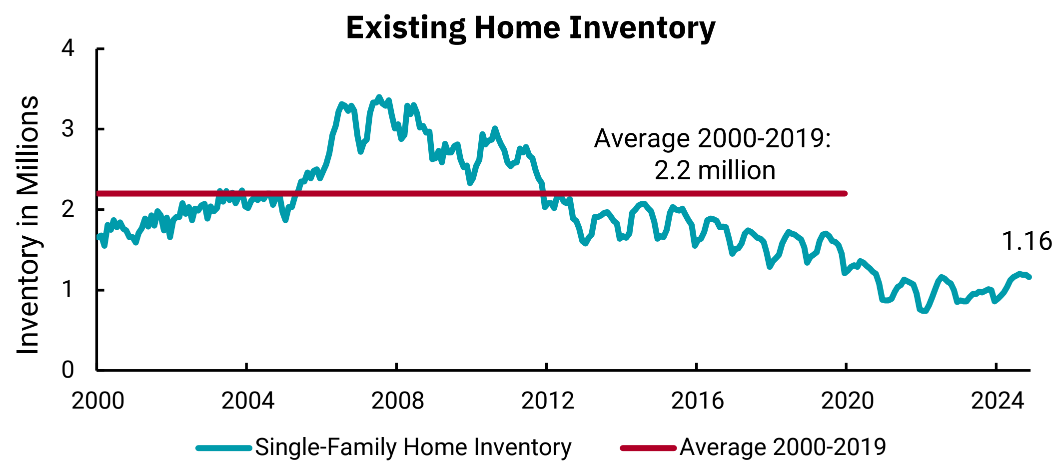
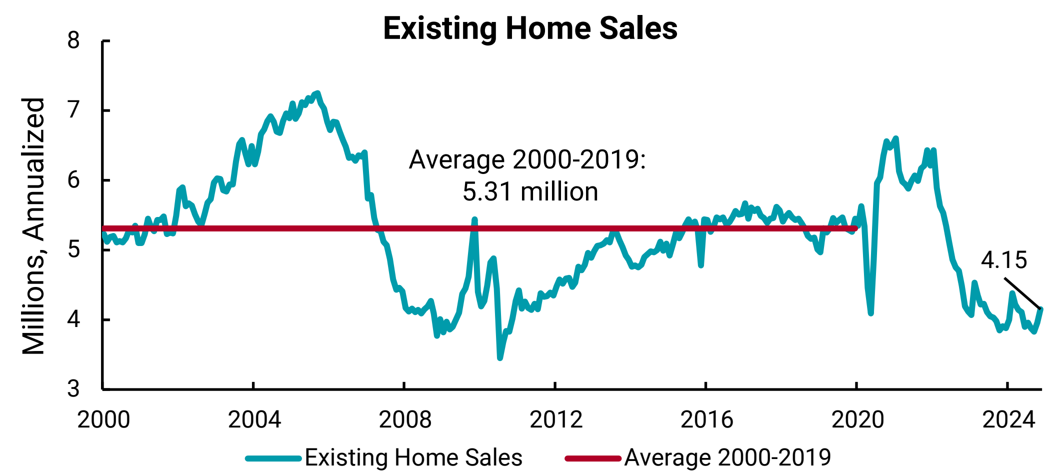
INVESTMENT MANAGEMENT

# Weekly market update

## Chart of the week (Jan. 24, 2025)




The new administration has been very busy making changes to existing policies and implementing new ones. However, one area of the economy—and a huge part of most lives, housing—has not been the subject of any recent news. It may be that the reason for this is the complexity of the problem.

The new housing market is closer to "normal" when looking at historical data, although years of underinvestment have left us millions of units short on the overall supply of single-family homes. Some period of "overbuilding" by historical standards is probably needed to help close the gap. However, high building costs, leading to high selling prices, along with mortgage rates near 7%, have resulted in home affordability measures near record lows. In addition, a regulatory environment filled with red tape and hoops through which to jump means that the idea of building affordable homes is just not profitable enough for many builders. This results in new homes being built that tend to be on the higher side of the price spectrum.

Our charts this week look at the other part of the housing market, existing homes. This is a much larger part of the housing market, yet we see sales and supply are severely limited. Much of this limited supply is based upon the lack of incentive for existing homeowners to sell unless they absolutely have to. Why? Over 50% of existing 30-year mortgages are at rates of 3.5% or below. Around 95% of all Americans with a mortgage are paying rates below prevailing market rates. And roughly 40% of all homes in the U.S. have no mortgage. The net effect of all this is that selling a home today means giving up a mortgage rate much lower than what is available for a new home purchase.

