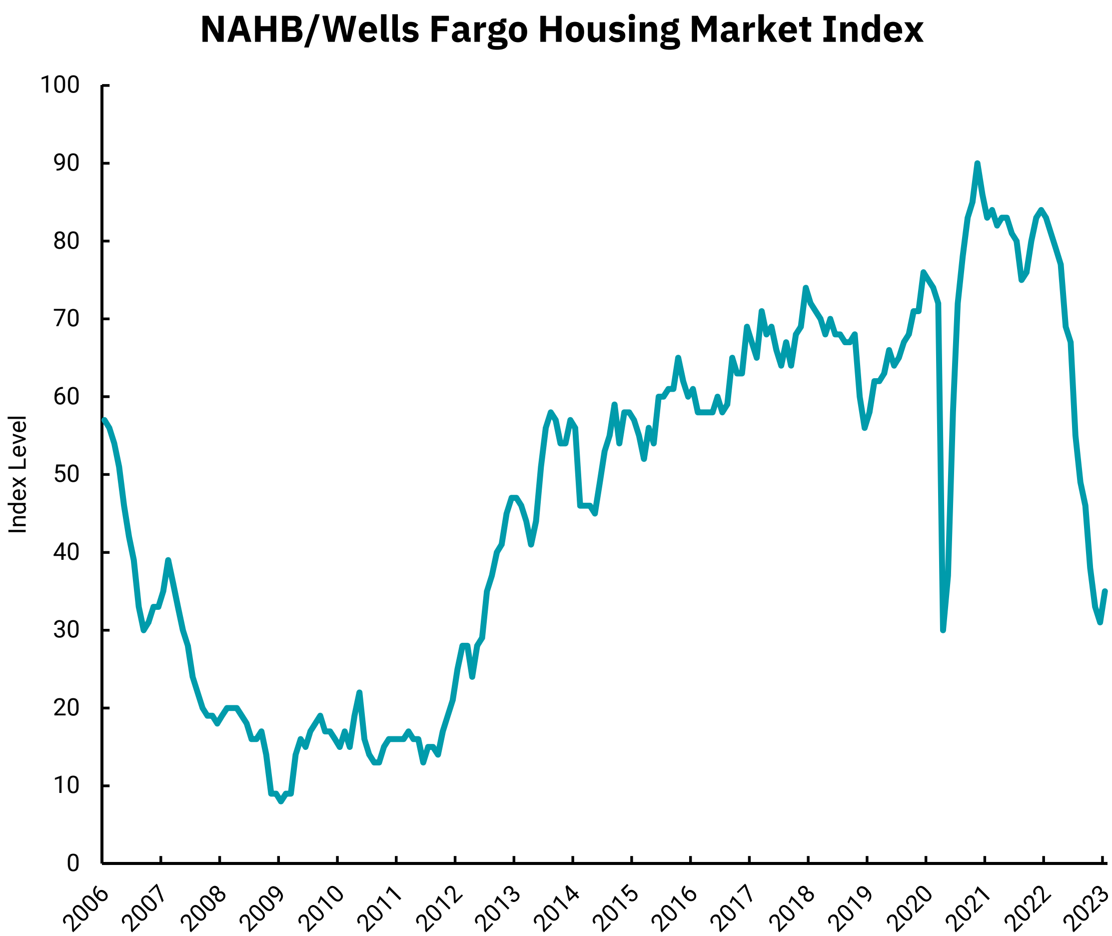
INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Chart of the week (Jan. 20, 2023)



Housing is a very interest-sensitive area of the U.S. economy. Lower home mortgage rates tend to make housing more affordable as lower debt service costs broaden the pool of potential home buyers. In reverse, higher interest rates increase debt costs and lessen the pool of potential home buyers.

As a result, it is not surprising to see various measures of the housing market show declines as the Federal Reserve continues raising interest rates to slow inflation. This week's chart is from the National Association of Home Builders and Wells Fargo, where home builders rate market conditions for new home buyers today and in six months, as well as rating the amount of prospective buyer foot traffic.

