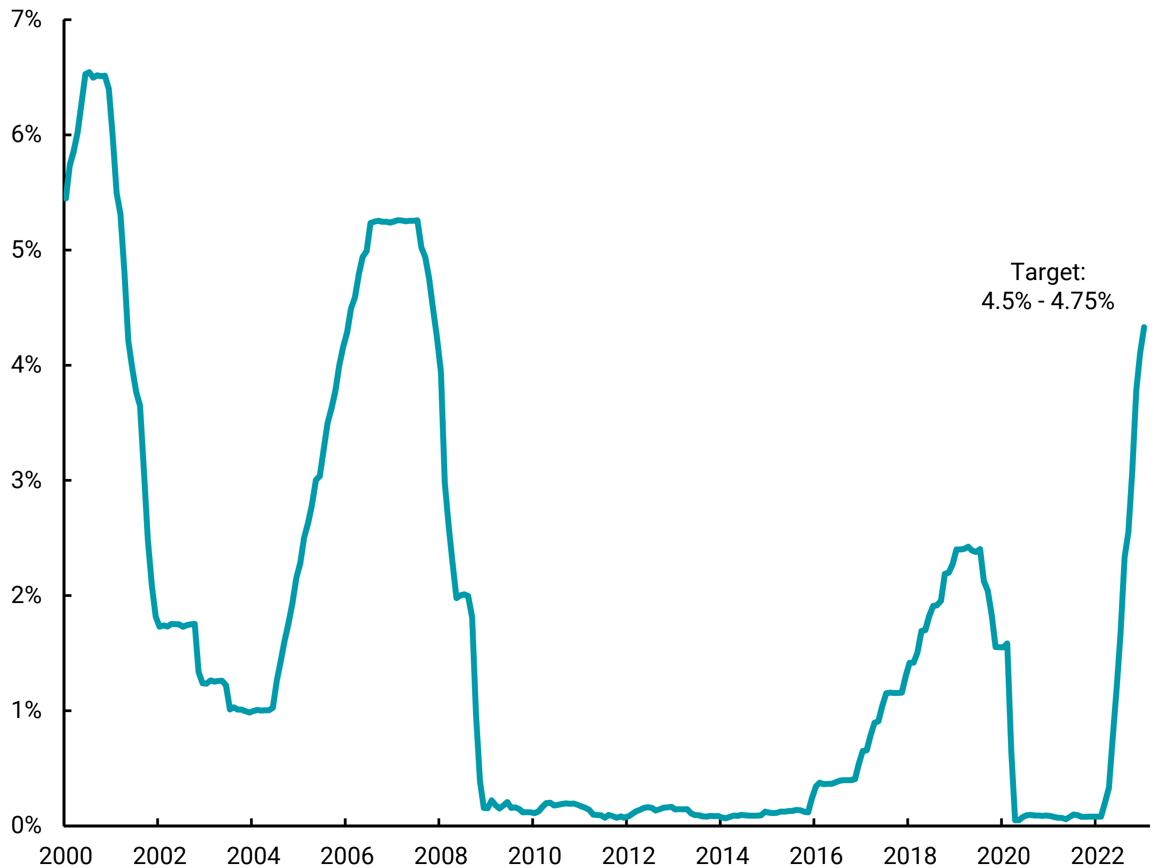
Weekly market update

Chart of the week (Feb. 03, 2023)

Federal Funds Effective Rate



The Federal Reserve's dramatic shift in monetary policy has been a regular topic of discussion. On Feb. 1, the Fed announced its most recent action on interest rates, raising the target for overnight fed funds to 4.50-4.75%. As a result of this action, we have seen most commercial banks raise their prime borrowing rate and consumer debt tied to short-term interest rates, such as credit cards, has also increased. As the chart shows, the Fed's moves have been rapid, meaning the cost of variable-rate debt has increased just as rapidly.

Not every interest rate, however, is directly tied to the Fed's overnight rate, and we have seen some rates, such as home mortgage rates, fall over the past few weeks. These rates are still well above levels we saw a year ago but significantly less than they were 60 days ago. This means that while the Fed can control the price of money in some markets, it does not control the price of money everywhere.