I would put myself personally in this position. My children are now grown, and a review of the utilitarian aspect of housing would indicate we have too much house. Downsizing would make a lot of sense, yet the mortgage I got during the pandemic means my monthly housing expense is far lower than I would be looking at, even with a smaller house and a smaller mortgage. So no, my house is not for sale. Millions of homeowners are in similar positions, so it seems difficult to see the inventory of existing homes for sale increasing anytime soon.

Since this issue is not one of demand, policies that might have made sense in the past, like down payment assistance, additional tax credits for first-time home buyers or even rate paydowns, do nothing but increase demand in a supply-constrained environment. In this scenario, affordability can get even worse as prices move up faster. Solving the supply side of things is not easy either. Affordable housing is a popular concept, but existing homeowners are loathe to see affordable options built within their comp sale area. Lessened regulation could help, but finding locations where land is affordable is difficult, and overall building costs, especially labor, remain costly. Multi-family has filled some of the gap, but single-family home ownership remains elusive for many.

Source: National Association of Realtors.

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BOK FINANCIAL

## Commentary (Jan. 24, 2025)

### Domestic Equities

- U.S. stocks had a strong week, with the S&P 500 index hitting a new record high on Thursday. Investors are hopeful that President Trump's policies will be positive for businesses. A strong start to the earnings season is also driving optimism.
- Since being sworn in on January 20, President Trump has reiterated plans to cut corporate taxes and regulations. He also eased worries on tariffs, suggesting they will not be immediate.
- Most of the earnings reports so far have been from financials, and they have been strong, with over 80% exceeding expectations. Credit card companies have benefited from strong holiday spending, and banks are seeing increased profits from investment banking and other fee-based businesses. Even Travelers' Insurance reported strong profits and a confident outlook for 2025 despite expected losses from the wildfires in Los Angeles.

### Bonds

- U.S. Treasuries were mixed for the week as investors continued to digest the new Trump administration's policy proposals.
- The broad investment grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, eked out a slight gain for the week, with the index benefitting most from strength across the corporate bond market.
- The Bank of Japan (BOJ) hiked the overnight rate from 0.25% to 0.50%, which was in line with market expectations. The central bank signaled that it will continue to hike borrowing costs if its forecasts materialize. By the end of the week, markets were pricing in an overnight rate of 0.80% by year-end 2025.
- Global bonds outperformed domestic markets, with a weaker U.S. dollar driving returns for local currency-denominated foreign bonds.

### International Equities

- Global stock markets traded higher during the week as investors digested the information that the new U.S. administration may take a more measured and strategic approach to potential trade policy changes.
- Across developed markets, stocks in Japan and Europe advanced, leading to gains for the MSCI EAFE Index. The Bank of Japan hiked its short-term rate target by 0.25% to 0.5%, bringing its policy rate to the highest level since 2008, as it seeks to normalize its monetary policy amid signs of sustained inflation and rising wages.
- Emerging markets rallied for the second consecutive week as markets across Asia and Latin America appreciated. In economic news, South Korea's gross domestic product (GDP) grew by 0.1% during the fourth quarter and 2% for 2024. The anemic quarterly growth figure points to a weakened economy amid heightened political instability, with prospective tariffs clouding the outlook for the country's exports, a key growth engine.

### Economics

- Weekly jobless claims came in at 223,000, slightly higher than the consensus estimate of 218,000. Some economists estimate that the increase was driven by the wildfires in Los Angeles and freezing temperatures through much of the South. While there are pockets of weakness within the labor market, many economists anticipate this report was strong enough to hold off a rate cut at the January Federal Open Market Committee meeting.
- Existing home sales for 2024 showed the lowest level since 1995. High mortgage rates and high home values have impacted the rate of home sales. Additional home ownership expenses from insurance and property taxes are also a headwind to home sales. Costs related to "shelter" have been one of the stickier components of recent CPI reports.
- On Wednesday, the Federal Reserve will release its decision on interest rates. Many economists anticipate the Fed will keep the rate steady.

