PEAPACK PRIVATE

The Weekly
Economic & Market Recap

January 5, 2024

Weekly Recap

The first trading week of the new year saw a reversal, causing the S&P 500 and Nasdaq to break nine-straight weeks of gains. This week, the sentiment revolved around overbought conditions, stretched positioning, increasing growth concerns, geopolitical tensions, and bond volatility. There has been a rotation out of the 2023 winners, including the Magnificent Seven. Big tech will be under scrutiny this year after driving upside in 2023. Treasuries extended declines to start the new year with the biggest weekly retreat since October after speculation that the resilient labor market may delay rate cuts by the Federal Reserve. December ADP private payrolls rose 164k vs the 125k consensus. December nonfarm payrolls rose 216k vs the 175k consensus. Initial jobless claims were the lowest since October at 202k. November JOLTS job openings came in slightly below expectations at 8.790M, little changed over the last three reports. The data suggests that the labor market is displaying no signs of recession and remains strong. The Institute for Supply Management (ISM) data released showed some signs of weakness, though it should not be conclusive as reports can be noisy month-to-month. December ISM manufacturing index came in at 47.4 vs the 47.1 consensus, but still in contraction for a 14th month. December ISM services index fell to 50.6 vs the 52.5 consensus. There were no new developments in the FOMC minutes released this week as officials see rate cuts as appropriate for this year but remain cautious. Next week, investors will focus on the start of earnings season with banks and a CPI report on the schedule.

Key Thought for The Week

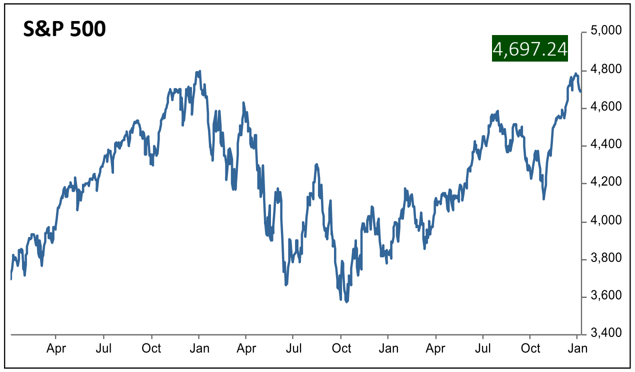
Price shifts in the equity market over the last two years have been primarily related to changes in the inflation data, interest rates, and the projected positioning of Federal Reserve policy. These variables will likely be the predominant drivers again in 2024. There are major investment themes and trends that transcend typical economic factors. These themes ultimately drive the relative success of individual companies and industries. Investors need to pay attention to these trends. Spending on cloud computing has been a significant driver over the last half decade and is one of the major themes to be aware of. Companies that participate in developing the cloud ecosystem grew revenue at a 19% CAGR from 2016 to 2022. Aggregate revenue on cloud services grew 23% before the pandemic but has recently slowed to mid-teens growth in 2022 and 2023. Some of this slowing is related to the global economic environment due to rising interest rates. Growth in cloud computing will probably continue to moderate over the next five years but will remain a meaningful growth engine for the economy. Cloud computing offers improved cost efficiency, scalability of computer resources, better data accessibility, and the ability to optimize computing power across multiple users, making it an essential consideration for most businesses. However, the growth of the cloud has a dark side. The ubiquitous nature of the cloud opens the door for cybercriminals. There have been many well-publicized security breaches in the last few years. Cybercrime cost businesses and governments an estimated $6 trillion in 2021. The increased threat to critical infrastructure will require significant spending to secure mission-critical business data. The cyber security solutions market will be smaller than the cloud business, but it is emerging as an important growth opportunity.

1/5/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	37,466.11	-223.43	-0.59	1.96	-0.59	13.77
S&P 500	4,697.24	-72.59	-1.52	1.51	-1.52	23.35
NASDAQ	14,524.07	-487.28	-3.25	0.80	-3.25	40.94
S&P MidCap 400	2,712.50	-69.04	-2.48	1.73	-2.48	11.61
EAFE	2,202.54	-33.62	-1.50	3.17	-1.50	12.29
Emerging Market	1,004.26	-19.48	-1.90	2.71	-1.90	2.06

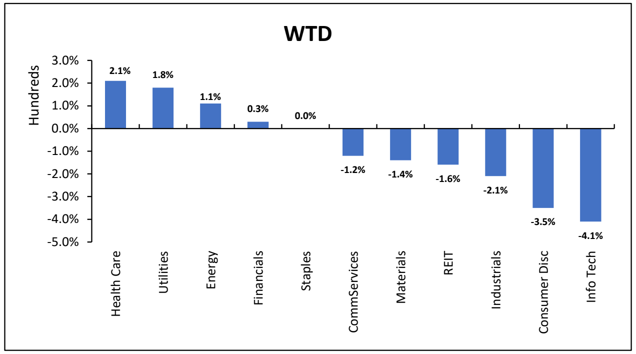
TREASURIES	Yield
1-Year	4.84
2-Year	4.38
5-Year	4.01
10-Year	4.05
30-Year	4.20

FOREX	Price	Wk % Change
USD/EUR	1.09	-0.87
JPY/USD	144.63	-2.48
USD/GBP	1.27	-0.09
CAD/USD	1.34	-0.90

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	762.55	0.23	0.0%	0.0%	0.0%	0.0%
Health Care	1,623.32	32.96	2.1%	2.1%	2.1%	2.1%
CommServices	243.15	-2.85	(1.2%)	(1.2%)	(1.2%)	(1.2%)
Eco Sensitive						
Consumer Disc	1,369.16	-48.93	(3.5%)	(3.5%)	(3.5%)	(3.5%)
Energy	647.23	7.18	1.1%	1.1%	1.1%	1.1%
Industrials	944.00	-20.73	(2.1%)	(2.1%)	(2.1%)	(2.1%)
Info Tech	3,259.48	-137.68	(4.1%)	(4.1%)	(4.1%)	(4.1%)
Materials	531.94	-7.68	(1.4%)	(1.4%)	(1.4%)	(1.4%)
Interest Rate Sensitive						
Financials	627.47	1.12	0.2%	0.2%	0.2%	0.2%
Utilities	327.84	5.92	1.8%	1.8%	1.8%	1.8%
REIT	244.36	-3.94	(1.6%)	(1.6%)	(1.6%)	(1.6%)



COMING UP NEXT WEEK		Consensus	Prior
01/08 Consumer Credit SA	(Nov)	$8.3B	$5.2B
01/11 CPI ex-Food & Energy SA M/M	(Dec)	0.25%	0.30%
01/11 CPI NSA Y/Y	(Dec)	3.2%	3.1%
01/11 Hourly Earnings SA M/M (Final)	(Dec)	0.30%	-
01/11 Hourly Earnings Y/Y (Final)	(Dec)	3.9%	-
01/11 Treasury Budget NSA	(Dec)	-$25.0B	-$314.0B
01/12 PPI ex-Food & Energy SA M/M	(Dec)	0.15%	0.0%
01/12 PPI SA M/M	(Dec)	0.15%	0.0%

Russell Style Return

WTD	Value	Blend	Growth
Large	(0.34%)	(1.62%)	(2.71%)
Medium	(1.63%)	(2.17%)	(3.45%)
Small	(3.26%)	(3.73%)	(4.23%)

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