



12/17/2021

	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
<b>STOCKS</b>						
DJIA	35,365.44	-605.55	-1.68	1.78	15.55	16.70
S&P 500	4,620.64	-91.38	-1.94	1.31	23.02	24.13
NASDAQ	15,169.68	-460.92	-2.95	0.63	17.70	18.84
S&P MidCap 400	2,728.08	-51.76	-1.86	1.38	18.27	18.72

	Yield	FOREX Price	Wk %Change
<b>TREASURIES</b>			
2-Year	0.63	Euro/Dollar 1.13	-0.27
5-Year	1.18	Dollar/Yen 113.64	0.19
10-Year	1.41	GBP/Dollar 1.33	0.26
30-Year	1.82	Dollar/Cad 1.28	0.89

Source: Bloomberg/FactSet

### What Caught Our Eye This Week

Covid-19 continues to have a significant impact on businesses and economies around the world. Because of this, a review of what we know about the new omicron variant is warranted. "Omicron" is 2-3 times more contagious than "delta," and it has shown to multiply 70x faster than delta. In the U.S., the omicron case count is doubling every 2-4 days. In New Jersey and New York, 13% of new cases are omicron, which means that it may be the dominant strain of Covid-19 by next week. There is some evidence that the symptoms of omicron may not be as severe as delta. That being said, a less virulent but more infectious virus can cause more instances of hospitalizations and deaths because of its ability to infect many more people. The Johnson & Johnson and AstraZeneca vaccines may not be effective against omicron. Even with two shots of the Pfizer/BioNTech or Moderna vaccines, the effectiveness against omicron is about 33% compared to about an 85% efficacy rate against delta. If you have received two shots, you are still about 70% protected against being hospitalized. Receiving two shots plus a booster of the Pfizer/BioNTech or Moderna vaccines is about 80% effective at preventing omicron though. Currently, 61% of Americans are fully vaccinated, however, only 17% of Americans have received a booster shot. The good news is that Pfizer's antiviral pill, Paxlovid (which has not yet been approved by the FDA), has the potential of keeping those infected with omicron out of the hospital.

### Economy

The most anticipated report this week was the retail sales report, which was released on Wednesday. Retail sales increased 0.3% in November, which was below consensus expectations. Over the past 12 months, retail sales are up 18.2%. Gasoline station sales led the way, soaring 1.7%, while department stores declined 5.4% and electronic stores decreased by 4.6%. The "control" category, which excludes food service, autos, gas and building materials dropped by 0.1%. In other news this week, industrial production numbers came in a little short of expectations, rising 0.5% in November. There were upward revisions made to the September and October data. Manufacturing output increased 0.7% and motor vehicle and parts gained 2.2%. On Tuesday, the producer price index posted a 0.8% increase in November, which was slightly above expectations. The PPI is now up 9.6% year-over-year and energy prices have surged 43.6% over the past 12 months. Finally, on Thursday, housing starts soared 11.8% in November to 1.679 million units at an annual rate. Single family starts advanced 11.3% and multifamily starts increased 12.9%.

### Fixed Income/Credit Market

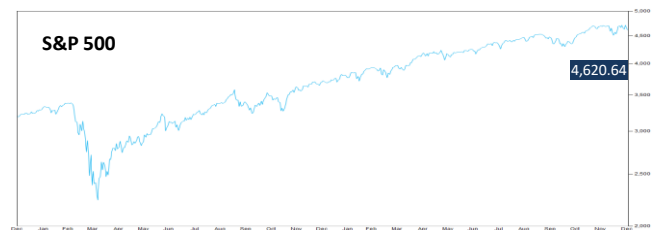
Year-to-date, Bloomberg's New Jersey Municipal Bond Index has provided investors with a total return of 3.05%. Currently, the index projects a yield-to-worst of 1.27% with an option adjusted duration of approximately 5.2 years. For investors in the highest tax bracket domiciled in NJ, the taxable equivalent yield (TEY) equates to 2.4% – a spread of 122 basis points (bps) vs like-duration U.S. Treasuries and 72 bps vs 5-year AAA NJ bonds on a TEY basis. Investors that are still seeking shelter from potential market turmoil created by the Covid-19 pandemic benefit greatly from the spread pick up in fixed income debt backed by high quality New Jersey municipalities. Currently, 5-year AAA NJ bonds trade 27.6 bps above Bloomberg's 5-year AAA muni index, which is second in the nation behind Illinois for all the states that Bloomberg tracks. Lack of supply is also a contributing factor to return profiles. Visible supply for the next 30-days in New Jersey is just \$18.1 million, while debt being retired over the same time period is \$717.1 million which equates to net supply of -\$699MM.

