



Weekly Recap

Tuesday's Consumer Price Index (CPI) report showed an increase of 7.1% year-over-year versus expectations of 7.3%. The softer than anticipated report led to a strong rally in equity markets before Wednesday's FOMC rate decision. The Fed raised rates by 50 basis points (bps) on Wednesday in line with market expectations and the median forecast for interest rates in 2023 increased by approximately 50 bps. This hawkish news led to a selloff in domestic equity markets and a mixed reaction across the yield curve. The belly of the curve rallied, and rates were lower by 9 to 19 bps for the week. Despite the drop in rates, value continues to outperform growth in equities. Value declined -1.60% whereas growth declined -2.44% for the week. Energy was the strongest performer increasing 1.72%. Crude oil WTI is recouping some of last week's losses increasing by approximately 4.60%. Consumer discretionary and information technology underperformed declining -3.63% and -2.67%, respectively. The dollar (DXY) was volatile but relatively flat on the week closing at \$104.8. Municipal debt relative to Treasuries declined with the 10-year Muni/Treasury ratio now at 72.54%. In other economic news, services and manufacturing data released on Friday suggest the economy is contracting with the U.S. Composite Purchasing Managers Index' (PMI) coming in at 44.6 versus expectations of 46.9 (any figure below 50 indicates contraction).

Key Thought for The Week

On Wednesday, the Federal Reserve increased the Fed funds rate by another 50 basis points (bps) which brought the new target range for the key rate to 4.25-4.5%. While the statement released by the FOMC had very few meaningful changes, details of the 2023 dot plot provided the markets with notable insights. At the forefront is the increase in the median Fed funds projection for 2023 from 4.6% to 5.1%, which effectively puts the terminal rate in a range of 5.0-5.25%. Assessing that information and depending on the path of inflation during Q1 2023, we expect either another 50 bp increase in February followed by 25 bps in March or three consecutive 25 bp increases with the last one arriving at the May 3rd meeting. None of the committee members dissented to Wednesday's rate increase. Furthermore, the projected median Fed funds rate for 2023 leaned more hawkish according to the dots. Given the uncertainties about inflation and the labor market as well as lagging economic data, it probably seems much too early to discuss 2024. Therefore, we will keep it brief. The median forecast increased from 3.9% to 4.1% which indicates 100 bps of decreases to the key rate during 2024.

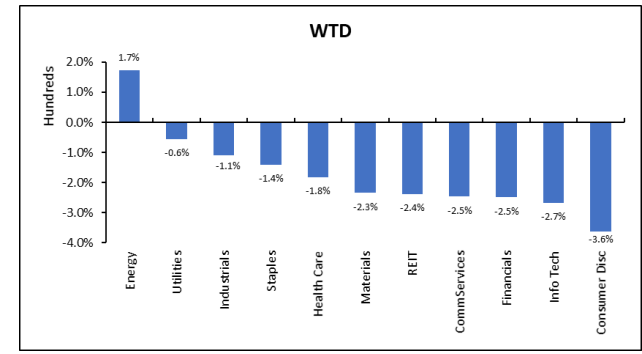
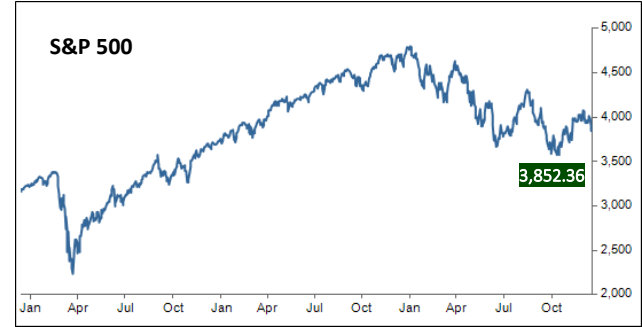
12/16/2022		Wk	Wk	Div	YTD	12 Mos
	Close	Net	%	Yield	%	%
STOCKS	Change	Change	Change	Change	Change	Change
DJIA	32,920.46	-556.00	-1.66	2.09	-9.41	-8.29
S&P 500	3,852.36	-82.02	-2.08	1.75	-19.17	-17.48
NASDAQ	10,705.41	-299.20	-2.72	0.98	-31.57	-29.48
S&P MidCap 400	2,416.51	-53.07	-2.15	1.83	-14.97	-11.53
EAFE	1,961.54	-17.34	-0.88	3.32	-16.03	-14.73
Emerging Market	960.22	-18.06	-1.85	3.24	-22.06	-21.54

TREASURIES	Yield	FOREX	Price	Wk
				%
				Change
2-Year	4.18	USD/EUR	1.06	0.44
5-Year	3.63	JPY/USD	136.60	-0.03
10-Year	3.49	USD/GBP	1.21	-0.91
30-Year	3.55	CAD/USD	1.37	-0.39

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk	WTD	MTD	QTD	YTD
		Net				
		Change				
Defensive						
Staples	778.10	-11.08	(1.4%)	(3.2%)	11.8%	(3.3%)
Health Care	1,575.84	-29.36	(1.8%)	(2.6%)	11.7%	(4.1%)
CommServices	160.14	-4.05	(2.5%)	(7.4%)	(1.2%)	(40.1%)
Eco Sensitive						
Consumer Disc	1,040.40	-39.22	(3.6%)	(8.2%)	(7.3%)	(35.4%)
Energy	640.28	10.81	1.7%	(7.8%)	15.9%	51.5%
Industrials	826.54	-9.16	(1.1%)	(3.7%)	18.0%	(7.6%)
Info Tech	2,220.93	-60.87	(2.7%)	(6.4%)	6.8%	(27.3%)
Materials	495.88	-11.89	(2.3%)	(4.6%)	15.9%	(12.9%)
Interest Rate Sensitive						
Financials	558.05	-14.28	(2.5%)	(7.4%)	10.6%	(14.2%)
Utilities	355.76	-1.97	(0.6%)	(1.5%)	7.0%	(2.2%)
REIT	233.82	-5.69	(2.4%)	(4.9%)	3.5%	(28.0%)

COMING UP NEXT WEEK		Consensus	Prior
12/20	Housing Starts SAAR	(Nov) 1,408K	1,425K
12/21	Existing Home Sales SAAR	(Nov) 4,200K	4,430K
12/22	GDP SAAR Q/Q (Final)	(Q3) 2.9%	2.9%
12/22	Leading Indicators SA M/M	(Nov) -0.40%	-0.80%
12/23	Personal Consumption Expenditure SA M/M	(Nov) 0.40%	0.80%
12/23	Personal Income SA M/M	(Nov) 0.40%	0.70%
12/23	Michigan Sentiment NSA (Final)	(Dec) 59.1	59.1
12/23	New Home Sales SAAR	(Nov) 607.5K	632.0K
12/30	Chicago PMI SA	(Dec) 47.1	37.2



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(1.60%)	(2.01%)	(2.44%)	(8.51%)	(18.91%)	(27.94%)	
Medium	(1.90%)	(1.82%)	(1.68%)	(12.45%)	(17.34%)	(26.12%)	
Small	(2.33%)	(1.80%)	(1.28%)	(14.72%)	(20.42%)	(26.43%)	

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.