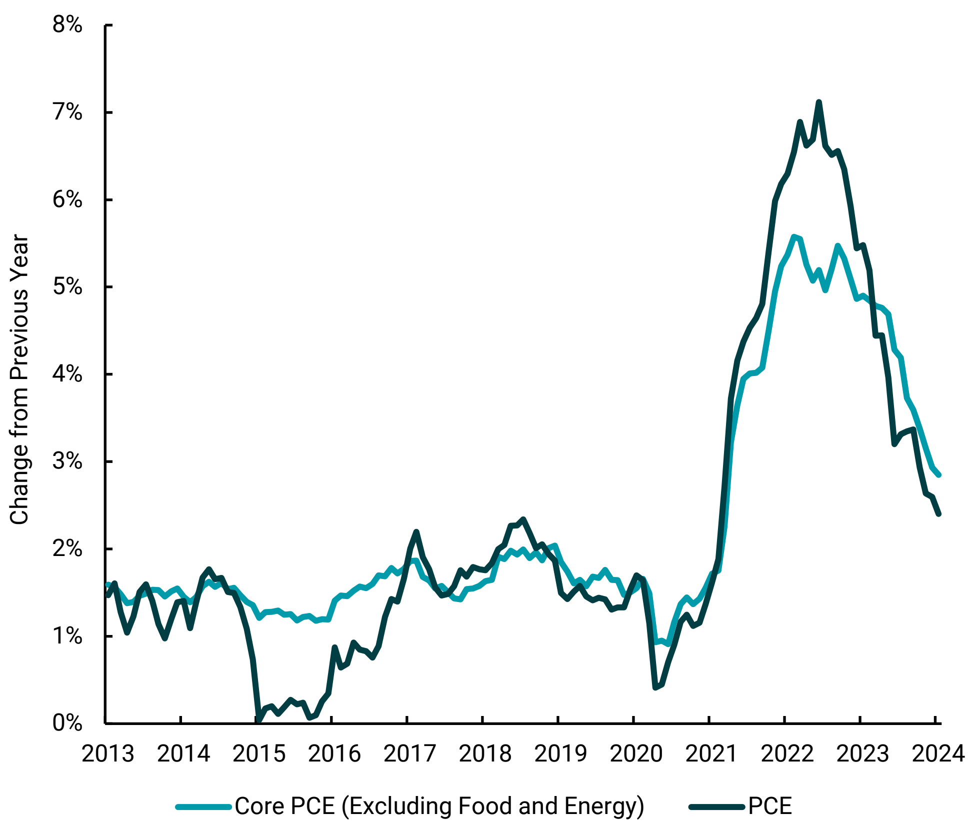
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Mar. 01, 2024)

Personal Consumption Expenditures Price Index



It seems we talk about inflation a lot. However, that emphasis is understandable: inflation, along with employment, influences virtually every spectrum of the economy. Consumers and businesses feel the effects of inflation every day, and its impacts on their actions and sentiment are material.

And so, the good news over the last few months has been the significant decline in inflation, even as we have seen economic growth remain positive and unemployment remain low. As the Fed began raising rates in March 2022, there was broad agreement that higher rates would slow the economy, leading companies to react by reducing costs, resulting in higher unemployment. However, the headline unemployment rate, which was at 3.6% in March of 2022, has only risen by 0.1% to its latest reading of 3.7%. This outcome is surprising and a huge win for the economy, consumers and the Fed. Unemployment has now been below 4% for 26 straight months, the first time this has happened in the U.S. since the mid-1960s.

As inflation has declined, both markets and the Fed have anticipated rate cuts. After all, the short-term Fed Funds target of 5.25-5.5% is above the current rate of inflation. Further declines in inflation would mean the Fed is becoming even more restrictive and risking a bigger slowdown in economic activity and higher unemployment than necessary. Still, the issue for the Fed is that the current rate of inflation remains above their 2% target, and they consequently have indicated a need to have “greater confidence” that the path of inflation is heading towards 2% on a “sustainable” basis.

For many, this appears to be a Fed that is responding too slowly, as high rates impact individuals and companies whose borrowing costs have risen. In past commentaries, we have shown charts illustrating the tendency for inflation to come in “waves” where an initial move higher, as we saw in 2021 and 2022, is followed by a decline only to be set up for an echo wave of inflation at an even greater magnitude. Yet, the Fed’s “patience” seemed to be warranted after recent inflation readings on the consumer price index (CPI) and producer price index (PPI) both came in hotter than expected, putting a lot of focus on the Fed’s preferred measure of inflation, the personal consumption expenditures (PCE).