It's also important to note that while the Fed's rate increases have raised debt costs for many borrowers, the same actions have been a windfall for savers. After years of earning virtually nothing on short-term investments and overnight deposits, savers can now attain much higher rates on CDs, Treasury Bills, notes, and other short-term investments.

Looking forward, Federal Reserve Chairman – Jay Powell – indicated after the Feb. 1 meeting that more rate increases may be needed, and the forecast was for rates to remain high for the remainder of this year. We have seen the Fed slow their rate of increases from 0.75% to 0.50% to only 0.25% at this meeting, and expectations should be for one or two additional 0.25% increases. At that point, short-term rates would be at 5-5.25% and should allow the Fed to pause on rate increases and let the economy and inflation sort things out. We have seen signs of inflation declining, which is good, but the absolute rate of inflation remains well above the Fed's 2% target.

There are risks to the Fed's outlook, but the most recent data on the U.S. job market indicates the economy is still growing and jobs remain plentiful.

Source: Federal Reserve Bank of St. Louis

INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Commentary (Feb. 03, 2023)

Domestic Equities

- The S&P 500 Index was up 6.28% in Jan., the best start to the year since 2019. The tech-heavy NASDAQ Index was up 10.72%. Consumer discretionary and communication services were the best performing sectors for the month, as many high-growth names recovered in the hopes of a slowdown in interest rate hikes.
- Almost half of S&P 500 companies have reported earnings this season. Most companies have beat expectations, but the reports show evidence of slowing demand. Apple, Amazon and Alphabet reported this week and all noted slowing consumer demand.
- The U.S. economy has been in a “Goldilocks” scenario to start the year with signs of cooling inflation but also resiliency in employment and corporate earnings. The Fed delivered only a 0.25% hike to rates this week, and stocks continued to rise in the first couple days of Feb.

Bonds

- U.S. Treasury yields (3M-30Yr) initially moved lower as a series of central bank announcements signaled that the cycle of interest rate hikes may be nearing an end. However, U.S. Treasuries gave up most of their gains on Friday following a stronger-than-expected employment report.
- Mortgage rates continued to move lower, with the average rate on a 30-year fixed-rate mortgage closely slightly above 6%. Declining interest rate volatility and narrowing spreads have contributed to strong returns across the mortgage complex in 2023, with Bloomberg’s fixed rate MBS index having its best Jan. in 30 years.
- In international markets, the Bank of England and European Central Bank both hiked policy rates by 0.50%. Additionally, both central banks signaled the need for additional rate hikes but adopted a less hawkish tone in their outlook compared to statements made in Dec.

International Equities

- Global investors digested mixed news this week as the International Monetary Fund hiked its global growth projection to 2.90% for 2023, but central banks in the U.S., Europe and the U.K. all raised interest rates to fresh multi-year highs, which could stay at restrictive levels for a long time.
- Foreign developed market stocks rose this week with European markets delivering the highest returns. European investors received positive news that the eurozone economy grew at a 3.50% rate for 2022 as the region’s annual rate of inflation fell for the third-straight month in Jan.
- Emerging markets snapped its five-week winning streak as markets across Asia, Latin America and Eastern Europe faltered. Concerns over future economic growth diminished investor sentiment, but emerging market technology stocks were a bright spot and delivered strong gains, which propelled the tech-heavy Taiwanese stock market higher.

Economics

- The Bureau of Labor Statistics (BLS) reported that total non-farm payroll employment increased by 517k in Jan., well above expectations and the highest monthly increase since July 2022. Total employed persons reached a new series high of 155 million. Job growth was widespread across industries, with leisure and hospitality showing the largest increase rising 128k in the month. The unemployment rate slightly declined to 3.4%.
- The Job Openings and Labor Turnover Summary (JOLTS) indicated the number of job openings increased by 570k to 11 million in Dec.
- The BLS reported fourth quarter labor productivity increased 3%. Despite the fourth quarter increase, annual productivity decreased by 1.30% from 2021 to 2022, the largest annual decline since 1974.
- Weekly initial claims for unemployment insurance declined to 183k, the lowest level since Apr. 23, 2022.