For more information about our solutions: <http://peapackprivate.com>

The Weekly is a weekly market recap distributed to Peapack-Gladstone Bank clients. Securities and mutual funds are not FDIC insured, are not obligations of or guaranteed by Peapack-Gladstone Bank, and may involve investment risk, including possible loss of principal. Information provided for educational purposes only. This should not be relied upon as tax and/or investment advice. We encourage you to consult your personal legal, tax or financial advisors for information specific to your situation. Peapack-Gladstone Bank and its logo are registered trademarks.

### Equities

It was a volatile week for U.S. domestic equities as investors weighed the consequences of policy shifts as global central banks attempt to curb inflation and maintain growth. On Wednesday, the Federal Reserve announced it will be accelerating the tapering of its pandemic-related stimulus initiatives. It also projected that three interest rate hikes are likely to occur in 2022. Equities initially rallied on the news; however, the prospect of higher interest rates pressured growth names (particularly those in the tech space). Despite the efforts being made to tighten monetary policy, the efficacy of the plan remains uncertain. Ultimately, all major indices finished the week with losses. The S&P 500 fell -1.94%, while the Dow and Nasdaq dropped -1.68% and -2.95%, respectively. Healthcare was the week's leading sector, up 2.45%, while energy lagged -5.09%.



### Our View

This week's FOMC meeting made it undoubtedly clear that the Fed's inflation goals have been achieved and the hawkish pivot Chairman Powell initiated a few weeks ago is no longer speculative. Moreover, with the headline consumer price index increasing at the fastest pace in nearly four decades, the FOMC statement went on to say, "Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation." With that being said, the Fed accelerated the pace of the asset purchase taper and now expects the program to be concluded in March of 2022, which will give it more flexibility to increase interest rates. The Fed released a revised summary of economic projections, which now indicates the expectation of three 25 basis point rate hikes in 2022, which was revised up from one 25 basis point hike back in September. The Fed also projects that the labor market will continue to improve with the unemployment rate declining to 3.5% at the end of 2022, which is well below its longer run expectation of 4.0%. With less monetary policy accommodation moving forward, the Fed projects that core personal consumption expenditures (their preferred inflation gauge) will fall from the current elevated level down to 2.7% in 2022, but will still remain above 2% through 2024. The Fed is sending a clear message to the market that it is concerned about inflation and will do what is necessary now in order to preclude the economic expansion from being derailed by persistently excessive inflation. With the economy projected to expand by 4% in 2022, the Fed feels that there is enough forward momentum to lift rates without hindering an inclusive labor market recovery. The Fed will continue to be data dependent and will alter monetary policy as needed in order to balance maximum employment within the guardrails of price stability. Given the progression of inflation and the economic recovery, extremely accommodative monetary policy is no longer necessary; however, as financial conditions tighten, the Fed continues to run the risk of making an unintended policy mistake.

COMING UP NEXT WEEK		Consensus	Prior
12/20 Leading Indicators SA M/M	(Nov)	0.70%	0.90%
12/22 GDP SAAR Q/Q (Final)	(Q3)	2.1%	2.1%
12/22 Consumer Confidence	(Dec)	109.8	109.5
12/22 Existing Home Sales SAAR	(Nov)	6,510K	6,340K
12/23 Durable Orders SA M/M (Preliminary)	(Nov)	2.0%	-0.41%
12/23 Personal Income SA M/M	(Nov)	0.50%	0.50%
12/23 Michigan Sentiment NSA (Final)	(Dec)	70.4	70.4
12/23 New Home Sales SAAR	(Nov)	764.5K	745.0K