PEAPACK PRIVATE
Wealth Management

The Weekly
Economic & Market Recap

June 30, 2023

Weekly Recap

Although it was generally a quiet week from a trading perspective, all major indexes advanced, continuing a robust second-quarter rally. The S&P 500 has been in positive territory in eight of the last ten weeks. Driven by the mega-cap technology names, the S&P 500 index lifted almost 10% during the second quarter to finish out a surprisingly strong first half of 2023. The recovery in the share prices of technology stocks this year was sparked by expectations that the Federal Reserve's rate tightening cycle may soon end due to moderating inflationary pressures. The perceived safety of the business models and cash flows of tech companies in a softer economic environment also supported investor sentiment toward the group. It is notable how concentrated the returns have been in both the quarter and the first half, which has caused significant divergences. Seven growth names have contributed most of the market's return this year, and there was over a 22% differential in returns between large-cap growth and large-cap value stocks. Another reason for positive equity markets has been the economy's resiliency, despite a 500-basis point increase in the Fed funds rate since the rate hiking cycle began. This week, economic strength was also evident as several economic indicators were stronger than expected. Estimated GDP growth in the first quarter was revised up to 2.0% from an original 1.3%, with all subcomponents contributing to the adjustment. Durable goods orders for May were well ahead of consensus estimates (1.7% vs. -0.95%). Finally, new home sales expanded by 83,000 units to 763,000 homes. The better-than-expected economic releases pressured rates at the short end of the yield curve higher, with the two-year Treasury yield approaching levels before the March banking crisis.

Key Thought for The Week

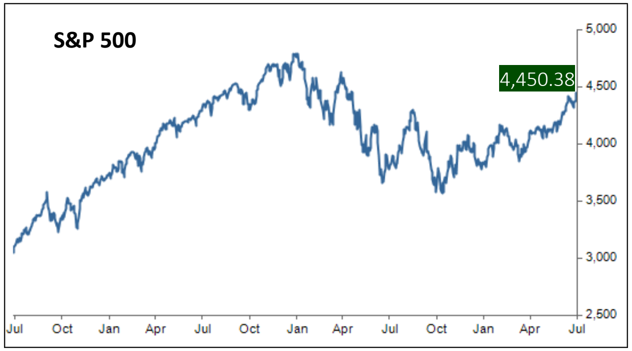
In the first half of 2023, U.S. banks were under extreme pressure from the Federal Reserve's interest rate hiking campaign and the subsequent failure of three banks caused by poor balance sheet management. However, the release of the Federal Reserve's supervisory stress test on Wednesday provided optimism about the banking sector's health. The Fed conducts annual stress tests to evaluate large banks under hypothetical economic conditions to ensure resiliency among severe economic scenarios. The assessment covered 23 of the largest banks, with every participant weathering harsh economic conditions, including unemployment surging to 10%, a 40% decline in commercial real estate, and a 38% drop in residential real estate prices. Each bank maintained sufficient capital cushions above their required minimums in the stress test, allowing them to continue lending to households and businesses even under the worst hypothetical conditions. In addition, Fed Chair Jerome Powell expressed the Fed's intentions to raise capital reserve requirements for large banks by up to 20%. Increasing reserve requirements would create a larger buffer for banks to sustain them during future economic downturns but at the cost of reducing funds available for lending. Coupled with tightening lending standards due to compressed net interest margins caused by the deeply inverted yield curve, credit available for small businesses will be further constrained and will be a drag on economic growth.

6/30/2023		Wk	Wk		YTD	12 Mos
		Net	%	Div	%	%
STOCKS	Close	Change	Change	Yield	Change	Change
DJIA	34,407.60	680.17	2.02	2.07	3.80	11.80
S&P 500	4,450.38	102.05	2.35	1.55	15.91	17.57
NASDAQ	13,787.92	295.41	2.19	0.79	31.73	25.02
S&P MidCap 400	2,622.34	107.40	4.27	1.78	7.90	15.58
EAFE	2,113.59	15.91	0.76	3.29	8.73	14.48
Emerging Market	987.07	-4.84	-0.49	2.99	3.21	-1.36

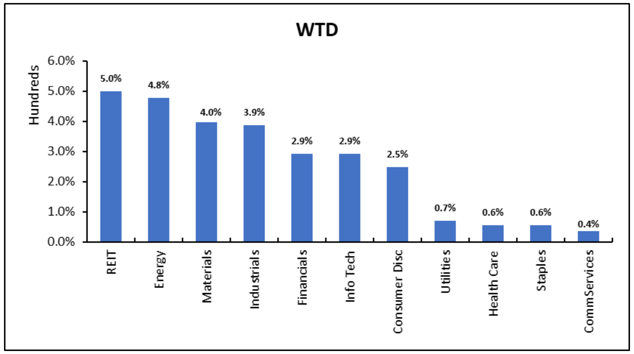
TREASURIES	Yield
1-Year	5.41
2-Year	4.89
5-Year	4.14
10-Year	3.83
30-Year	3.86

FOREX	Price	Wk % Change
USD/EUR	1.09	0.14
JPY/USD	144.31	-0.42
USD/GBP	1.27	-0.11
CAD/USD	1.32	-0.48

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	778.82	4.30	0.6	2.9%	(0.2%)	(0.0%)
Health Care	1,548.62	8.70	0.6	4.2%	2.5%	(2.3%)
CommServices	216.08	0.80	0.4	2.6%	12.8%	35.6%
Eco Sensitive						
Consumer Disc	1,330.54	32.14	2.5	12.0%	14.3%	32.3%
Energy	623.56	28.39	4.8	6.5%	(1.8%)	(7.3%)
Industrials	908.09	33.84	3.9	11.2%	6.0%	9.2%
Info Tech	3,085.84	87.74	2.9	6.5%	16.9%	42.1%
Materials	521.93	19.89	4.0	10.8%	2.8%	6.6%
Interest Rate Sensitive						
Financials	561.11	15.96	2.9	6.5%	4.8%	(1.5%)
Utilities	332.80	2.29	0.7	1.5%	(3.3%)	(7.2%)
REIT	236.67	11.26	5.0	4.8%	0.8%	1.9%



COMING UP NEXT WEEK		Consensus	Prior
07/03 Markit PMI Manufacturing SA (Final)	(Jun)	48.5	46.3
07/03 ISM Manufacturing SA	(Jun)	47.0	46.9
07/05 Durable Orders SA M/M (Final)	(May)	-	1.7%
07/06 ISM Services PMI SA	(Jun)	50.8	50.3
07/06 JOLTS Job Openings	(May)	9,900K	10,103K
07/07 Hourly Earnings Y/Y (Preliminary)	(Jun)	4.3%	4.3%
07/07 Nonfarm Payrolls SA	(Jun)	212.5K	339.0K
07/07 Unemployment Rate	(Jun)	3.7%	3.7%

Russell Style Return

WTD	Value	Blend	Growth
Large	2.87%	2.51%	2.18%
Medium	3.99%	3.90%	3.68%
Small	3.79%	3.75%	3.70%

YTD	Value	Blend	Growth
Large	5.10%	16.67%	29.01%
Medium	5.21%	8.99%	15.94%
Small	2.46%	8.06%	13.55%

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