



Weekly Recap

Following a selloff during the holiday-shortened trading week, equity markets rebounded after favorable Consumer Price Index (CPI) numbers on Wednesday. Headline inflation came in below consensus at +0.2% month-over-month (m/m) and +3.0% year-over-year (y/y) resulting in the slowest increase since March 2021. Core inflation declined from +5.3% in May to +4.8% y/y in June. Following June's CPI numbers, PPI m/m came in at +0.1%, hotter than May's 0.4% contraction but cooler than +0.2% expected. Likewise, annual PPI increased 0.1% y/y which was below the +0.2% y/y expectation. Although the data indicates inflation is generally moving in the right direction, Fed members Thomas Barkin and Neel Kashkari emphasized that inflation remains high and additional rate hikes are necessary to keep inflation at a moderating level while targeting 2.0%. The market is currently anticipating a 25-basis point (bps) hike later this month. Moving forward, the question remains if a single 25 bps hike is sufficient or if additional hikes are needed. Last week's strong labor numbers and this week's inflation data and consumer sentiment reading have bolstered the bullish narrative of a soft economic landing. Meanwhile, bearish talking points include a decrease in excess household savings, tightening financial conditions, and a resumption of student loan payments this fall. Investors will focus on companies' quarterly earnings releases and management commentary over the coming weeks for further insight to the economic outlook. In other news, a federal judge gave the green light for Microsoft and Activision Blizzard to proceed with their deal; however, this was later appealed by the FTC. All 11 sectors ended the week in the green. The value versus growth trend continues with growth outperforming value stocks. Growth ended the week up 3.20% compared to a +1.86% return for value.

Key Thought for The Week

Second quarter earnings season officially kicked off on Friday with JPMorgan, Wells Fargo, and Citigroup releasing results. According to FactSet, the S&P 500 is expected to report a year-over-year earnings decline of 7.1% and a year-over-year revenue decline of 0.4%. If those estimates hold, it will mark the third consecutive quarter of a year-over-year decline in earnings, and it will be the largest decline since Q2 2020. At the sector level, energy and materials are anticipated to report the weakest results due to tough comparisons relative to a year ago when commodity prices were much higher. According to RBC, excluding these two sectors from the S&P 500 would result in earnings growth of 1.4% for the quarter. The two sectors expected to report the strongest results are consumer discretionary and communication services with analysts projecting earnings growth of 27.8% and 12.4%, respectively. Although the earnings picture for the quarter is lackluster, over the past ten years actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.4% on average. We are already getting signs that analyst forecasts may be too pessimistic after JPMorgan, Wells Fargo, Citigroup, and UnitedHealth all beat their earnings estimates on Friday. If the trend can continue, it would be a much welcomed development for investors, especially given the equity market's recent move higher which has pushed valuations above historical averages.

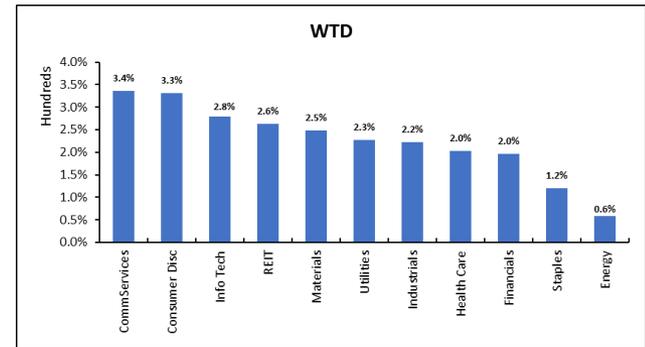
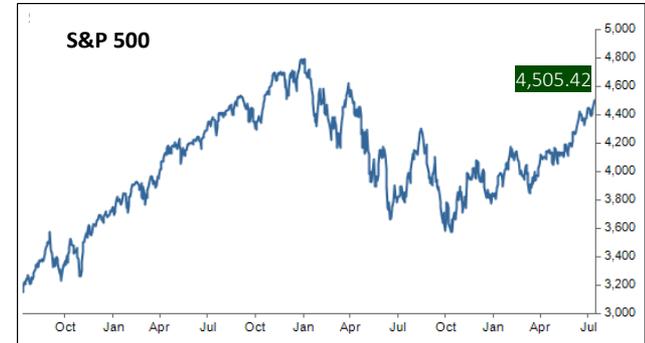
	7/14/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS	Close					
DJIA	34,509.03	774.15	2.29	2.07	4.11	12.66
S&P 500	4,505.42	106.47	2.42	1.54	17.34	18.86
NASDAQ	14,113.70	452.99	3.32	0.77	34.85	25.44
S&P MidCap 400	2,673.94	70.70	2.72	1.72	10.02	18.31
EAFE	2,185.31	97.59	4.67	3.31	12.42	22.43
Emerging Market	1,020.53	39.87	4.07	2.90	6.71	5.71

TREASURIES	Yield	FOREX	Price	Change
1-Year	5.33	USD/EUR	1.12	2.38
2-Year	4.77	JPY/USD	138.81	2.45
5-Year	4.05	USD/GBP	1.31	1.96
10-Year	3.83	CAD/USD	1.32	0.42
30-Year	3.93			

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	779.52	9.22	1.2%	0.1%	0.1%	0.0%
Health Care	1,534.69	30.55	2.0%	(0.9%)	(0.9%)	(3.2%)
CommServices	222.63	7.24	3.4%	3.0%	3.0%	39.7%
Eco Sensitive						
Consumer Disc	1,370.10	43.93	3.3%	3.0%	3.0%	36.3%
Energy	623.02	3.62	0.6%	(0.1%)	(0.1%)	(7.3%)
Industrials	918.53	19.92	2.2%	1.1%	1.1%	10.5%
Info Tech	3,125.78	84.91	2.8%	1.3%	1.3%	43.9%
Materials	524.15	12.69	2.5%	0.4%	0.4%	7.1%
Interest Rate Sensitive						
Financials	549.34	5.23	1.0%	4.3%	2.6%	(3.6%)
Utilities	339.66	7.52	2.3%	2.1%	2.1%	(5.3%)
REIT	229.33	1.42	0.6%	2.7%	(1.4%)	0.2%

COMING UP NEXT WEEK		Consensus	Prior
07/17 Empire State Index SA	(Jul)	-5.0	6.6
07/18 Retail Sales ex-Auto SA M/M	(Jun)	0.30%	0.10%
07/18 Retail Sales SA M/M	(Jun)	0.40%	0.30%
07/18 Capacity Utilization NSA	(Jun)	79.6%	79.6%
07/18 Industrial Production SA M/M	(Jun)	0.10%	-0.20%
07/19 Housing Starts SAAR	(Jun)	1,480K	1,631K
07/20 Philadelphia Fed Index SA	(Jul)	-12.0	-13.7
07/20 Existing Home Sales SAAR	(Jun)	4,275K	4,300K
07/20 Leading Indicators SA M/M	(Jun)	-0.30%	-0.70%



Russell Style Return

	WTD	Value	Blend	Growth
Large	1.87%	2.58%	3.22%	
Medium	2.42%	2.84%	3.89%	
Small	3.18%	3.58%	3.98%	

	YTD	Value	Blend	Growth
Large	5.93%	18.39%	31.71%	
Medium	7.46%	11.41%	18.73%	
Small	4.98%	10.52%	15.93%	

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