# Weekly Market Update

## For Week Ending January 24, 2025

### Markets

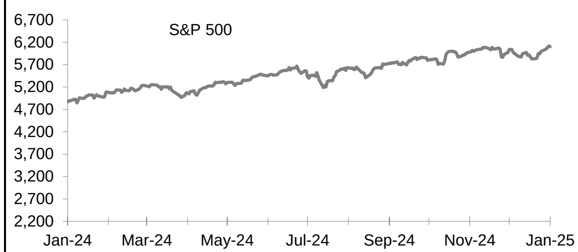
| | Last Price | Change From Prior Week | Change From Year End | Change From Year Ago |
|---|---|---|---|---|
| **Capital Markets** | | | | |
| Dow Jones Industrial Avg | 44,424.25 | 2.2% | 4.5% | 19.7% |
| S&P 500 Index | 6,101.24 | 1.8% | 3.8% | 27.0% |
| NASDAQ Composite | 19,954.30 | 1.7% | 3.3% | 29.8% |
| S&P 400 Midcap Index | 3,275.64 | 1.1% | 5.0% | 21.2% |
| S&P 600 Smallcap Index | 1,455.30 | 0.9% | 3.4% | 15.8% |
| MSCI EAFE | 8,438.49 | 3.2% | 4.4% | 9.3% |
| MSCI Emerging Markets | 582.30 | 1.9% | 1.5% | 13.6% |
| Bloomberg US Agg | 2,191.01 | 0.1% | 0.1% | 3.0% |
| Bloomberg Municipal 5 Yr | 495.92 | 0.3% | 0.3% | 2.3% |
| Bloomberg US Corporate | 3,296.42 | 0.3% | 0.2% | 3.8% |
| Bloomberg Glb Agg ex US Hdg | 591.21 | 0.0% | -0.3% | 5.7% |
| Bloomberg High Yield | 2,714.38 | 0.3% | 1.2% | 9.9% |
| MSCI US REIT Index | 2,345.93 | 1.6% | 1.5% | 13.5% |
| Bloomberg Commodity Index | 250.60 | -0.2% | 5.0% | 10.4% |

| | Last Price/Yield | Prior Week | Year End | Year Ago |
|---|---|---|---|---|
| **Key Rates** | | | | |
| Fed Funds Target | 4.50% | 4.50% | 4.50% | 5.50% |
| 3-Month Treasury | 4.30% | 4.30% | 4.31% | 5.36% |
| 1-Year Treasury | 4.16% | 4.20% | 4.14% | 4.81% |
| 2-Year Treasury | 4.27% | 4.28% | 4.24% | 4.38% |
| 5-Year Treasury | 4.43% | 4.43% | 4.38% | 4.09% |
| 7-Year Treasury | 4.53% | 4.53% | 4.48% | 4.14% |
| 10-Year Treasury | 4.62% | 4.63% | 4.57% | 4.18% |
| 30-Year Treasury | 4.85% | 4.86% | 4.78% | 4.41% |
| **Consumer Rates** | | | | |
| 30-Year Mortgage | 7.02% | 7.10% | 7.28% | 5.83% |
| Prime Rate | 8.25% | 8.25% | 8.25% | 9.25% |
| SOFR | 4.34% | 4.29% | 4.49% | 5.31% |
| **Commodities** | | | | |
| Gold (spot) | 2,770.58 | 2,703.25 | 2,624.50 | 2,013.89 |
| Crude Oil WTI | 74.66 | 77.88 | 71.72 | 75.09 |
| Gasoline | 3.13 | 3.12 | 3.06 | 3.10 |
| Natural Gas | 4.03 | 3.95 | 3.63 | 2.64 |
| Copper | 4.32 | 4.37 | 4.03 | 3.89 |

| | P/E Forward | P/E Trailing | Price to Book | Current Div Yield |
|---|---|---|---|---|
| **Index Characteristics** | | | | |
| Dow Jones Industrial Avg | 20.48 | 22.72 | 5.40 | 1.62 |
| S&P 500 | 22.25 | 25.62 | 5.30 | 1.29 |
| S&P 500 Value | 18.24 | 18.42 | 2.89 | 2.02 |
| S&P 500 Growth | 28.01 | 35.19 | 12.36 | 0.63 |
| NASDAQ | 28.21 | 37.84 | 7.34 | 0.66 |
| S&P Midcap 400 | 16.94 | 18.30 | 2.69 | 1.64 |
| S&P Smallcap 600 | 16.47 | 17.97 | 1.96 | 2.27 |
| MSCI EAFE | 14.55 | 14.17 | 1.82 | 3.11 |
| MSCI Emerging Markets | 11.85 | 13.58 | 1.70 | 2.80 |

