



As of 05/03/2019

|                   |           | Wk              | Wk       |            | YTD    | 12 Mos |
|-------------------|-----------|-----------------|----------|------------|--------|--------|
|                   | Close     | Net Change      | % Change | Div Yield  | Change | Change |
| <b>STOCKS</b>     |           |                 |          |            |        |        |
| DJIA              | 26,504.95 | -38.38          | -0.14    | 2.17       | 13.62  | 10.76  |
| S&P 500           | 2,945.64  | 5.76            | 0.20     | 1.88       | 17.51  | 12.02  |
| NASDAQ 100        | 7,845.73  | 19.05           | 0.24     | 1.00       | 23.95  | 18.10  |
| S&P MidCap 400    | 1,980.83  | 6.91            | 0.35     | 1.63       | 19.11  | 5.78   |
| Russell 2000      | 1,614.02  | 22.21           | 1.40     | 1.42       | 19.68  | 4.36   |
| <b>TREASURIES</b> | Yield     | <b>FOREX</b>    | Price    | Wk %Change |        |        |
| 2-Year            | 2.33      | Euro/Dollar     | 1.12     | 0.46       |        |        |
| 5-Year            | 2.33      | Dollar/Yen      | 111.09   | -0.47      |        |        |
| 10-Year           | 2.53      | Sterling/Dollar | 1.32     | 1.90       |        |        |
| 30-Year           | 2.92      | Dollar/Cad      | 1.34     | -0.22      |        |        |

Source: Thomson Reuters & Bloomberg

### What Caught Our Eye This Week

Consumer appetites are changing as growing numbers of people turn to plant-based meat alternatives. Whether it is concern for the environment and climate change, animal cruelty, or just wanting a healthier lifestyle, plant-based meat substitutes have gained popularity. The plant-based meat alternative startup Beyond Meat went public this week. The company reported 2018 sales of \$88 million, up 170% from 2017. According to Ethan Brown, the founder of Beyond Meat, 93% of people who purchased the Beyond Burger do not identify as vegan or vegetarian. Beyond Meat, along with its closest competitor Impossible Foods, expects the alternative meat category to become a multibillion dollar industry and take a significant share of the \$1.4 trillion global market for meat. Beyond Meat has partnered with TGI Fridays, Del Taco and Carl's Jr, and Impossible Foods has partnered with White Castle, Burger King and Red Robin to name a few. As Impossible Foods prepares to enter grocery stores this year, Beyond Meat is already sold in grocery stores including Whole Foods, Target, Kroger, Tesco (UK), and A&W (Canada). These companies will undoubtedly compete head-to-head with food giants like Tyson and Kellogg.

### Economy

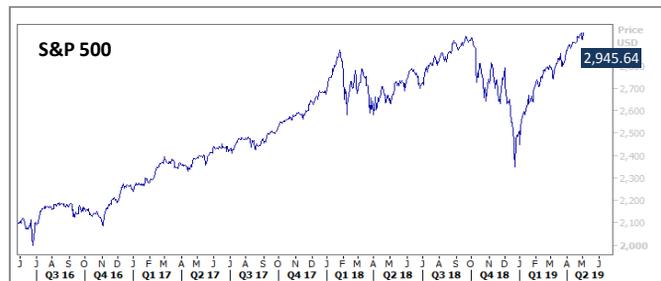
The most anticipated report this week was the nonfarm payroll report, which was released on Friday. This report showed payrolls increasing by 263,000 in April, which was above the consensus forecast of 185,000. The unemployment rate dropped to 3.6%, and the U-6 measure of unemployment held steady at 7.3%. Average hourly earnings increased by 0.2% and are now up 3.2% year-over-year. The labor force participation rate declined from 63.0% to 62.8%, as the household survey displayed a massive 490,000 fall in the labor force. Examining the different employment sectors, professional and business services added 76,000 jobs, education and health gained 62,000, and construction added 33,000. In other news this week, personal income increased by 0.1% in March while personal consumption advanced by 0.9%. Personal income has now increased by 3.8% over the past 12 months, and personal consumption by 4.4%. On Thursday, we were pleased to see productivity for nonfarm workers increase by 3.6% in the first quarter. From a year earlier productivity rose 2.4%, the strongest gain since the third quarter of 2010.