BOK FINANCIAL

Weekly Market Update

For Week Ending February 03, 2023

Markets

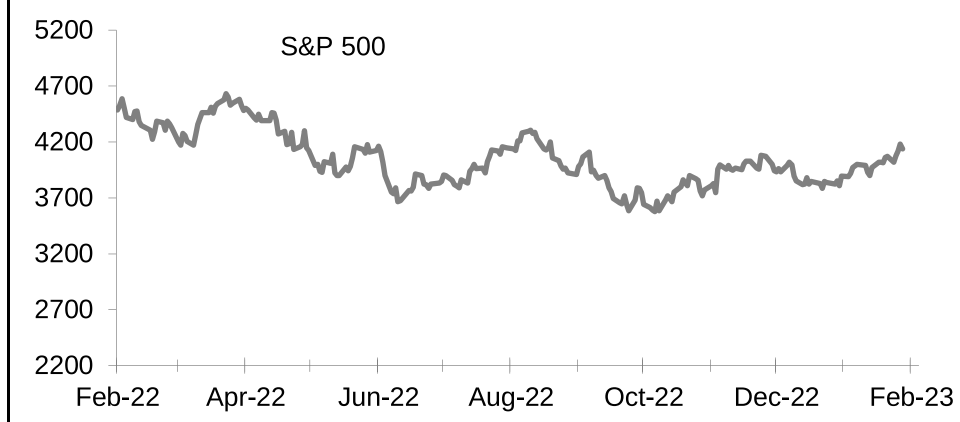
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,926.01	-0.2%	2.4%	-1.3%
S&P 500 Index	4,136.48	1.6%	7.9%	-6.1%
NASDAQ	12,006.96	3.3%	14.8%	-12.7%
S&P 400 Midcap Index	2,707.47	3.4%	11.5%	5.1%
S&P 600 Smallcap Index	1,310.80	5.0%	13.4%	3.8%
MSCI EAFE	7,179.36	0.5%	9.1%	-3.7%
MSCI Emerging Markets	528.12	-1.2%	8.7%	-11.7%
Bloomberg US Agg	2,110.65	0.0%	3.0%	-8.2%
Bloomberg Municipal 5 Yr	478.52	0.1%	2.1%	-1.0%
Bloomberg US Corporate	3,089.43	0.3%	4.1%	-9.0%
Bloomberg Glb Agg ex US Hdg	534.04	0.6%	2.4%	-6.1%
Bloomberg High Yield	2,294.34	1.0%	5.0%	-4.4%
MSCI US REIT Index	2,139.74	1.7%	11.8%	-10.0%
Bloomberg Commodity Index	234.43	-4.0%	-4.7%	0.4%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.75%	4.50%	4.50%	0.25%
3-Month Treasury	4.64%	4.66%	4.34%	0.19%
1-Year Treasury	4.73%	4.64%	4.69%	0.75%
2-Year Treasury	4.29%	4.20%	4.43%	1.20%
5-Year Treasury	3.66%	3.61%	4.00%	1.67%
7-Year Treasury	3.59%	3.56%	3.97%	1.80%
10-Year Treasury	3.52%	3.50%	3.87%	1.83%
30-Year Treasury	3.61%	3.62%	3.96%	2.15%
Consumer Rates				
30-Year Mortgage	6.46%	6.44%	6.66%	3.84%
Prime Rate	8.50%	8.25%	8.25%	4.00%
3-Month LIBOR	4.83%	4.83%	4.77%	0.32%
Commodities				
Gold	1,864.97	1,928.04	1,824.02	1,804.85
Crude Oil (WTI)	73.39	79.68	80.26	77.74
Gasoline	3.59	3.52	3.20	3.46
Natural Gas	2.41	2.85	4.48	4.47
Copper	4.06	4.22	3.81	4.41

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.84	19.22	4.57	2.19
S&P 500	18.66	18.52	4.21	1.61
S&P 500 Value	17.52	16.68	3.14	1.91
S&P 500 Growth	19.87	21.43	7.10	1.32
NASDAQ	17.27	15.76	3.98	2.08
S&P Midcap 400	15.56	4.67	2.54	1.95
S&P Smallcap 600	15.11	13.55	1.99	1.55
MSCI EAFE	13.06	14.65	1.76	3.17
MSCI Emerging Markets	12.61	11.13	1.58	3.60

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	7.90	8.28	8.64
Mid	14.33	12.03	9.79
Small	15.87	13.55	11.39

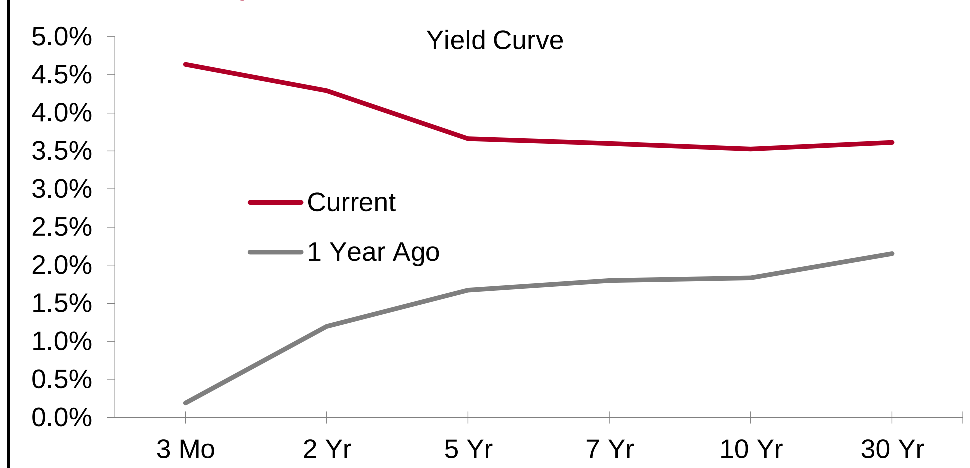
> 10% / 0% - 10% / <0%

Year to Date*

	Value	Core	Growth
Large	8.43	7.86	7.33
Mid	14.19	11.52	8.92
Small	15.97	13.36	10.94

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.52	1.20	5.05
Corp	0.88	4.03	6.37
HY	2.87	4.36	5.92

> 10% / 0% - 10% / <0%

Year to Date*

	Short	Interm.	Long
Govt	0.58	1.36	6.21
Corp	0.94	4.38	7.12
HY	3.17	4.89	6.58

*Bloomberg 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	4.4%	5.0%
Jobs		
Unemployment Rate (U3)	3.4%	4.0%
Broader Unemployment Rate (U6)	6.6%	7.1%
JOLT Survey (in millions)	11.01	11.45
Jobless Claims (000's)	183	214
Change in Non-Farm Payroll (000's)	517	364
Average Hourly Earnings (Y/Y % Change)	4.4%	5.7%
Consumer & Spending		
Consumer Confidence (Conf Board)	107.1	111.1
Consumer Spending ($ Bil)	17,737	16,522
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	297.29	276.07
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	20,198	20,006
Quarter over Quarter Change	2.9%	7.0%
Year Over Year Change	1.0%	5.7%
ISM Manufacturing	47.40	57.60
Capacity Utilization	78.75	78.74
Markit US Composite PMI	46.80	51.10
U.S. General		
Leading Economic Indicators	110.7	117.8
Trade Weighted Dollar Index	119.2	116.0
EUR / USD	1.08	1.14
JPY / USD	131.19	114.97
CAD / USD	0.75	0.79
AUD / USD	0.69	0.71

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	19.39%	21.11%
Consumer Discretionary	17.75%	17.06%
Information Technology	15.16%	14.00%
Real Estate	10.51%	10.86%
Materials	7.51%	7.39%
Financials	6.57%	6.97%
Industrials	4.51%	4.72%
Consumer Staples	-1.22%	-1.45%
Energy	1.80%	-1.89%
Health Care	-2.03%	-2.32%
Utilities	-3.71%	-3.71%