



As of 05/26/2017

		Wk	Wk		YTD	12 Mos
	Close	Net Change	% Change	Div Yield	Change	% Change
STOCKS						
DJIA	21,080.28	275.44	1.32	2.34	6.67	18.24
S&P 500	2,415.82	34.09	1.43	1.96	7.90	15.57
NASDAQ 100	5,788.36	136.80	2.42	1.10	19.01	28.98
S&P MidCap 400	1,727.27	15.19	0.89	1.72	4.02	16.66
Russell 2000	1,382.24	14.91	1.09	1.47	1.83	21.25
TREASURIES	Yield	FOREX	Price		Wk %Change	%
2-Year	1.29	Euro/Dollar	1.12		-0.35	
5-Year	1.79	Dollar/Yen	111.26		-0.03	
10-Year	2.25	Sterling/Dollar	1.28		-1.75	
30-Year	2.92	Dollar/Cad	1.35		-0.49	

Source: Thomson Reuters & Bloomberg

What Caught Our Eye This Week

Cryptocurrency is an encrypted unregulated digital currency transferred between peers and confirmed in a public ledger. The ledger ensures that corresponding 'digital wallets' can calculate an accurate balance. Bitcoin calls this public ledger a blockchain. The first bitcoins were released in January 2009 (\$0.003) after a research paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System" was published in 2008. This week, an agreement was reached in regards to the structure of trading in the cryptocurrency market by the Digital Currency Group which represents 56 companies in 21 countries. Recently, Japan announced that bitcoin had become a legal payment method in the country and Russia's largest online retailer, Ulmart, said it would begin accepting bitcoin. Not surprisingly, the price of bitcoin hit a new high (\$2,790) this week and is up more than 150% this year alone. A less well known cryptocurrency, Ether, uses a technology called ethereum which has real world applications. Ethereum can support "smart contract applications" which can automatically execute the terms of a contract when terms have been met. This capability gives ethereum more uses and therefore higher growth prospects than bitcoin, which is more focused on payment technology.

Economy

The economic headliner this week was Friday's durable goods report, which suggested that corporate spending on equipment is not picking up. Overall, durable goods spending declined by 0.7% in April, and there was also a decline in core durable goods (ex-air and defense) which decreased by 0.4%. Nondefense core capital goods orders have now shown zero growth for the last two months. Core capital goods shipments were down 0.1% in April. Shipments have been negative in three of the past eight months. On Tuesday, new home sales displayed a large drop of 11.4% in April to 569,000 units. This was the largest one-month drop in over two years. Over the last 12 months, new home sales are up only 0.5%. Existing home sales data were released on Wednesday and showed a decline of 2.3% in April to 5.57 million homes. These figures were below expectations and can be partially blamed on inventories, which are at a 20-year low. Overall, these sales are up 1.6% year-over-year. Finally on Friday the second look at first quarter GDP showed a modest improvement increasing to 1.2% from the previously reported 0.7%. Consumer spending was also revised higher to 0.6% from 0.3%.

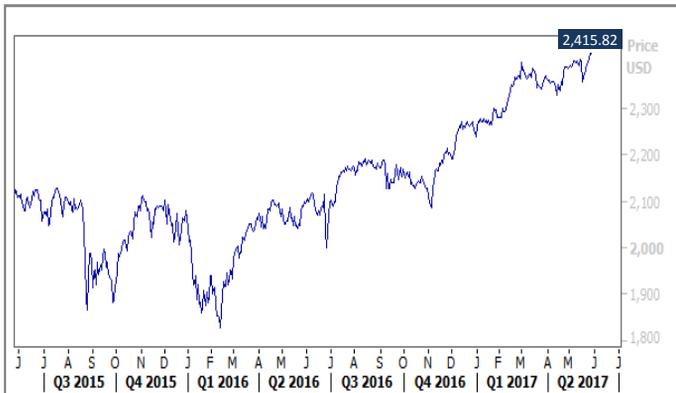
Fixed Income/Credit Market

Ten-year municipal debt backed by the state of New Jersey is currently trading at approximately 110 basis points (bps) above the Bloomberg 10-year AAA municipal index, roughly 7 bps above the three-month average. Over the same three-month period, yields have fluctuated from a low of 3.07% on April 17th to a high of 3.52% on March 14th. The visible 30-day supply is approximately \$56.3MM while the amount of debt expected to retire is \$920MM. The state of NJ is currently rated A3 by Moody's Investor Services, the fourth-lowest investment grade rating chiefly due to rising costs from an underfunded employee pension system. If the state's revenue from tax collections does not accelerate from its average pace of 2.8%, NJ's annual deficit will grow to \$3.6 billion by 2023 according to Moody's. Municipal investors have benefited from the state's woes. Evesham Township (Aa2), which has strong underlying credit fundamentals, recently priced a bond with a February 2028 final at 2.70%, which was 113% of similar duration U.S. Treasuries.

Equities

Equities this week recovered from last week's decline and moved consistently higher throughout the week. With geopolitical developments relatively contained and benign economic indicators showing continued growth, the broad S&P 500 index pushed through several new highs during the week, leading to the longest winning streak since February. The strongest two sectors were strange bedfellows; the high growth technology and low growth utilities sectors were the best performers during the week. Despite crude oil prices steadily moving higher over the past few weeks, energy markets were negatively surprised by the OPEC production cut announcement that was not as deep as expected. Consequently, the energy sector experienced weakness and was the only negative sector for the week. Foreign currencies relative to the dollar were relatively quiet during the week and therefore enabled the international indexes to inch higher and maintain year to date leadership.

S&P 500



Our View

It was interesting timing that the Organization of the Petroleum Exporting Countries met in Vienna to discuss extending production cuts immediately after President Trump's successful visit to Saudi Arabia given his outspoken desire to drive U.S. energy independence. OPEC's efforts to moderate production, assuming members have the discipline to adhere to the cuts, have the potential to do little more than modestly impact the oil inventory cycle. OPEC's real problems are secular. Technology is altering both ends of the supply equation. As the percentage of electric, hybrid and cars with higher fuel efficiency grows, the demand curve for oil will bend lower. This will be a long process. The supply side has already been tremendously impacted by hydraulic fracking. A recent study by Rystad Energy concluded that the U.S., due to shale oil, has more recoverable oil reserves than both Saudi Arabia and Russia. Energy represents just one example where technological change is creating disruptive change. As long-term investors, we need to assess the opportunities and threats created by technological innovation. Often, such as in artificial intelligence, the impacts are not as obvious as the impacts in energy.

COMING UP NEXT WEEK		Est.
05/30	Personal Income MM	(Apr) 0.4%
05/30	Consumption, Adjusted MM	(Apr) 0.4%
05/30	Consumer Confidence	(May) 119.5
06/01	ISM Manufacturing PMI	(May) 54.6
06/02	Non-Farm Payrolls	(May) 185k
06/02	Unemployment Rate	(May) 4.4%

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