strength in the consumer as retail sales ex-autos and fuel increased slightly to 0.7%, beating estimates. July existing home sales missed estimates (4.850 million), falling 5.9% month-over-month to an annualized 4.810 million, signaling further uncertainty in the housing market. Initial jobless claims fell by 2,000 week-over-week to 250,000, better than expected. The August Philadelphia Fed Manufacturing index rose 18.5 points month-over-month to 6.2, above a consensus of -5.0, indicating improving business conditions. The week ended with a hot inflation report out of Europe, pushing global bond yields higher and increasing dollar strength.

Key Thought for The Week

Since mid-June, the strong rally in stocks has been predicated on a 50-basis point (bps) drop in the 10-year Treasury yield and the resiliency of earnings expectations. Earnings in the second quarter were reasonably good despite two consecutive quarters of declining GDP growth. Additionally, there has been only a modest deterioration in earnings estimates even though many economists forecast a more pronounced economic slowdown. The Federal Reserve has lifted the fed funds rate by 225 bps and fed fund futures suggest another 100 bps increase by year-end. The impact of the shift in monetary policy on the economy will not be fully apparent until the middle of next year. With price-to-earnings multiples back over 18.5 times, equities are not pricing in an economic slowdown sufficient to cause a meaningful retrenchment in corporate earnings growth.

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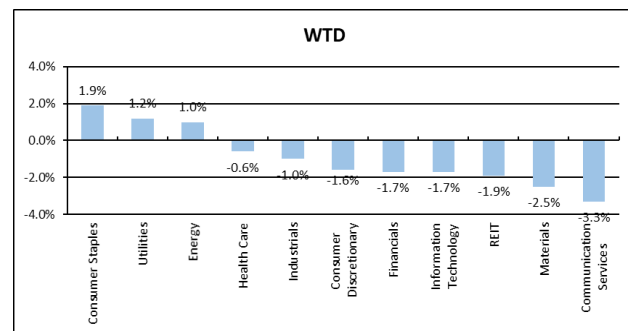
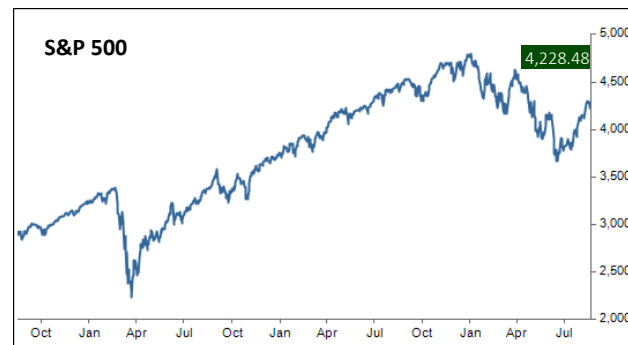
	8/19/2022	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS	Close					
DJIA	33,706.74	-54.31	-0.16	1.97	-7.24	-3.40
S&P 500	4,228.48	-51.67	-1.21	1.54	-11.28	-4.02
NASDAQ	12,705.22	-341.97	-2.62	0.81	-18.79	-12.63
S&P MidCap 400	2,578.06	-36.95	-1.41	1.69	-9.29	-2.52
EAFE	1,919.50	-60.34	-3.10	3.32	-17.78	-18.26
Emerging Market	1,001.46	-27.75	-2.75	3.07	-18.32	-19.46

	Yield	FOREX Price	Wk % Change
TREASURIES			
2-Year	3.23	USD/EUR	1.00 -1.22
5-Year	3.09	JPY/USD	137.12 2.55
10-Year	2.97	USD/GBP	1.18 -2.60
30-Year	3.21	CAD/USD	1.30 1.61

Source: FactSet

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	798.74	15.19	1.9%	3.3%	6.5%	(0.7%)
Health Care	1,547.34	-8.84	(0.6%)	0.4%	3.5%	(5.9%)
CommServices	196.85	-6.67	(3.3%)	2.2%	5.8%	(26.4%)
Eco Sensitive						
Consumer Disc	1,317.25	-21.20	(1.6%)	2.8%	22.2%	(18.2%)
Energy	603.60	5.90	1.0%	0.8%	10.5%	42.8%
Industrials	834.36	-8.82	(1.0%)	3.2%	13.0%	(6.8%)
Info Tech	2,589.56	-45.03	(1.7%)	2.7%	16.5%	(15.2%)
Materials	497.42	-12.49	(2.5%)	1.2%	7.4%	(12.7%)
Interest Rate Sensitive						
Financials	580.07	-10.17	(1.7%)	3.6%	10.8%	(10.8%)
Utilities	393.39	4.77	1.2%	4.7%	10.4%	8.2%
REIT	279.45	-5.53	(1.9%)	0.7%	9.3%	(14.0%)

COMING UP NEXT WEEK		Consensus	Prior
08/23 Markit PMI Manufacturing SA (Prelim)	(Aug)	52.0	52.2
08/23 Markit PMI Services SA (Prelim)	(Aug)	50.0	47.3
08/23 New Home Sales SAAR	(Jul)	577.5K	590.0K
08/24 Durable Orders SA M/M (Prelim)	(Jul)	0.50%	2.0%
08/25 GDP SAAR Q/Q (Prelim)	(Q2)	-0.90%	-0.90%
08/26 Personal Consumption Expenditure SA M/M	(Jul)	-	1.1%
08/26 Personal Income SA M/M	(Jul)	0.60%	0.60%
08/26 Michigan Sentiment NSA (Final)	(Aug)	55.1	55.1



Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(1.2%)	(1.5%)	(1.7%)	(6.1%)	(12.2%)	(17.7%)		
Medium	(1.3%)	(1.6%)	(1.8%)	(6.2%)	(12.2%)	(17.7%)		
Small	(2.8%)	(2.9%)	(3.1%)	(7.5%)	(12.8%)	(18.3%)		