The combination of higher interest rates and home prices that increased dramatically after the onset of the pandemic has materially increased the mortgage payment for the average-priced house in the U.S. Since most buyers purchase homes based on the size of the mortgage payment their income can service, higher rates have the impact of lowering the price of a house the buyer can afford. The result is a dour mood amongst new home builders as construction costs have not come down as much as interest rates have risen.

Existing homes are seeing a similar impact reflected in overall reduced affordability measures. One could expect some price declines, with some markets more at risk than others, but the overall supply of homes is limited, which could limit the amount of downside to housing prices nationwide.

Housing is not the largest sector of our economy, but it is an important leading indicator of economic direction. Recently, longer-term rates have declined from recent highs, which could help the housing market in the short run and explain the slight rating rebound shown in the chart. However, home mortgage rates remain far above levels of only a year ago.

Source: Bloomberg

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Commentary (Jan. 20, 2023)

Domestic Equities

- U.S. stocks rose slightly for the week as earning reports showed mixed indications of recession, and the Federal Reserve message stood firm.
- With just over half of S&P 500 companies reporting, about 60% had earnings and sales ahead of expectations. This week investors focused on ominous parts of the reports, such as banks increasing reserves for potential loan losses and tech giants like Microsoft and Alphabet announcing substantial job cuts. Most of the high-growth tech, communications services, and consumer discretionary companies' reports are still to come.
- Fed officials noted this week that rates will have to remain restrictive "for some time" to ensure inflation comes back down to the 2% target. The Market expects the Fed to begin cutting rates as soon as it's done hiking to fight slowing growth, but officials continue to warn that is unrealistic.

Bonds

- U.S. Treasury yields initially fell on weaker economic data but moved higher into week's end following hawkish comments by some Federal Reserve officials and the European Central Bank pushing back against market bets that it would be slowing the pace of hikes.
- On Thursday, the U.S. Treasury hit its statutory debt limit of $31.4 trillion. Until the debt ceiling can be lifted, the Treasury has a number of options to continue funding the government, including paying down the Treasury General account, which currently stands at just over $300 billion.
- Following its Wednesday policy meeting, the Bank of Japan (BOJ) announced that it would maintain its ultra-low interest rate policy, including bond yield caps. The BOJ's decision to leave its policy tools unchanged caused the Japanese yen to weaken against the U.S. dollar and Japanese government bond yields to fall.

International Equities

- Global sentiment weakened this week as investor fears about a slowing global economy may have overshadowed optimism that central banks will slow policy rate hikes.
- Foreign developed markets waded through a sluggish week, with markets within the Pacific Rim modestly outperforming many markets across Europe. Investors worked to digest the Japanese inflation data showing the country's core consumer prices rose by an annual 4% rate in Dec., the fastest inflation rate since 1981.
- Following two weeks of strong gains, emerging markets delivered mixed performance this week with gains seen across Asian markets and more muted returns across Latin American markets. China's economy grew at 3% in 2022, exceeding expectations, but was the second slowest rate of growth since 1976.

Economics

- The Bureau of Labor Statistics reported the Producer Price Index rose 6.20% over the prior 12 months. However, in Dec. the index fell 0.50% due to declining prices for final demand goods, mostly energy.
- The Census Bureau reported seasonally adjusted monthly retail sales declined 1.10% to $677.1 billion in Dec. The monthly decline was broad-based, as declines were present in most underlying categories. Despite the monthly decline, retail sales are 6% higher than Dec. 2021.
- Initial claims for unemployment declined to 205k, a decline of 15k for the week ending Jan. 14. Continuing claims were 1.6 million, an increase of 17k for the week ending Jan. 7.
- The first estimate of fourth-quarter GDP will be released on Thursday. Consumer spending and personal income will be released on Friday.

