PEAPACK PRIVATE

Wealth Management

The Weekly

Economic & Market Recap

February 10, 2023

Weekly Recap

The week started with very few catalysts, with investor sentiment focusing on the bond yield backup following last week's rate hike, dollar strength, overbought conditions, and geopolitical tensions. Federal Reserve Chair Jerome Powell's comments at the Economic Club of Washington indicated that the economy is in the early stages of disinflation, reiterating his speech from last week. Fedspeak continued into the middle of the week with a more hawkish tone, largely concentrating on higher-for-longer and wage growth. Initial jobless claims rose 13,000 to 196,000 for the week ending February 4th, above forecasts of 190,000. Still, the results exemplify a tight labor market that has remained resilient despite rate hikes. This suggests that the anticipated recession is further off than initially forecasted. The University of Michigan's preliminary February consumer sentiment index came in above consensus at 66.4, an 2.3% increase from January's reading and the highest consumer sentiment since January 2022. All major domestic equity indices logged losses for the week, with the S&P 500 and Nasdaq recording their worst weeks of 2023. The energy sector was the only one to record a gain for the week, +5.03%. Value stocks outperformed growth stocks by more than 50 basis points.

Key Thought for The Week

The financial markets are currently full of incongruencies. A prime example is the myriad of signals flashing recession compared with the tightening of credit spreads. Several traditional heuristics investors have relied on in the past as predictors of a looming recession point to rough economic waters ahead. A prolonged and deeply inverted yield curve, like we are currently witnessing, is loudly forecasting a recession. Leading Economic Indicators (LEI), which over the last six months are down 4.2% year-over-year, is another closely followed signal that is strongly negative. There are several strong signs that the economy is quickly approaching a soft patch, if not an outright recession, yet credit spreads are currently below long-term aver-ages. Credit spreads should be rising, especially with default rates rising, but spreads have recently been going the other way. The contradiction can be partially explained because financial conditions loosened over the last few months as financial markets have discounted the Federal Reserve's inflation rhetoric. Both the bond and stock markets appear to be looking past any economic slowdown. There are too many uncertainties in our opinion, especially regarding inflation, to become overly complacent with the equity market valuation at 18 times and earnings under pressure.

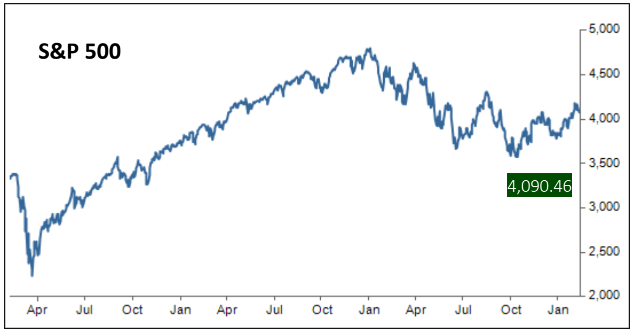
2/10/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	33,869.27	-56.74	-0.17	2.03	2.18	-3.89
S&P 500	4,090.46	-46.02	-1.11	1.63	6.54	-9.18
NASDAQ	11,718.12	-288.83	-2.41	0.89	11.96	-17.39
S&P MidCap 400	2,639.30	-68.17	-2.52	1.73	8.60	-1.58
EAFE	2,112.68	-21.15	-0.99	3.19	9.20	-6.29
Emerging Market	1,024.51	-21.05	-2.06	3.02	8.07	-13.75

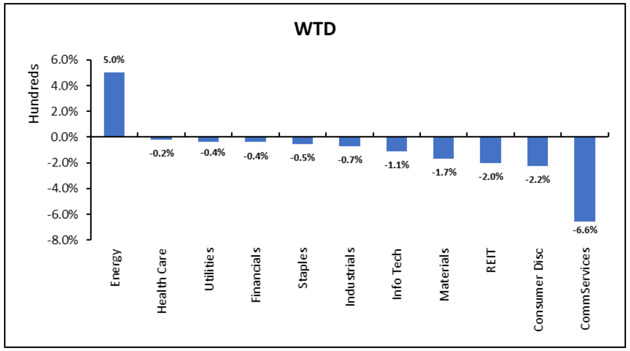
TREASURIES	Yield	FOREX	Price	Wk % Change
2-Year	4.51	USD/EUR	1.07	-1.51
5-Year	3.93	JPY/USD	131.31	0.21
10-Year	3.74	USD/GBP	1.21	-0.25
30-Year	3.83	CAD/USD	1.34	-0.11

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	762.70	-4.14	(0.5%)	(1.1%)	(2.1%)	(2.1%)
Health Care	1,543.29	-3.03	(0.2%)	(0.7%)	(2.7%)	(2.7%)
CommServices	179.86	-12.69	(6.6%)	(1.2%)	12.9%	12.9%
Eco Sensitive						
Consumer Disc	1,150.55	-26.12	(2.2%)	(0.5%)	14.4%	14.4%
Energy	692.10	33.15	5.0%	0.2%	2.9%	2.9%
Industrials	864.22	-6.06	(0.7%)	0.3%	3.9%	3.9%
Info Tech	2,448.02	-27.25	(1.1%)	3.1%	12.7%	12.7%
Materials	516.93	-8.70	(1.7%)	(3.1%)	5.6%	5.6%
Interest Rate Sensitive						
Financials	606.18	-2.32	(0.4%)	(0.3%)	6.4%	6.4%
Utilities	343.74	-1.31	(0.4%)	(2.1%)	(4.1%)	(4.1%)
REIT	252.33	-5.18	(2.0%)	(1.1%)	8.6%	8.6%

COMING UP NEXT WEEK		Consensus	Prior
02/14 CPI ex-Food & Energy SA M/M	(Jan)	0.30%	0.30%
02/14 CPI SA M/M	(Jan)	0.50%	-0.10%
02/14 CPI NSA Y/Y	(Jan)	6.2%	6.5%
02/15 Retail Sales ex-Auto SA M/M	(Jan)	0.70%	-1.1%
02/15 Retail Sales SA M/M	(Jan)	1.5%	-1.1%
02/15 Industrial Production SA M/M	(Jan)	0.40%	-0.70%
02/16 Housing Starts SAAR	(Jan)	1,363K	1,382K
02/16 PPI SA M/M	(Jan)	0.40%	-0.50%
02/17 Leading Indicators SA M/M	(Jan)	-0.30%	-0.80%





Russell Style Return

WTD	Value	Blend	Growth
Large	(1.02%)	(1.29%)	(1.54%)
Medium	(3.00%)	(2.97%)	(2.93%)
Small	(3.47%)	(3.36%)	(3.25%)

YTD	Value	Blend	Growth
Large	4.39%	6.86%	9.51%
Medium	8.73%	9.00%	9.42%
Small	8.55%	8.95%	9.34%

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