Unlike the CPI and PPI readings, the most recent PCE came in as expected, which limited the market impact. However, core inflation, which includes the less cyclical parts of inflation like wages and rents, is declining more slowly and remains above headline inflation. In fact, within the CPI data, there were some adjustments within the rent component, which is the largest part of the CPI data set, leading to an increase in those measures and putting upward pressure on the overall inflation reading. As a result, we do not think the recent readings signal a shift in the “trend” of inflation. This serves as a reminder that the path to 2% inflation is not going to be a straight line, nor is it a certainty. Our outlook for the Fed to begin reducing rates at their June meeting remains in place, however. They likely will not be easing in the traditional manner to spur economic activity, but rather recalibrating policy.

And now one final aside on inflation after a week on the road in Texas, visiting with numerous clients and prospects in San Antonio, Austin and Houston: people and businesses are feeling inflation at different levels than the government data indicates. Almost universally, the impact is greater than government statistics. They are not wrong. Depending on what part of the economy you operate in, one’s “personal inflation rate” can differ materially.

Source: Federal Reserve Bank of St. Louis.

INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Commentary (Mar. 01, 2024)

Domestic Equities

- Stocks ended February with gains for the fourth straight month. The Nasdaq Composite, the S&P 500 Index and the Dow Jones Industrial Average each hit all-time highs during the month.
- Large-cap and growth stocks continue to dominate the market. The Russell 1000 Growth Index is up 9.5% year-to-date, while the Value Index is up 3.8%. The Russell 2000 Index is up only 1.5% year-to-date. Technology and healthcare are the top-performing sectors year-to-date, while real estate and utilities are the worst-performing sectors.
- The personal consumption expenditures (PCE) price index, the Federal Reserve's preferred inflation gauge, came in as expected on Thursday. The reading, combined with soft manufacturing data out Friday, was viewed as further evidence that interest rates will come down this year. Stocks rallied on the news.

Bonds

- U.S. Treasury yields moved lower for the week, as fears subsided over inflation reaccelerating. This was after the PCE Price Index rose in line with expectations for January. The market was further supported by higher-than-expected initial unemployment claims and weaker ISM manufacturing and Michigan Consumer Sentiment figures for February.
- The U.S investment-grade corporate credit spread remained in tight range despite a recent surge in new issuance, with a record of approximately $195 billion in new deals coming to market in February.
- Flows into U.S. money market funds accelerated this week, with total AUM across the asset class making a new high of $6.06 trillion.

International Equities

- Global stock markets advanced this week as investors largely reacted favorably to a new batch of economic data and corporate earnings announcements around the globe.
- Foreign developed markets rose for the fourth consecutive month through the end of February. This week, there were pockets of strength in Japan and across multiple European markets. Inflation in the 20-nation eurozone eased to 2.6% in February, but the headline and core figures were higher than expected.
- Emerging markets rose 4.8% in February following January's 4.6% loss. Markets across Asia and Latin America turned in lackluster performance results this week. India's economy grew by 8.4% during the fourth quarter of 2023, exceeding economists' expectations. The country is now one of the fastest-growing major economies in the world.

Economics

- The Bureau of Economic Analysis (BEA) reported that personal incomes increased by 1% in January at a seasonally adjusted annual rate. Consumer spending increased 0.23% entirely due to increased spending on services, which increased by 0.95% while spending on goods declined by 1.2% in the month. Within goods, spending declined on durable and non-durable goods. The personal savings rate was 3.8%, a slight increase from December.
- Additionally, the BEA reported the inflation rate, as measured by personal consumption expenditures (PCE), was 0.3% in January and 2.4% over the prior 12 months. Core PCE inflation, which excludes food and energy, was 0.4% in January and 2.8% over the prior 12 months.
- The February jobs report will be released on Friday.