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Weekly Market Update

For Week Ending January 20, 2023

Markets

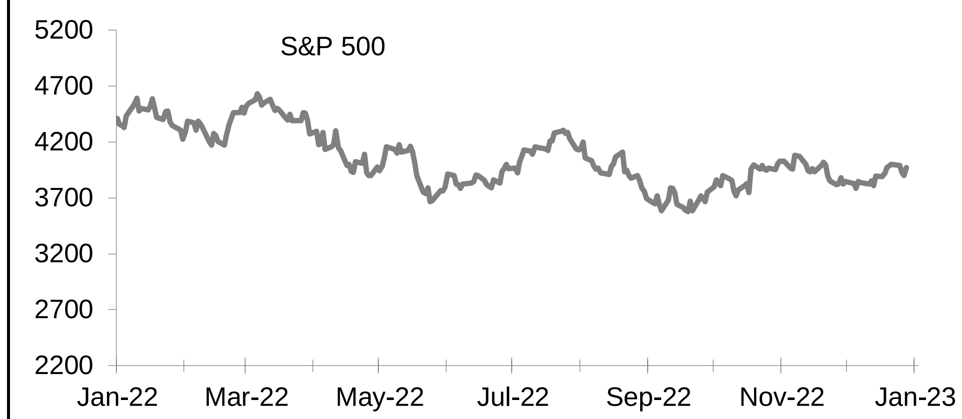
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,375.49	-2.7%	0.8%	-1.8%
S&P 500 Index	3,972.61	-0.6%	3.5%	-9.9%
NASDAQ	11,140.43	0.6%	6.5%	-20.6%
S&P 400 Midcap Index	2,558.46	-0.9%	5.3%	-1.5%
S&P 600 Smallcap Index	1,223.39	-1.2%	5.8%	-4.4%
MSCI EAFE	7,047.72	0.0%	7.1%	-7.8%
MSCI Emerging Markets	526.83	0.6%	8.4%	-15.0%
Bloomberg US Agg	2,107.98	0.1%	2.9%	-8.6%
Bloomberg Municipal 5 Yr	477.74	0.4%	1.9%	-2.2%
Bloomberg US Corporate	3,072.80	0.1%	3.5%	-10.3%
Bloomberg Glb Agg ex US Hdg	532.14	0.4%	2.0%	-7.2%
Bloomberg High Yield	2,262.87	-0.3%	3.5%	-6.9%
MSCI US REIT Index	2,029.48	0.1%	6.0%	-14.4%
Bloomberg Commodity Index	245.06	0.6%	-0.3%	8.5%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	0.25%
3-Month Treasury	4.63%	4.57%	4.34%	0.16%
1-Year Treasury	4.65%	4.66%	4.69%	0.54%
2-Year Treasury	4.17%	4.23%	4.43%	1.02%
5-Year Treasury	3.56%	3.61%	4.00%	1.59%
7-Year Treasury	3.51%	3.56%	3.97%	1.75%
10-Year Treasury	3.48%	3.50%	3.87%	1.80%
30-Year Treasury	3.65%	3.61%	3.96%	2.12%
Consumer Rates				
30-Year Mortgage	6.47%	6.40%	6.66%	3.67%
Prime Rate	8.25%	7.75%	4.00%	4.00%
3-Month LIBOR	4.82%	4.79%	4.77%	0.26%
Commodities				
Gold	1,926.08	1,920.23	1,824.02	1,839.29
Crude Oil (WTI)	81.64	80.11	80.26	75.95
Gasoline	3.42	3.37	3.20	3.40
Natural Gas	3.17	3.42	4.48	4.08
Copper	4.25	4.22	3.81	4.52

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.25	19.75	4.45	2.24
S&P 500	17.76	19.26	3.97	1.74
S&P 500 Value	16.68	18.72	2.75	2.11
S&P 500 Growth	18.89	19.80	6.78	1.40
NASDAQ	16.57	16.44	3.79	2.17
S&P Midcap 400	14.51	14.96	2.34	1.71
S&P Smallcap 600	14.09	15.05	1.85	1.51
MSCI EAFE	12.82	14.59	1.80	3.38
MSCI Emerging Markets	12.41	11.50	1.63	3.00

