**Economic & Market Recap**

**Peapack-Gladstone Bank, Peapack Private Wealth Management**
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### What Caught Our Eye This Week

Amidst a positive backdrop for the global equity markets this week, investors received information on Friday that U.S. manufacturing output fell 0.4% in February (relative to the previous month), declining for a second month and hitting its lowest level since July 2018. While January’s figure was largely tied to lower automobile production, February’s drop was broader-based, affecting the machinery, electronics, and apparel sectors. Barraging a large rebound in March, output will contract for the first quarter. Viewed in conjunction with the Empire State Manufacturing Index falling to a near-two-year low and 10-year U.S. Treasury yields falling to 2.59%, this statistic suggests that demand for manufacturing output continues to be weighed down by waning fiscal stimulus, ongoing trade policy uncertainty, and the effects of Fed tightening on interest-rate sensitive goods. It could be an indication of an economy that is losing momentum and may foreshadow a slowdown in economic growth later this year.

### Economy

The most anticipated report this week was the durable goods report, which was released on Wednesday. Overall new orders for durable goods increased by 0.4% in January, and are now up 8.4% year-over-year. Core capital goods orders and core capital goods shipments both advanced by 0.8%. Core capital goods orders are one of the best leading indicators for the U.S. economy, and core capital goods shipments are used by the government to calculate business investments for GDP purposes. In other news this week the consumer price index increased by 0.1% in February, which was very close to expectations. The closely followed “core” CPI advanced by 0.1% and is now up 2.1% year-over-year. Food prices increased by 0.4%, which was the largest monthly gain in almost five years. On Wednesday, the producer price index showed an increase of 0.1%, and is now up 1.9% year-over-year.

Ironically, this is the first increase in four months. Finally on Friday the JOLTS report (job openings and labor turnover survey) showed 7.6 million job openings in January.

### Fixed Income/Credit Market

The U.S. Treasury added $78 billion to its U.S. Treasury Note supply this week with mixed results. The $38B 3-year auction was fair with a bid-to-cover ratio of 2.56 times which was right in line with the previous six auction average. However, given the continued rally in U.S. Treasury yields, the 3-year auction yield stopped at 2.448% which is 31.9 basis points (bps) lower than the previous six auction average yield. The auction statistics show that the sale of $24B 10-year Notes was much stronger with a bid-to-cover ratio of 2.59 times which was higher than the previous six auction average of 2.5 times. The 10-year went off at 2.615%, 32.6 bps lower than the previous six auction average yield of 2.941%. The $16B 30-year auction was much softer with a bid-to-cover ratio of 2.25 times which was lower than its 2.33 average for the previous six auctions. However, the drop of 10.1 bps in yield to 3.014% versus the previous six auction average was significantly less than the move in 3Y and 10Y Notes.

### Equities

The U.S. broad market’s strong performance more than made up for last week’s five-day losing streak. Economic data showed muted inflation earlier this week that continues to support the accommodative Fed-led policy pivot that was confirmed this past weekend by Fed Chairman Jerome Powell on 60 Minutes. Thursday’s mixed performance was due to weaker housing data and uncertainty regarding a U.S.-China meeting that is expected to be delayed until at least April. Friday’s rally was driven by a report from Chinese state media claiming the two largest economies have made “concrete progress” regarding trade and positive economic data which reversed sentiment. Investors continue to watch the Brexit negotiations as uncertainty remains. All eleven sectors ended in positive territory for the week led by Information Technology and Real Estate increasing by 3.6% and 2.9%, respectively. Industrials sector was the worst performer increasing 0.3% for the week.

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**The Weekly**

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**COMING UP NEXT WEEK**

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<td>FOMC Meeting</td>
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<tr>
<td>03/19</td>
<td>Housing Starts</td>
<td>(Feb)1.25M</td>
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<td>03/21</td>
<td>Philly Fed Business Index</td>
<td>(Mar)4.5</td>
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<tr>
<td>03/22</td>
<td>Existing Home Sales</td>
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