Source: Bloomberg

### Equity Style




**1 Month***

| | Value | Core | Growth |
|---|---|---|---|
| Large | 1.25 | 1.10 | 0.99 |
| Mid | 3.66 | 3.84 | 4.01 |
| Small | 1.89 | 2.03 | 2.17 |

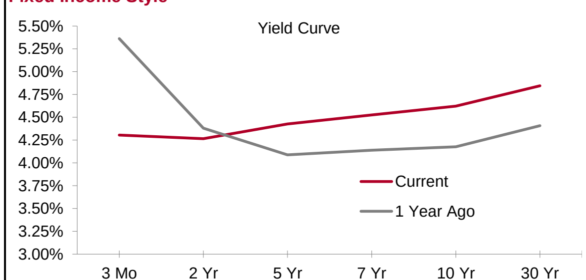
**Year to Date***

| | Value | Core | Growth |
|---|---|---|---|
| Large | 2.81 | 3.80 | 4.73 |
| Mid | 4.32 | 5.01 | 5.67 |
| Small | 2.75 | 3.40 | 4.02 |

> 10% | 0% - 10% | <0%

*S&P Indices

### Fixed Income Style




**1 Month***

| | Short | Interm. | Long |
|---|---|---|---|
| Govt | 0.48 | 0.44 | -0.52 |
| Corp | 0.52 | 0.42 | -0.16 |
| HY | 1.22 | 1.32 | 1.58 |
| | 1-3 Yrs | 1-10 Yrs | +10 Yrs |

**Year to Date***

| | Short | Interm. | Long |
|---|---|---|---|
| Govt | 0.25 | 0.18 | -0.43 |
| Corp | 0.33 | 0.26 | 0.11 |
| HY | 1.07 | 1.16 | 1.47 |
| | 1-3 Yrs | 1-10 Yrs | +10 Yrs |

> 10% | 0% - 10% | <0%

### Economic Data

| | Last Release | Year Ago |
|---|---|---|
| **Inflation** | | |
| CPI Headline Inflation | 2.9% | 3.4% |
| CPI Core Inflation | 3.2% | 3.9% |
| Personal Consumption Exp (PCE) Core | 2.8% | 3.2% |
| **Jobs** | | |
| Unemployment Rate (U3) | 4.1% | 3.8% |
| Broader Unemployment Rate (U6) | 7.5% | 7.2% |
| JOLT Survey (in millions) | 8.10 | 8.93 |
| Jobless Claims (000's) | 223 | 221 |
| Change in Non-Farm Payroll (000's) | 256 | 290 |
| Average Hourly Earnings (Y/Y % Change) | 3.9% | 4.3% |
| **Consumer & Spending** | | |
| Consumer Confidence (Conf Board) | 104.7 | 108.0 |
| Consumer Spending ($ Bil) | 20,195 | 19,151 |
| Consumer Credit ($ Bil) | 5,102 | 5,017 |
| Retail Sales ($ Bil) | 729 | 702 |
| **Housing** | | |
| Housing Starts (000's) | 1,499 | 1,568 |
| Case-Shiller Home Price Index | 324.22 | 312.96 |
| **U.S. Productivity** | | |
| Real Gross Domestic Product ($ Bil) | 23,400 | 22,781 |
| Quarter over Quarter Change | 3.1% | 4.4% |
| Year Over Year Change | 2.7% | 3.2% |
| ISM Manufacturing | 49.30 | 47.10 |
| Capacity Utilization | 77.63 | 78.14 |
| Markit US Composite PMI | 52.40 | 52.00 |
| **U.S. General** | | |
| Leading Economic Indicators | 101.6 | 104.7 |
| Trade Weighted Dollar Index | 129.7 | 121.4 |
| EUR / USD | 1.05 | 1.09 |
| JPY / USD | 156.00 | 147.51 |
| CAD / USD | 0.70 | 0.74 |
| AUD / USD | 0.63 | 0.66 |

### S&P 500 Sector Returns

| | 1 Month | YTD |
|---|---|---|
| Industrials | 5.12% | 7.07% |
| Communication Services | 2.97% | 6.28% |
| Energy | 7.28% | 6.05% |
| Materials | 4.01% | 5.82% |
| Financials | 3.76% | 5.24% |
| Utilities | 3.95% | 5.06% |
| Health Care | 3.60% | 4.96% |
| Consumer Discretionary | -1.65% | 3.54% |
| Real Estate | 1.78% | 2.16% |
| Information Technology | -1.85% | 1.72% |
| Consumer Staples | -1.35% | 0.10% |

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