



Weekly Recap

Despite significant political and economic crosscurrents facing financial markets, equity indexes continued the rally that began in mid-June. With extremely high investor pessimism and ample amounts of portfolio cash, it is not unusual for equity markets to bounce after the type of significant drawdown we experienced in the second quarter. Recent strength has been more acute in beaten-down sectors of the market. Consumer discretion and technology stocks were especially strong this week. Money rotated out of safe havens such as utilities and staples. A softening of expectations regarding the size of the anticipated rate hike at the end of July and better-than-expected earnings seemed to be the primary spark that lifted the equity market. But investors were also focused on a weakening dollar. The dollar pullback was more pronounced versus the euro as the European Central Banks (ECB) surprised financial markets with a 50-basis point rate increase versus expectations of only a 25-basis point increase. It was the first time in 11 years that the ECB increased rates, and the rate hike ended its negative interest rate policy that began in 2014. Inflationary pressures and an uneven economic backdrop are creating a challenging situation for the ECB and producing political turmoil in several EU countries. The domestic economic calendar was relatively quiet except for disappointing housing starts and mortgage origination data. Interest rates were remarkably volatile, with over a 15-basis point intra-week move in yields at both the two- and ten-year tenors, which is highly uncharacteristic.

Key Thought for The Week

The durability of the equity market's recent rally is dependent mainly on the path of corporate earnings. Although the bulk of the reports remains ahead of us, Q2 earnings metrics have been acceptable, with 71% of companies reporting earnings that beat expectations with blended earnings upside surprise of almost 4%. Several notable themes are emerging from the latest results. Tighter labor markets are an issue in most industries, and inflation generally remains a significant headwind. Higher interest rates are lengthening sales cycles and affecting demand in rate-sensitive markets such as housing. Consumer demand seems resilient despite higher prices due to high levels of savings and a healthy labor market. Long-term, the strength of earnings and the market will be determined by the growth rate of the economy.

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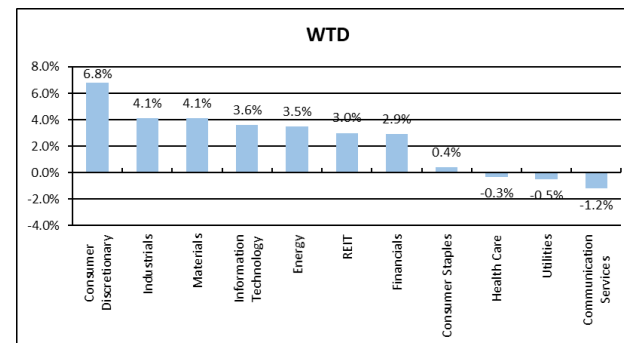
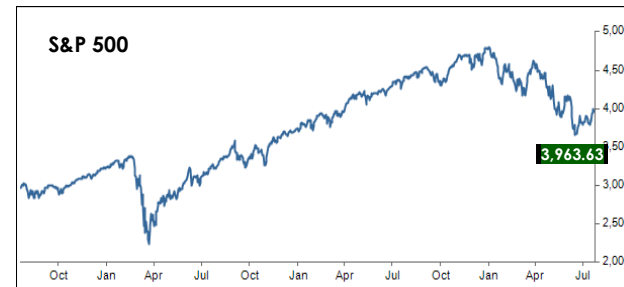
	7/22/2022	Wk Net Change	Wk % Change	Div Yield	YTD Change	12 Mos % Change
STOCKS	Close					
DJIA	31,899.29	611.03	1.95	2.04	-12.22	-8.40
S&P 500	3,961.63	98.47	2.55	1.52	-16.88	-9.29
NASDAQ	11,834.11	381.69	3.33	0.80	-24.36	-19.41
S&P MidCap 400	2,396.73	93.05	4.04	1.43	-15.67	-9.54
EAFE	1,881.36	64.31	3.54	3.39	-19.46	-18.14
Emerging Market	990.69	28.84	3.00	3.01	-19.59	-25.31

	Yield	FOREX	Price	% Change
TREASURIES				
2-Year	2.99	Euro/Dollar	1.02	0.56
5-Year	2.88	Dollar/Yen	136.05	-1.83
10-Year	2.79	GBP/Dollar	1.20	1.61
30-Year	3.00	Dollar/Cad	1.28	-1.43

Source: FactSet/Bloomberg

Sector – Large Cap	Close	WTD	MTD	QTD	YTD
Defensive					
Staples	761.15	0.4%	1.5%	1.5%	(5.4%)
Health Care	1512.34	(0.3%)	1.2%	1.2%	(8.0%)
CommServices	187.88	(1.2%)	1.0%	1.0%	(29.8%)
Eco Sensitive					
Consumer Disc	1214.18	6.8%	12.7%	12.7%	(24.6%)
Energy	542.8	3.5%	(0.6%)	(0.6%)	28.4%
Industrials	764.72	4.1%	3.6%	3.6%	(14.6%)
Info Tech	2400.75	3.6%	8.0%	8.0%	(21.4%)
Materials	472.06	4.1%	1.9%	1.9%	(17.1%)
Interest Rate Sensitive					
Financials	544.18	2.9%	4.0%	4.0%	(16.3%)
Utilities	352.85	(0.5%)	(1.0%)	(1.0%)	(3.0%)
REIT	264.62	3.0%	3.5%	3.5%	(18.5%)

COMING UP NEXT WEEK		Consensus	Prior
07/25 Chicago Fed National Activity Index	(Jun)	0.01	0.01
07/26 Consumer Confidence	(Jul)	96.0	98.7
07/27 Durable Orders ex-Transportation SA M/M (Prelim)	(Jun)	0.40%	0.70%
07/27 Durable Orders SA M/M (Prelim)	(Jun)	0.0%	0.81%
07/27 FOMC Meeting			
07/28 GDP SAAR Q/Q (First Prelim)	(Q2)	1.5%	-1.6%
07/29 Personal Income SA M/M	(Jun)	0.50%	0.50%
07/29 Chicago PMI SA	(Jul)	56.3	56.0
07/29 Michigan Sentiment NSA (Final)	(Jul)	51.1	51.1



Russell Style Return

WTD	Value	Blend	Growth
Large	3.0%	3.8%	4.6%
Medium	3.9%	4.7%	6.3%
Small	4.7%	5.3%	5.9%

YTD	Value	Blend	Growth
Large	(10.6%)	(16.9%)	(22.6%)
Medium	(12.9%)	(17.3%)	(25.1%)
Small	(12.9%)	(18.2%)	(23.6%)