



Weekly Recap

The final trading sessions of the year may have been curtailed by a Christmas-shortened week, but that did not dampen the optimism across financial markets. After the turbulence of 2022, 2023 ended with a significant rise for equities and a remarkable retreat in bond yields in the final quarter of the year. The S&P 500 ended the week up 0.32%, and up 24.23% on the year. The Nasdaq and Dow followed suit, up 0.12% and 0.81% for the week and up 43.42% and 13.70% on the year, respectively. The 10-year U.S. Treasury yield closed the year at 3.88%. Gone were the recessionary whispers of year-end 2022; instead, investors focused on several compelling themes. Artificial intelligence (AI) captured investor imagination, fueling a surge in names with exposure to the technology sector. From robotics to healthcare, AI's transformative potential had begun to be priced into markets. The snarled knots of global supply chains started to loosen, easing concerns about production slowdowns and inflation spikes. Just-in-time anxieties gave way to a cautious optimism about efficient logistics. Central banks, led by the Federal Reserve, navigated a delicate macro environment. Hawkish interest rate hikes aimed to tame inflation without tipping the world into recession. Wage increases remained steady while inflation cooled, further fueling investor confidence. The year closed with a feeling that, perhaps, the worst was indeed behind us. Overall, 2023 was a year of resilience, adaptation, and cautious optimism. As we enter 2024, the world's financial markets will be closely watching how these narratives unfold with the ever-changing global economics and geopolitics.

Key Thought for The Week

Equity investors have experienced a large degree of volatility over the past two years after enduring a significant market selloff in 2022, which was then followed by a strong, but choppy, rebound in 2023. The S&P 500 has yet to eclipse its all-time closing high set in January of 2022; however, the index is now within striking distance. One of the most widely discussed developments this year was the concentration of equity market returns in the so-called Magnificent Seven (Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla, and Meta Platforms). Based on data from FactSet as of this writing, the Magnificent Seven have contributed to roughly 62% of the S&P 500's return year-to-date. Although still a relatively high degree of concentration in returns, it has come down significantly since the end of October when those same seven stocks contributed to nearly 100% of the S&P 500's return. This is a clear sign that equity market performance is starting to broaden out. Further evidence of this more recent development is the outperformance of the average stock and small cap stocks relative to the S&P 500 during December. Returns this month for the S&P 500, the S&P 500 Equal Weighted, and the S&P Small Cap 600 are +4.42%, +6.66%, and +12.61%, respectively. Many investors believe there is a good chance this trend continues throughout 2024, and there are a number of convincing arguments which would support that view. Perhaps the easiest argument to be made is the valuations for the equally weighted S&P 500 and the S&P Small Cap 600 are more attractive. The forward earnings multiple for the indexes are currently 16.2x and 14.4x, respectively, both of which are below their 10-year historical averages. On the other hand, the S&P 500 is currently trading at 19.7x and meaningfully above its 10-year historical average of 17.9x.

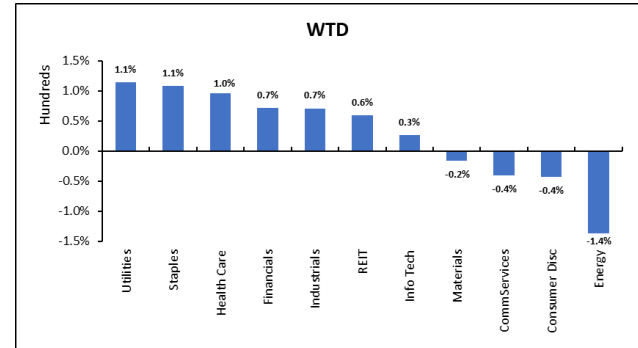
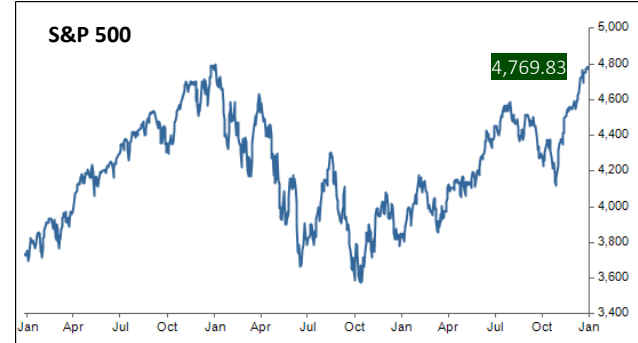
12/29/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
<b>STOCKS</b>	Close				
DJIA	37,689.54	303.57	0.81	1.95	13.70
S&P 500	4,769.83	15.20	0.32	1.49	24.23
NASDAQ	15,011.35	18.38	0.12	0.77	43.42
S&P MidCap 400	2,781.54	-5.99	-0.21	1.67	14.45
EAFE	2,241.21	30.02	1.36	3.16	15.29
Emerging Market	1,022.90	30.61	3.09	2.74	6.95

	Yield	FOREX Price	% Change
<b>TREASURIES</b>			
1-Year	4.77	USD/EUR	1.10
2-Year	4.25	JPY/USD	141.01
5-Year	3.85	USD/GBP	1.28
10-Year	3.88	CAD/USD	1.32
30-Year	4.03		

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	762.32	8.16	1.1%	2.4%	4.8%	(2.2%)
Health Care	1,590.36	15.09	1.0%	4.1%	5.9%	0.3%
CommServices	246.00	-1.00	(0.4%)	4.8%	10.7%	54.4%
<b>Eco Sensitive</b>						
Consumer Disc	1,418.09	-6.12	(0.4%)	6.1%	12.2%	41.0%
Energy	640.05	-8.86	(1.4%)	(0.2%)	(7.8%)	(4.8%)
Industrials	964.73	6.79	0.7%	6.8%	12.5%	16.0%
Info Tech	3,397.16	9.05	0.3%	3.8%	16.9%	56.4%
Materials	539.62	-0.85	(0.2%)	4.3%	9.1%	10.2%
<b>Interest Rate Sensitive</b>						
Financials	626.35	4.44	0.7%	5.3%	13.4%	9.9%
Utilities	321.92	3.64	1.1%	1.7%	7.6%	(10.2%)
REIT	251.58	1.48	0.6%	8.0%	17.7%	8.3%

COMING UP NEXT WEEK		Consensus	Prior
01/02 Markit PMI Manufacturing SA (Final)	(Dec)	48.2	48.2
01/03 ISM Manufacturing SA	(Dec)	47.1	46.7
01/03 JOLTS Job Openings	(Nov)	8,750K	8,733K
01/04 ADP Employment Survey SA	(Dec)	115.0K	103.0K
01/04 Initial Claims SA	(12/30)	-	218.0K
01/04 Markit PMI Services SA (Final)	(Dec)	51.3	51.3
01/05 Average Workweek SA (Preliminary)	(Dec)	34.4	34.4
01/05 Nonfarm Payrolls SA	(Dec)	155.0K	199.0K
01/05 Unemployment Rate	(Dec)	3.8%	3.7%
01/05 Durable Orders SA M/M (Final)	(Nov)	5.4%	5.4%
01/05 Factory Orders SA M/M	(Nov)	1.1%	-3.6%
01/05 ISM Services PMI SA	(Dec)	52.7	52.7



Russell Style Return

	WTD	Value	Blend	Growth
Large	0.67%	0.41%	0.18%	
Medium	0.55%	0.49%	0.35%	
Small	0.06%	0.19%	0.32%	

	YTD	Value	Blend	Growth
Large	11.54%	26.62%	42.79%	
Medium	12.88%	17.39%	26.03%	
Small	15.12%	17.41%	19.14%	

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