BOK FINANCIAL

Weekly Market Update

For Week Ending March 01, 2024

Markets

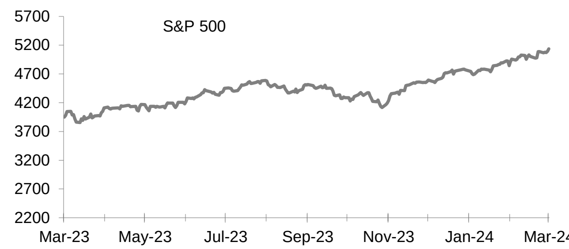
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	39,087.38	0.0%	4.1%	22.2%
S&P 500 Index	5,137.08	1.0%	8.0%	32.1%
NASDAQ Composite	16,274.94	1.8%	8.6%	44.2%
S&P 400 Midcap Index	2,910.66	1.9%	4.9%	13.5%
S&P 600 Smallcap Index	1,311.08	1.3%	-0.3%	6.8%
MSCI EAFE	8,035.11	0.7%	3.2%	15.2%
MSCI Emerging Markets	535.26	-0.3%	0.3%	6.9%
Bloomberg US Agg	2,133.89	0.5%	-1.3%	4.3%
Bloomberg Municipal 5 Yr	487.62	0.1%	-0.3%	4.0%
Bloomberg US Corporate	3,179.77	0.2%	-1.3%	7.0%
Bloomberg Glb Agg ex US Hdg	563.38	0.1%	-0.3%	7.3%
Bloomberg High Yield	2,491.53	0.2%	0.5%	11.4%
MSCI US REIT Index	2,120.46	1.4%	-1.3%	6.7%
Bloomberg Commodity Index	225.22	2.0%	-0.5%	-4.4%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	4.75%
3-Month Treasury	5.37%	5.40%	5.33%	4.85%
1-Year Treasury	4.94%	4.99%	4.76%	5.02%
2-Year Treasury	4.53%	4.69%	4.25%	4.88%
5-Year Treasury	4.16%	4.28%	3.85%	4.26%
7-Year Treasury	4.19%	4.28%	3.88%	4.16%
10-Year Treasury	4.18%	4.25%	3.88%	3.99%
30-Year Treasury	4.33%	4.37%	4.03%	3.95%
Consumer Rates				
30-Year Mortgage	7.27%	7.30%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.50%
SOFR	5.31%	5.31%	5.38%	4.55%
Commodities				
Gold	2,082.92	2,035.40	2,062.98	1,836.72
Crude Oil (WTI)	79.97	76.49	71.65	73.43
Gasoline	3.34	3.26	3.12	3.37
Natural Gas	1.84	1.70	2.33	3.42
Copper	3.86	3.90	3.89	4.14

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.78	21.36	4.91	1.89
S&P 500	21.39	23.05	4.73	1.46
S&P 500 Value	16.54	17.00	2.77	2.41
S&P 500 Growth	28.06	31.87	10.80	0.69
NASDAQ	28.74	38.63	6.55	0.71
S&P Midcap 400	16.67	16.35	2.45	1.85
S&P Smallcap 600	15.84	15.10	1.79	2.04
MSCI EAFE	14.44	13.85	1.81	3.25
MSCI Emerging Markets	12.49	14.54	1.61	3.20

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.45	4.87	6.93
Mid	1.47	5.31	8.90
Small	1.53	2.63	3.71

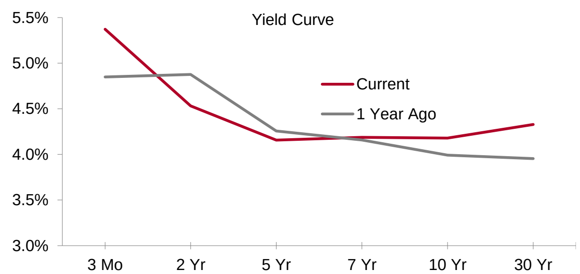
> 10% | 0% - 10% | <0%

Year to Date*

	Value	Core	Growth
Large	3.69	7.97	11.72
Mid	-0.76	4.85	10.29
Small	-2.85	-0.28	2.28

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	-0.31	-0.99	-3.39
Corp	-0.10	-0.81	-3.31
HY	0.64	0.25	-0.15
	1-3 Yrs	1-10 Yrs	+10 Yrs

