



Weekly Recap

Major U.S. equity indices started the week strong, beginning the fourth quarter with a rally that extended until mid-week. The primary catalyst was investor optimism for a potential ease-up on aggressive rate hikes by global central banks. Furthermore, manufacturing data came in softer than expected, indicating a slowing economy and moderating pressure on supply chains. The Institute of Supply Management (ISM) reported the manufacturing index falling 1.9 points month-over-month to 50.9 in September. New orders came in the lowest since May 2020 at 47.1. ISM Services for September logged some sales slowdown but continued employment growth, above consensus at 56.7. The JOLTS survey reported U.S. job openings falling by 1.1 million to 10.1 million in August. This translated to 1.7 job openings per unemployed person, suggesting a loosening labor market and possibly diminishing wage pressure. By the end of the week, investor sentiments turned pessimistic after hawkish Fed speak and reiteration of necessary rate hikes to tame inflation. Stocks fell significantly on Friday after the September jobs report was hotter than expected. Nonfarm payrolls rose by 263k in September, above the consensus of 250k, while the unemployment rate decreased to 3.5%. Domestic equities still recorded gains for the week, closing a three-week losing streak. Value stocks outperformed growth stocks, with the energy sector as the obvious outperformer. Treasury yields remain volatile, up after September's job report and the increased probability for continued aggressive Federal Reserve policy. The dollar index finished up, slightly firmer for the week as well.

Key Thought for The Week

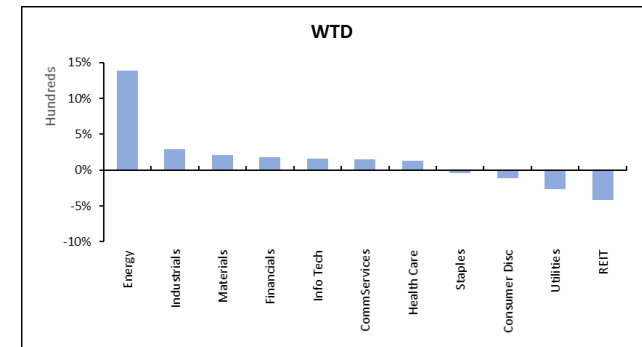
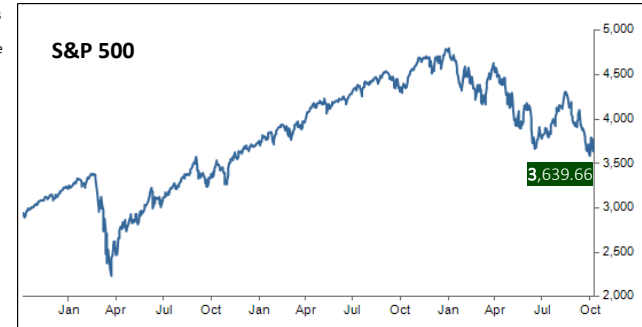
Market volatility remains exceptionally high as investors react to economic and inflation data. Bond yields drop, and equities rally when market sentiment becomes hopeful that the need to maintain an aggressive monetary policy lessens. The summer rally was mainly in anticipation of a future Fed rate pivot toward lower rates. Conversely, the recent equity market selloff back to June lows and the spike in bond yields were based on the assurances of several Fed officials regarding the Fed's resolve to lower inflation. It is doubtful that the Fed will make the mistake of easing too quickly and risk repeating the stop-and-go inflation of the 1970s. The market expects the Fed to lift the Fed funds rate to a range of 4.25% to 4.5% by year end. Inflation expectations have fallen and generally remain modestly above long-term averages, indicating that the Fed has restored its credibility as an inflation fighter. We expect market volatility to remain elevated and a Fed rate pivot to be well into 2023 at the earliest.

10/7/2022		Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS						
DJIA	29,296.79	571.28	1.99	2.30	-19.38	-15.70
S&P 500	3,639.66	54.04	1.51	1.82	-23.64	-17.28
NASDAQ	10,652.40	76.78	0.73	0.97	-31.91	-27.31
S&P MidCap 400	2,266.89	63.36	2.88	1.93	-20.24	-16.20
EAFE	1,718.36	56.80	3.42	3.49	-26.44	-24.18
Emerging Market	910.57	34.78	3.97	3.33	-26.09	-27.35
TREASURIES						
	Yield			Wk %		
2-Year	4.30				0.97	-0.59
5-Year	4.14				145.25	-0.35
10-Year	3.88				1.11	-0.75
30-Year	3.84				1.37	0.66
FOREX						
				Price		
				USD/EUR	0.97	-0.59
				JPY/USD	145.25	-0.35
				USD/GBP	1.11	-0.75
				CAD/USD	1.37	0.66

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	693.02	-2.76	(0.4%)	(0.4%)	(0.4%)	(13.9%)
Health Care	1,429.72	18.36	1.3%	1.3%	1.3%	(13.0%)
CommServices	164.39	2.38	1.5%	1.5%	1.5%	(38.5%)
Eco Sensitive						
Consumer Disc	1,109.73	-12.58	(1.1%)	(1.1%)	(1.1%)	(31.1%)
Energy	629.14	76.58	13.9%	13.9%	13.9%	48.8%
Industrials	720.66	20.06	2.9%	2.9%	2.9%	(19.5%)
Info Tech	2,113.92	34.07	1.6%	1.6%	1.6%	(30.8%)
Materials	436.96	9.19	2.1%	2.1%	2.1%	(23.3%)
Interest Rate Sensitive						
Financials	513.66	9.27	1.8%	1.8%	1.8%	(21.0%)
Utilities	323.77	-8.75	(2.6%)	(2.6%)	(2.6%)	(11.0%)
REIT	216.56	-9.38	(4.2%)	(4.2%)	(4.2%)	(33.3%)

COMING UP NEXT WEEK		Consensus	Prior
10/12 PPI ex-Food & Energy SA M/M	(Sep)	0.25%	0.40%
10/12 PPI SA M/M	(Sep)	0.10%	-0.10%
10/12 PPI NSA Y/Y	(Sep)	8.4%	8.7%
10/13 CPI ex-Food & Energy SA M/M	(Sep)	0.40%	0.60%
10/13 CPI SA M/M	(Sep)	0.20%	0.10%
10/13 CPI NSA Y/Y	(Sep)	8.1%	8.3%
10/14 Retail Sales ex-Auto SA M/M	(Sep)	0.0%	-0.30%
10/14 Retail Sales SA M/M	(Sep)	0.20%	0.30%
10/14 Michigan Sentiment NSA (Preliminary)	(Oct)	57.5	58.6



Russell Style Return

	WTD	Value	Blend	Growth		YTD	Value	Blend	Growth
Large	2.20%	1.69%	1.20%	(15.96%)	(23.32%)	(29.83%)			
Medium	2.33%	2.51%	2.83%	(18.51%)	(22.37%)	(29.50%)			
Small	2.22%	2.27%	2.32%	(19.38%)	(23.41%)	(27.65%)			

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