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	5.55	4.07	2.73
Mid	9.01	6.71	4.49
Small	8.70	6.57	4.63

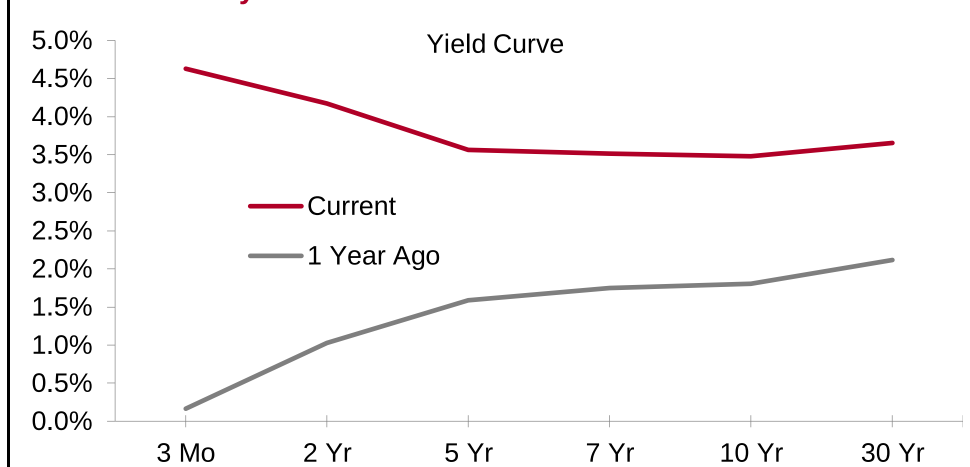
> 10% · 0% - 10% · <0%

Year to Date*

	Value	Core	Growth
Large	4.15	3.55	2.99
Mid	7.00	5.33	3.71
Small	7.31	5.76	4.30

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.54	1.12	2.66
Corp	0.76	3.06	4.10
HY	1.73	2.70	3.46

> 10% · 0% - 10% · <0%

Year to Date*

	Short	Interm.	Long
Govt	0.70	1.60	5.62
Corp	0.81	3.77	6.05
HY	2.06	3.47	4.65

*Bloomberg Barclays Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	6.5%	7.0%
CPI Core Inflation	5.7%	5.5%
Personal Consumption Exp (PCE) Core	4.7%	4.8%
Jobs		
Unemployment Rate (U3)	3.5%	3.9%
Broader Unemployment Rate (U6)	6.5%	7.3%
JOLT Survey (in millions)	10.46	10.92
Jobless Claims (000's)	190	240
Change in Non-Farm Payroll (000's)	223	588
Average Hourly Earnings (Y/Y % Change)	4.6%	4.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	108.3	115.2
Consumer Spending ($ Bil)	17,828	16,558
Consumer Credit ($ Bil)	4,757	4,408
Retail Sales ($ Bil)	677	639
Housing		
Housing Starts (000's)	1,382	1,768
Case-Shiller Home Price Index	298.99	273.69
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	20,055	19,673
Quarter over Quarter Change	3.2%	2.7%
Year Over Year Change	1.9%	5.0%
ISM Manufacturing	48.40	58.80
Capacity Utilization	78.75	78.74
Markit US Composite PMI	45.00	57.00
U.S. General		
Leading Economic Indicators	113.5	118.8
Trade Weighted Dollar Index	119.5	114.2
EUR / USD	1.09	1.13
JPY / USD	129.60	114.11
CAD / USD	0.75	0.80
AUD / USD	0.70	0.72

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	12.52%	11.39%
Consumer Discretionary	6.95%	7.60%
Materials	6.08%	6.60%
Real Estate	7.24%	6.21%
Information Technology	4.58%	5.57%
Energy	6.92%	3.45%
Financials	5.46%	3.31%
Industrials	1.81%	0.81%
Health Care	-0.34%	-1.38%
Utilities	-0.62%	-1.81%
Consumer Staples	-2.19%	-2.50%

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