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

Year to Date*

	Short	Interm.	Long
Govt	0.13	-0.52	-3.83
Corp	0.42	-0.38	-3.05
HY	1.10	0.46	0.58
	1-3 Yrs	1-10 Yrs	+10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.1%	6.4%
CPI Core Inflation	3.9%	5.6%
Personal Consumption Exp (PCE) Core	2.8%	4.9%
Jobs		
Unemployment Rate (U3)	3.7%	3.4%
Broader Unemployment Rate (U6)	7.2%	6.7%
JOLT Survey (in millions)	9.03	11.23
Jobless Claims (000's)	215	221
Change in Non-Farm Payroll (000's)	353	482
Average Hourly Earnings (Y/Y % Change)	4.5%	4.6%
Consumer & Spending		
Consumer Confidence (Conf Board)	106.7	103.4
Consumer Spending ($ Bil)	19,054	18,230
Consumer Credit ($ Bil)	5,010	4,894
Retail Sales ($ Bil)	700	696
Housing		
Housing Starts (000's)	1,331	1,340
Case-Shiller Home Price Index	310.67	294.39
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	22,669	21,990
Quarter over Quarter Change	3.2%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	47.80	47.70
Capacity Utilization	78.53	79.64
Markit US Composite PMI	51.40	50.10
U.S. General		
Leading Economic Indicators	102.7	110.4
Trade Weighted Dollar Index	121.4	121.1
EUR / USD	1.08	1.07
JPY / USD	150.12	136.19
CAD / USD	0.74	0.74
AUD / USD	0.65	0.68

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	6.72%	12.47%
Communication Services	5.32%	11.58%
Health Care	2.91%	7.36%
Financials	3.82%	7.11%
Industrials	5.80%	6.66%
Consumer Discretionary	7.03%	5.29%
Energy	4.49%	4.03%
Consumer Staples	0.28%	3.85%
Materials	5.17%	2.74%
Real Estate	1.91%	-1.22%
Utilities	-1.42%	-2.59%

Disclosures

The information provided herein was prepared by the Investment Management team of BOKF, NA. BOKF, NA is the bank subsidiary of BOK Financial Corporation (BOKF), a financial services holding company (NASDAQ:BOKF). BOKF offers trust and wealth management services through its subsidiaries including BOKF, NA (and its banking divisions Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, and BOK Financial) and investment advisory services through its non-bank subsidiaries, Cavanal Hill Investment Management, Inc., and BOK Financial Private Wealth, Inc., each an SEC registered investment adviser, and BOK Financial Securities, Inc., also an SEC registered investment adviser and registered broker/dealer, member FINRA/SIPC (each an “Investment Affiliate”) (collectively, “BOKF”). Distribution of this document is intended for informational purposes. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The opinions expressed herein reflect the judgment of the author(s) as of the date prepared and are subject to change without notice and are not a complete analysis of any sector, industry, or security regardless of the date on which the reader may receive or access the information. The information provided is intended to be educational in nature and not advice relative to any investment or portfolio offered through an Investment Affiliate, and does not constitute any form of regulated financial, legal, or tax advice, or other regulated financial service. The content provided herein is not a solicitation for the investment management services of any Investment Affiliate, nor is it intended to constitute a recommendation for, or advice to, any specific person on behalf of any Investment Affiliate, as it does not take into account the financial objectives, situation, or needs of any specific person. This information is provided on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of said content, any risks associated therewith, and any related legal, tax, accounting, or other material considerations. Recipients should not solely rely on this material in making any future investment decision. To the extent that the recipient has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, they are encouraged to consult with a qualified lawyer, accountant, or financial professional.

This document may contain forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections, the securities and credit markets and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the value and potential future value or performance of any security, group of securities, type of security or market segment involve judgments as to expected events and are inherently forward-looking statements. These statements are not guarantees of future performance. Likewise, past performance is not a guarantee of future results. This content is prepared for the use of the Investment Affiliates and their clients and prospective clients, and may not be reproduced, redistributed, retransmitted or disclosed, or referred to in any publication, in whole or in part, or in any form or manner, without the express written consent of BOKF or BOKF, NA. Any unauthorized use or disclosure is prohibited. Receipt and review of this document constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein. This report should not be distributed without the attached disclosures, and is considered incomplete if the disclosures are not attached.

*This chart is for illustrative purposes only and not indicative of any actual investment.
Asset allocation, diversification, and rebalancing do not ensure a profit or protect against loss in declining markets. Investing involves risks, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

INVESTMENT AND INSURANCE PRODUCTS ARE: NOT FDIC INSURED | NOT GUARANTEED BY THE BANK OR ITS AFFILIATES | NOT DEPOSITS | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE