



As of 06/02/2017

	Close	Wk	Wk	Div Yield	YTD	12 Mos
		Net Change	% Change		% Change	% Change
STOCKS						
DJIA	21,206.29	126.01	0.60	2.34	7.31	18.88
S&P 500	2,439.07	23.25	0.96	1.95	8.89	15.79
NASDAQ 100	5,881.46	93.10	1.61	1.09	20.93	29.79
S&P MidCap 400	1,751.11	23.84	1.38	1.69	5.45	16.19
Russell 2000	1,405.39	23.14	1.67	1.45	3.54	20.04
TREASURIES	Yield	FOREX	Price	Wk %Change		
2-Year	1.29	Euro/Dollar	1.13	0.86		
5-Year	1.72	Dollar/Yen	110.39	-0.89		
10-Year	2.16	Sterling/Dollar	1.29	0.62		
30-Year	2.81	Dollar/Cad	1.35	0.33		

Source: Thomson Reuters & Bloomberg

What Caught Our Eye This Week

On Thursday, President Trump announced that the United States would withdraw from the Paris Agreement. The Agreement, signed in 2015 by 195 countries, is a voluntary nonbinding accord that aims to limit greenhouse gas emissions which contribute to climate change. Additionally, the deal calls for wealthy nations to provide about \$100 billion in funding annually to help poorer nations invest in renewable energy. President Trump believes that the treaty will hurt businesses and jobs in this country. Despite President Trump's decision, the move in the U.S. toward limiting gas emissions will likely continue unabated. Businesses are under intense shareholder pressure to improve their green efforts, utilities are moving from coal to cleaner and ever-cheaper natural gas, auto companies have vowed to continue their efforts in reducing emissions, and states have committed to continue to implement more emission-reducing programs.

Economy

The most anticipated report this week was the nonfarm payroll report, which was released on Friday. This report showed payrolls increasing by 138,000 in May, which was below the consensus forecast of 185,000. The unemployment rate declined to 4.3% and the U-6 measure of unemployment decreased to 8.4%. Average hourly earnings increased by 4 cents and are now up 2.5% year-over-year. Examining the different employment sectors, healthcare added 24,000 jobs and construction added 11,000. The labor force participation rate decreased to 62.7%, which is low by historical standards. The most disturbing news was the negative revisions to the March and April payroll reports totaling 66,000. Employment growth has slowed over the past three months to an average of 121,000 new jobs created. In other news this week, the ISM manufacturing survey increased to 54.9 in May, and the forward looking new orders index increased to 59.5. Earlier in the week, we were pleased to see personal income and personal consumption increase by 0.4% in April. Disposable personal income also increased by 0.4% and is now up 3.7% year-over-year. Finally, weekly jobless claims increased by 13,000 to 248,000 during the week ending May 27th. The four-week moving average is now at 238,000.

Fixed Income/Credit Market

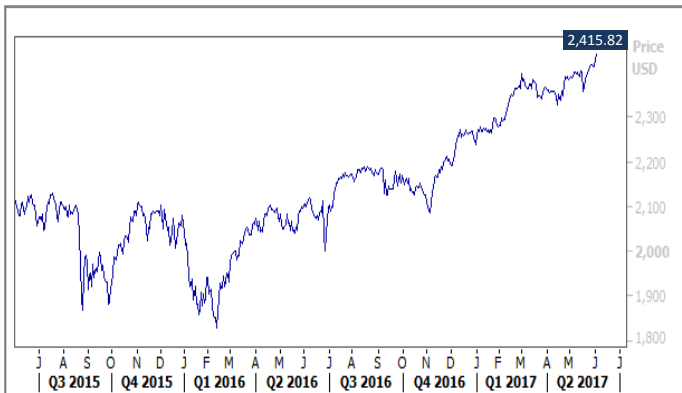
In the month of May the yield curve flattened as the implied probability of a rate hike shifted from 66.8% on May 1st to 88.4% on May 31st. While the benchmark 2-year Treasury yield increased 2 basis points (bps) to approximately 1.28%, the 10-year Treasury yield decreased 7.7 bps to roughly 2.20%. The prospect of a rate increase typically impacts the front-end of the curve which was reflected by the spread between the 2-year and 10-year tenors compressing 9.7 bps to close May at 92 bps. The 10-year Treasury is currently at 2.156%, its year-to-date low; however, it remains attractive when compared to other global 10-year bonds.

Country	Rate	Basis points spread vs U.S.
U.S.	2.156	
U.K.	1.036	-112.0
France	0.705	-145.1
Germany	0.270	-188.6
Italy	2.248	9.2
Spain	1.555	-60.1
Switzerland	-0.237	-239.3
Japan	0.038	-211.8

Equities

Stocks traded moderately higher this week in spite of some disappointing economic news on employment. In fact, most equity indices hit record highs, primarily led by the technology heavy NASDAQ. Equity markets did not seem fazed by the weaker-than-expected May jobs report which was released this morning, which also included negative revisions to the prior two months of jobs growth. Oil prices fell this week as investors remained skeptical that production cuts by major producers will make a dent in worldwide supplies. U.S. producers are increasing their production in domestic wells, which is offsetting reductions from OPEC and Russia. President Trump's decision to abandon a climate pact could spark more drilling in the U.S. Financials had a tough week as well, when some management teams speaking at an industry conference, suggested that trading income would decline in the second quarter when compared to the first quarter. Despite the weakness in the energy and financial sectors, the broad market continued to reach new highs during the week.

S&P 500



Our View

The release of the Non-Farm Payroll report was rather disappointing relative to expectations, with only 138,000 jobs created in the month of May. This number was significantly below ADP's 253,000 projection and a consensus estimate of 185,000. In addition, the results for the prior two months were cut by a total of 66,000 jobs. The unemployment rate fell from 4.40% to 4.29% but the participation rate also declined to 62.7%. Average hourly earnings grew by .2% which met expectations but a revision to April's data kept the year over rate of increase at 2.5% below the expected 2.6%. Upon the Bureau of Labor Statistics release, the dollar sold off and Treasury yields rallied with further curve flattening. Overall, we feel May's employment numbers were strong enough to keep the Fed's anticipated June rate hike on track but additional sub-par economic results could cloud the picture for the rest of this year. Several Fed officials commented this week that the Fed tightening cycle will accelerate. We will be closely listening to the commentary after the next Fed meeting to see if there is any moderation in their rate views, after the weaker job report.

COMING UP NEXT WEEK		Est.
06/05 Productivity Revised	(Q1)	-0.2%
06/05 Factory Orders MM	(Apr)	-0.2%
06/05 ISM N-Mfg PMI	(May)	57.0
06/07 Consumer Credit	(Apr)	15.50B
06/09 Wholesale Invt(y), R MM	(Apr)	0.2%

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