



Weekly Recap

The major news headline this week was the July payroll report. Nonfarm payrolls jumped 528,000, and the unemployment rate dropped to 3.5%. With positive revisions to May and June, job growth has averaged a very robust 437,000 over the last three months. Wage rates grew 5.2% year-over-year. The July employment numbers suggest that corporations continue to hire, and the U.S. economy is not yet in a recession despite two consecutive quarters of negative GDP prints. From the perspective of the Federal Reserve, strong job growth and uncomfortably high inflation is sufficient reason to stay aggressive. The Federal Reserve does not place too much emphasis on a single economic statistic. There are a few consumer price index reports and another employment report before its September meeting. But the July labor report will strengthen the resolve of the Federal Reserve to fight inflation and heightens the probability of another 75-basis point hike in the fed funds rate in September. Yields across the Treasury yield curve reacted by spiking higher. Yields at the short end of the yield curve surged higher and were more responsive than yields at the longer-dated maturities, further inverting the yield curve. The spread between the 2-year and 10-year Treasury bonds is now a negative 40 basis points. Major equity indexes were mixed and generally little changed despite weakness following Friday's payroll number. Although most sectors saw modest movement, there was notable weakness in the energy sector, with the sector down over 6%. Money rotated out of energy names due to a steep decline in the price of WTI, which has fallen almost \$33 a barrel since its June high.

Key Thought for The Week

The recent rally in risk assets has been bolstered by broadly positive earnings reports, improving investor sentiment, and signs that the inflationary surge is moderating. Through Thursday, 412 companies (approximately 82%) in the Standard & Poor's 500 Index have reported second-quarter earnings. The earnings reports have generally been stronger than expected, helping to lift equities. The strength, however, is not evenly distributed across the index's various industry groups. Energy, industrials, and materials are seeing greater earnings growth, offset by weaker earnings in communications services, consumer discretionary, and financials. Earnings are a coincident indicator that reflects the economy's current status. The Fed's commitment to raising interest rates to thwart inflation and weakening consumer confidence (at its lowest levels since February 2021) remains an intermediate-term challenge for the economy and earnings prospects.

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	8/5/2022	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS						
DJIA	32,803.47	-41.66	-0.13	2.21	-9.73	-6.45
S&P 500	4,145.19	14.90	0.36	1.61	-13.03	-6.41
NASDAQ	12,657.56	266.87	2.15	0.90	-19.10	-15.02
S&P MidCap 400	2,504.28	-8.45	-0.34	1.77	-11.88	-7.46
EAFE	1,941.71	26.37	4.45	3.32	-16.88	-17.67
Emerging Market	994.59	3.02	0.81	3.11	-19.27	-23.50
TREASURIES						
2-Year	3.23			USD/EUR	1.02	-0.37
5-Year	2.97			JPY/USD	135.35	-1.28
10-Year	2.84			USD/GBP	1.21	-0.79
30-Year	3.07			CAD/USD	1.29	-1.06

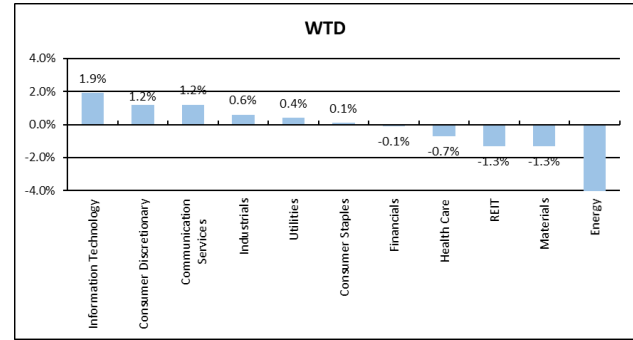
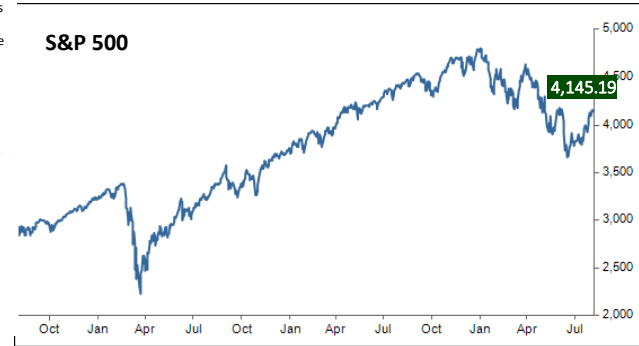
Source: FactSet/Bloomberg

Sector - Large Cap

	Close	WTD	MTD	QTD	YTD
Defensive					
Staples	774.28	0.1%	3.1%	3.2%	(3.8%)
Health Care	1531.03	(0.7%)	3.2%	2.5%	(6.9%)
CommServices	194.79	1.2%	3.5%	4.7%	(27.2%)
Eco Sensitive					
Consumer Disc	1296.45	1.2%	18.9%	20.3%	(19.5%)
Energy	557.88	(6.8%)	9.6%	2.1%	32.0%
Industrials	812.82	0.6%	9.5%	10.1%	(9.2%)
Info Tech	2571.77	1.9%	13.5%	15.7%	(15.8%)
Materials	484.99	(1.3%)	6.1%	4.7%	(14.9%)
Interest Rate Sensitive					
Financials	559.73	(0.1%)	7.0%	7.0%	(13.9%)
Utilities	377.08	0.4%	5.4%	5.8%	3.7%
REIT	273.75	(1.3%)	8.5%	7.0%	(15.7%)

COMING UP NEXT WEEK

		Consensus	Prior	
08/09	Unit Labor Costs SAAR Q/Q (Preliminary)	(Q2)	6.7%	12.6%
08/09	Productivity SAAR Q/Q (Preliminary)	(Q2)	-3.2%	-7.3%
08/10	CPI ex-Food & Energy SA M/M	(Jul)	0.50%	0.70%
08/10	CPI NSA Y/Y	(Jul)	8.7%	9.1%
08/11	PPI ex-Food & Energy SA M/M	(Jul)	0.50%	0.40%
08/11	PPI SA M/M	(Jul)	0.30%	1.1%
08/12	Michigan Sentiment NSA (Preliminary)	(Aug)	53.0	51.5



Russell Style Return

	WTD	Value	Blend	Growth
Large	(0.4%)	0.7%	1.8%	
Medium	(0.6%)	0.2%	1.6%	
Small	0.3%	1.1%	1.9%	

	YTD	Value	Blend	Growth
Large	(8.6%)	(13.7%)	(18.4%)	
Medium	(10.5%)	(14.4%)	(21.6%)	
Small	(10.0%)	(15.1%)	(20.3%)	