### Fixed Income/Credit Market

U.S. Treasury yields were mixed during the month of April decreasing 1.6 basis points (bps) at the 1-year tenor, while increasing as much as 11.4 bps at the 30-year tenor. Notably, the spread between 2-year and 10-year Treasury rates steepened 9.3 bps to close April at 23.6 bps. The MOVE Index (Merrill Option Volatility Estimate) which is a yield curve weighted index of implied volatility on 1-month Treasury options across the 2, 5, 10, and 30-year tenors decreased roughly 6.1% which is modest compared to its year-to-date figure of -29.8%. With that said, the aggregate performance across the sectors we follow ended April with a moderate total return of 25 bps. The top performing sectors were senior loans, 0 to 5-year high yield bonds, and preferred equity with total returns of 1.86%, 0.92%, and 0.69%, respectively. April's laggards were long-term bonds, International Treasury bonds (non-currency hedged) and mortgage-backed securities with total returns of -0.60%, -0.55%, and -0.10%, respectively.

### Equities

Over 75% of the S&P 500's constituents have reported first quarter earnings with 76% beating earnings expectations. Prior to earnings season, analysts expected earnings to decline roughly 2%, but according to Zacks, earnings are now projected to grow roughly 2%. Top line figures were weaker with only 58% beating estimates but growing by 4.9% year-over-year. All three of the major indices posted solid gains for the month of April and the S&P 500 reached an all-time high. Following a two-day Federal Reserve meeting on Wednesday, the market sold off on the Fed's Chief Jerome Powell's comments that the Fed will hold rates and it does not anticipate a rate cut in the near term. The market recovered the losses on Friday after a very strong jobs number. The best performing sectors for the week were Health Care and Financials gaining 1.5% and 1.4%, respectively. The worst performers were Energy and Communication Services down 5.2% and 2.1%, respectively.



### Our View

Federal Reserve Chairman Powell's comments at his press conference following the Fed's meeting on Wednesday dominated the headlines. The fed chair stated that transitory issues are playing a significant role in the decline in core inflation. The equity market reacted negatively, and rates rose as the Fed struggles with how to appropriately convey a very nuanced message that the direction of rates remains uncertain. The Fed's thinking remains at the forefront for investors and an important variable that can drive markets. But there is a growing and ongoing debate regarding the long-term relevance of central banks. The standard monetary tools used by central banks are interest rates and quantitative easing. With interest rates in many countries already near zero or at the lower bound, the potential stimulative impact of lowering interest rates is negligible. The balance sheets of central banks are bloated, and the efficacy of additional balance sheet expansion seems limited. Proponents of modern monetary theory (MMT) suggest governments should manage their economies through spending and taxes. If inflation remains subdued as it is today, countries can print money to finance infrastructure and public-works projects to stimulate their economies. MMT advocates suggest that governments can, and should, bypass the traditional debt-financed approach. During periods of recession, countries can print money and deliver cash directly to the public to support consumer spending (so-called helicopter money). We think this concept is remarkably risky. First, politicians would have the power to create and allocate money. Currently politicians are limited fiscally by the tolerance of the electorate to be taxed. The discipline imposed by the ballot box would largely be removed. Second, as the currency becomes worthless the overall economy would face the existential threat of runaway inflation. MMT would work for a while until a tipping point is reached.

| COMING UP NEXT WEEK |                      |       | Est.  |
|---------------------|----------------------|-------|-------|
| 05/07               | Consumer Credit      | (Mar) | \$17B |
| 05/09               | PPI Final Demand MM  | (Apr) | 0.2%  |
| 05/09               | PPI exFood/Energy YY | (Apr) | 2.5%  |
| 05/10               | Core CPI YY, NSA     | (Apr) | 2.1%  |
| 05/10               | CPI MM, SA           | (Apr) | 0.4%  |

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