



Weekly Recap

Following the worst week of the year for markets, stocks started the week off strong; however, better than expected economic data and a deterioration of the disinflation narrative drove the S&P 500 Index lower on Thursday and Friday. Most of the large cap equity indexes were lower on the week, but small cap stocks rallied to regain most of the ground they lost the prior week. Concerns over weakening demand for crude oil caused a selloff in energy stocks making the sector the worst performer. January's Consumer Price Index (CPI) matched consensus expectations at +0.5% compared with December. Year-over-year CPI came in slightly above estimates at +6.4% versus +6.2% expected. Year-over-year core inflation (excluding food and energy) was +5.6%, down 0.1% from December's 5.7% gain, although higher than consensus estimates of +5.5%. Adding to this upward pressure was housing inflation, which accounted for almost half of the monthly increase in core inflation. Conversely, used car prices contracted 1.9% despite expectations pointing towards higher price action. Goods prices increased the most since June 2022 while January's retail sales were up +3.0% versus estimates of +1.7%. January's headline Producer Price Index (PPI) was up 0.7% month-over-month versus the consensus expectation of +0.4%, while core PPI was up 0.5% versus +0.3% expected. Yields rose on US treasuries as investors' expectations for rate cuts in the back half of the year diminished slightly. Higher prices, solid consumer strength, and a vigilant Federal Reserve led markets to remain volatile all week. Investors are predicting that Fed officials will stick to the higher-for-longer interest rate script.

Key Thought for The Week

Multiple reports this week confirmed that inflation remains persistent throughout the US economy (see note above) and the nation's labor market continues to be strong. As a result, market expectations have changed for the future path of the federal funds target interest rate. According to the CME FedWatch Tool, as of February 10th, markets were pricing in a 38% chance of the fed funds rate being 5.25% – 5.50% at the June 2023 FOMC meeting. Now markets are pricing in a 55% chance of it being 5.25% – 5.50%. This implies the Federal Reserve will raise rates by an additional 75 basis points over the coming months. Another focus for investors is how long the Fed will keep interest rates at these higher levels before bringing them back down. If past tightening cycles are any indication, the Fed is very unlikely to cut interest rates until the fed funds rate is above headline CPI. With CPI at 6.4% and the fed funds rate at 4.625% today, there is still a considerable gap between the two figures indicating that fed rate cuts may not be a 2023 event.

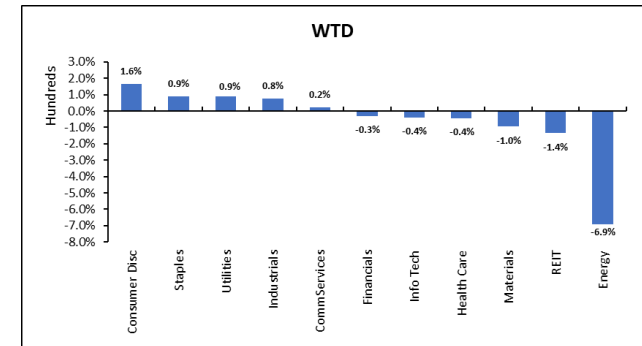
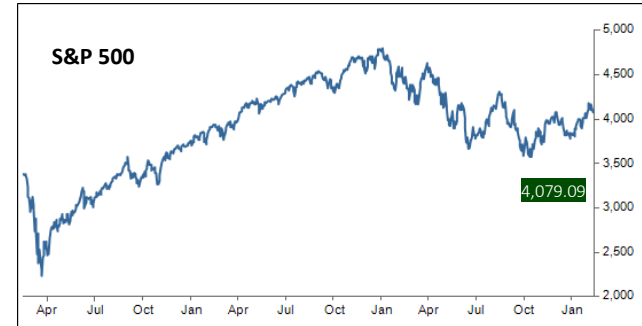
	2/17/2023	Wk Net Change	Wk % Change	Div Yield	YTD Change	12 Mos % Change
STOCKS	Close					
DJIA	33,826.69	-42.58	-0.13	2.05	2.05	-1.41
S&P 500	4,079.09	-11.37	-0.28	1.68	6.24	-6.88
NASDAQ	11,787.27	69.15	0.59	0.91	12.62	-14.07
S&P MidCap 400	2,666.12	26.82	1.02	1.71	9.70	0.80
EAFE	2,096.08	10.76	0.52	3.19	7.83	-7.11
Emerging Market	1,011.14	-2.53	-0.25	3.08	5.73	-18.65
				Wk %		
TREASURIES	Yield			Price	Change	
2-Year	4.62			USD/EUR	1.07	0.16
5-Year	4.03			JPY/USD	134.16	-2.09
10-Year	3.82			USD/GBP	1.20	-0.21
30-Year	3.87			CAD/USD	1.35	-0.96

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	769.60	6.90	0.9%	(0.2%)	(1.2%)	(1.2%)
Health Care	1,536.74	-6.55	(0.4%)	(1.1%)	(3.1%)	(3.1%)
CommServices	180.27	0.41	0.2%	(1.0%)	13.1%	13.1%
Eco Sensitive						
Consumer Disc	1,169.45	18.90	1.6%	1.1%	16.3%	16.3%
Energy	644.20	-47.90	(6.9%)	(6.7%)	(4.2%)	(4.2%)
Industrials	870.74	6.52	0.8%	1.0%	4.7%	4.7%
Info Tech	2,438.44	-9.58	(0.4%)	2.7%	12.3%	12.3%
Materials	512.00	-4.93	(1.0%)	(4.0%)	4.6%	4.6%
Interest Rate Sensitive						
Financials	604.28	-1.90	(0.3%)	(0.6%)	6.1%	6.1%
Utilities	346.85	3.11	0.9%	(1.2%)	(3.2%)	(3.2%)
REIT	248.92	-3.41	(1.4%)	(2.5%)	7.1%	7.1%

	COMING UP NEXT WEEK		Consensus	Prior
02/21	Markit PMI Manufacturing SA (Preliminary)	(Feb)	46.9	46.9
02/21	Markit PMI Services SA (Preliminary)	(Feb)	46.7	46.8
02/21	Existing Home Sales SAAR	(Jan)	4,050K	4,020K
02/23	GDP SAAR Q/Q (Second Preliminary)	(Q4)	2.4%	2.9%
02/24	Personal Income SA M/M	(Jan)	0.45%	0.20%
02/24	Michigan Sentiment NSA (Final)	(Feb)	66.4	66.4



Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(0.26%)	(0.03%)	0.20%	4.32%	6.98%	9.84%		
Medium	0.23%	0.60%	1.29%	7.57%	8.68%	10.74%		
Small	1.31%	1.47%	1.63%	10.13%	10.65%	11.16%		

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