



### Weekly Recap

Investors received a flurry of economic data this week and a Federal Reserve interest rate decision as investors continue to assess the prospects of a recession. Recently, institutional brokerage and capital market firms have been lowering probabilities that the U.S. will enter a recession as economic data has been stronger on balance than expected. That said, all eyes were on the Fed meeting. The Fed's decision to pause was widely anticipated and priced into Fed funds futures. The most recent inflation data was released before the Fed's meeting. May's consumer price index (CPI) was generally in line with expectations. The CPI month-over-month (M/M) came in at 0.1%, as year-over-year (Y/Y) was 4.0%, while Y/Y fell to 5.3% from 5.6%, but slightly higher than the 5.2% consensus estimate. Finally, retail sales M/M were up 0.3%, with initial claims staying elevated at 262,000 versus a 250,500 expected. Equity markets rose after digesting this deluge of information ending the week with the S&P and Nasdaq breaking out of the trading ranges of the past few months. The S&P rose 2.58%, with the Nasdaq rising by 3.25%. The Dow ended the week up 1.25%. The front end of yield curve remained elevated, holding it inverted since early July 2022. Two-year Treasury bonds are yielding 4.71% versus 3.76% on ten-year bonds. The Federal Reserve will be closely monitoring economic data to see how the busy summer season affects further interest rate decisions.

### Key Thought for The Week

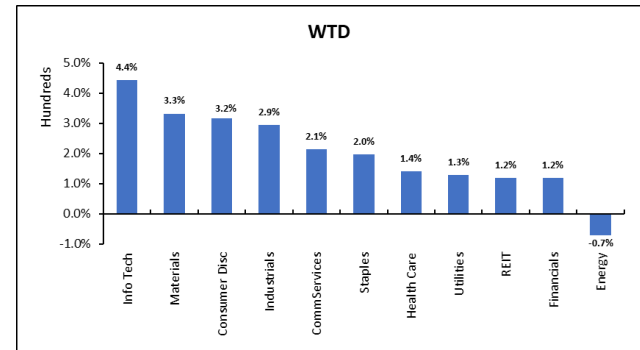
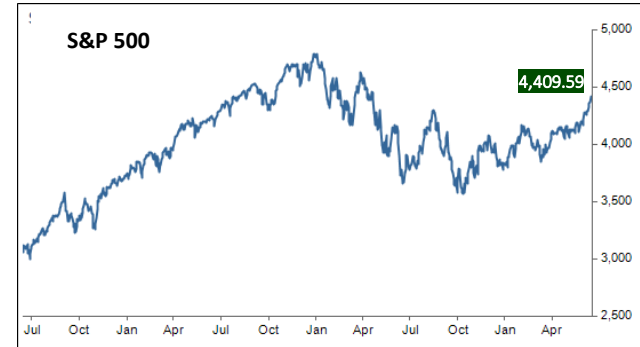
On Wednesday, the Federal Reserve's Open Market Committee voted unanimously to keep the Fed funds rate unchanged at 5.0%-5.25%, noting in its statement that it wants to "assess additional information and its implications for monetary policy." Market observers pointed out that the Fed's decision appears more of a "skip" than a "pause" despite the lack of a firm commitment from Chair Powell. Powell perceived the risks of inflation remain biased to the upside, noting in his press conference that the U.S. labor market remained tight. The Fed dot plot consequently signaled the possibility of two more rate hikes in 2023, meaning additional monetary tightening. Financials markets were extremely volatile following the FOMC decision. The Merrill Lynch Option Volatility Estimate (MOVE) index, a market-implied measure of bond market volatility, is at historically high levels reflecting the uncertainty around the ultimate terminal rate for this hiking cycle and the timing of the Fed's pivot to lower rates. The forward curve of the bond market suggests that the Fed will be lowering rates later this year, but this conflicts with the Fed's dot plot. The disconnect indicates that the market does not believe the Fed's resolve to fight inflation or is forecasting that the economy will materially weaken in the year's second half. Regardless, investors are struggling to digest the myriad of conflicting economic crosscurrents.

	6/16/2023	Wk Net Change	Wk % Change	Div Yield	YTD Change	12 Mos % Change
<b>STOCKS</b>	Close					
DJIA	34,299.12	422.34	1.25	2.08	3.48	14.61
S&P 500	4,409.59	110.73	2.58	1.57	14.85	20.26
NASDAQ	13,689.57	430.43	3.25	0.79	30.79	28.59
S&P MidCap 400	2,580.07	37.70	1.48	1.84	6.16	17.24
EAFE	2,161.50	51.04	2.42	3.26	11.19	17.03
Emerging Market	1,023.59	21.26	2.12	2.95	7.03	1.54
					Wk %	
<b>TREASURIES</b>	Yield			<b>FOREX</b>	Price	Change
1-Year	5.23			USD/EUR	1.09	1.75
2-Year	4.71			JPY/USD	141.82	-1.71
5-Year	3.98			USD/GBP	1.28	1.95
10-Year	3.76			CAD/USD	1.32	1.06
30-Year	3.85					

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	777.99	15.04	2.0	2.8%	(0.3%)	(0.1%)
Health Care	1,536.25	21.20	1.4	3.4%	1.7%	(3.1%)
CommServices	216.92	4.53	2.1	3.0%	13.3%	36.1%
<b>Eco Sensitive</b>						
Consumer Disc	1,298.65	39.71	3.2	9.3%	11.6%	29.2%
Energy	616.43	-4.39	-0.7	5.3%	(2.9%)	(8.3%)
Industrials	888.91	25.43	2.9	8.8%	3.8%	6.9%
Info Tech	3,060.37	129.99	4.4	5.7%	16.0%	40.9%
Materials	512.10	16.46	3.3	8.7%	0.8%	4.6%
<b>Interest Rate Sensitive</b>						
Financials	556.40	6.55	1.2	5.6%	3.9%	(2.3%)
Utilities	339.29	4.31	1.3	3.5%	(1.4%)	(5.4%)
REIT	234.88	2.77	1.2	4.0%	0.0%	1.1%

COMING UP NEXT WEEK		Consensus	Prior
06/20 Housing Starts SAAR	(May)	1,405K	1,401K
06/22 Current Account SA	(Q1)	-218.2B	-206.8B
06/22 Initial Claims SA	(6/17)	260.0K	262.0K
06/22 Existing Home Sales SAAR	(May)	4,250K	4,280K
06/22 Leading Indicators SA M/M	(May)	-0.40%	-0.60%
06/23 Markit PMI Manufacturing SA (Preliminary)	(Jun)	48.0	48.4
06/23 Markit PMI Services SA (Preliminary)	(Jun)	53.3	54.9



### Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	1.98%	2.64%	3.22%	4.27%	15.56%	27.62%		
Medium	2.15%	2.46%	2.99%	3.84%	7.52%	14.35%		
Small	0.29%	0.58%	0.84%	2.13%	7.23%	12.23%		

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