

Weekly market update

Chart of the week (Apr. 12, 2024)



As I travel and get the opportunity to interact with individual investors, company employees and owners, there is one economic topic on which everyone has an opinion—inflation. And why not? It impacts everyone, which means we all have a perspective on its impacts and opinions on what to do about it. Meanwhile, inflation is also an area where the disconnect, as the language of economists or politicians and the meaning to actual participants in the real economy can vary widely.

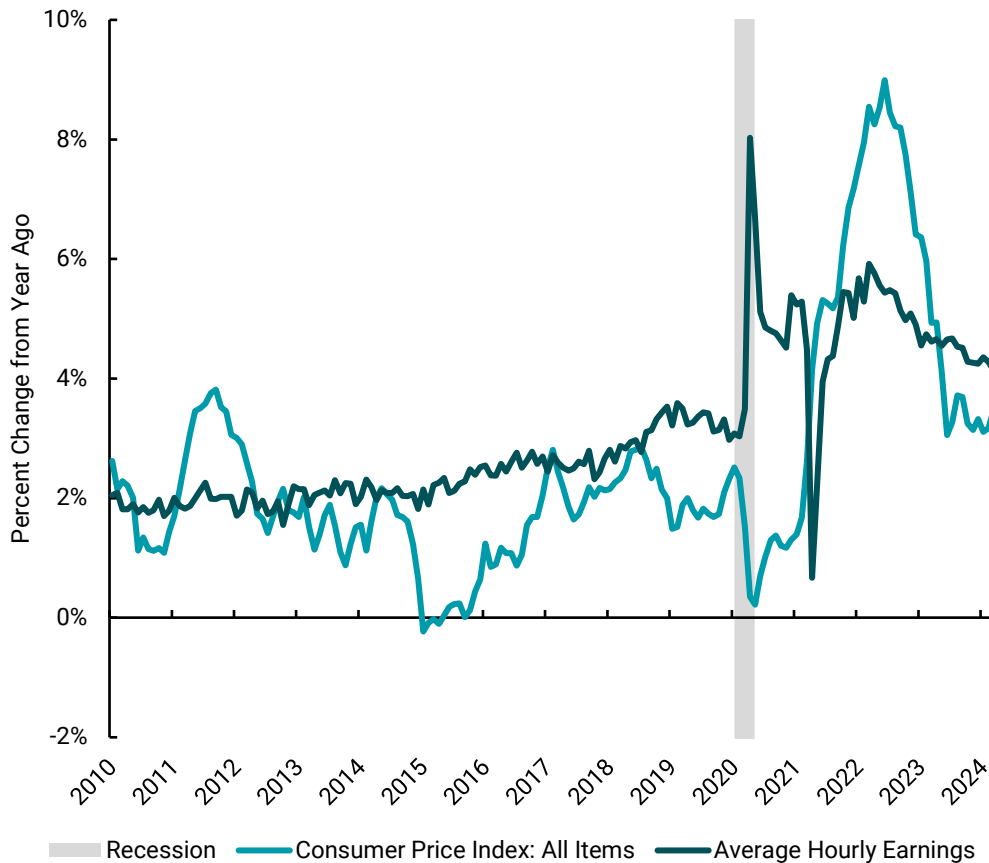
As a prime example, the common economic and political message today is that inflation is declining. Is it really? It depends on the definition of “declining.” For economists and politicians, the definition of “declining” is that, if inflation was at 9% and is now at 3%, then inflation is declining. However, for most real-economy participants, the definition of “declining” is outright price declines, not prices still going up but at a slower pace. Well, we have a word for outright price declines: deflation.

Still, for many, an economist or politician talking about declining inflation is like hitting your thumb with a hammer, and then hitting your thumb again but not as hard and being told the second hit is better than the first. As an aside, we see the same thing when politicians talk about cutting spending but, in fact, they are only slowing the growth rate of spending. They are still spending more—just not as much as they were going to spend before. This brings us to this week’s chart, which shows a longer-term view of wage growth versus the headline [Consumer Price Index \(CPI\)](#), which is one measure of inflation. We know the Fed thinks about “core” inflation when it comes to monetary policy, but as consumers, we live in a “headline” CPI world.

We can see a few things looking at the data. First, things were much more stable before the pandemic and, for the most part, real incomes were rising as wage growth exceeded headline inflation. This was a period marked by improving consumer sentiment. Second, the pandemic clearly upset the stability we had been seeing. The spike in real wages occurred as inflation fell and Congress showered the economy and consumers with stimulus payments. As stimulus slowed and inflation ramped higher, real wages fell until wage growth rebounded. Yet wages did not rebound fully enough to make up for the increase in inflation, resulting in a multi-month period of negative real wage growth. Not surprisingly, this period was accompanied by a decline in consumer sentiment. More recently, as inflation has been falling from its peak, wage growth, while declining, is back at levels that produce real wage gains for consumers.

However, the message of wage earners doing better is lost when considering the aggregate impact of the period when inflation was far outstripping wage gains. That is, over the total period from 2021 forward, inflation has outpaced wage gains. If recent trends hold, we expect consumers to begin to feel better. As it is, however, our collective “thumbs” still ache from the period of inflation reducing our overall standard of living, and while one definition of inflation is getting better, prices are still moving up.

Wage Growth and CPI



Weekly market update



Commentary (Apr. 12, 2024)

Domestic Equities

- U.S. Stocks were down for the week. The S&P 500 Index lost over 1.5%, and the Dow Jones Industrial Average and the Russell 2000 Index both lost close to 3%. Tech stocks were more resilient, with the Nasdaq Composite notching to a new high on Thursday and ending the week only slightly negative.
- Markets sold off sharply mid-week on inflation concerns, as Consumer Price Index (CPI) data released Wednesday was hotter than expected. Fed meeting minutes released that same day indicated that the central bank is prepared to keep rates high for longer if inflation proves stubborn.
- Stocks rallied on Thursday on better inflation news from the Producer Price Index (PPI) report and hopefulness coming into earning season. Still, rate cut expectations have come down significantly, and investors will be looking for signs of economic strength despite high rates in the reports. Some of the largest U.S. banks kicked off earnings season Friday with mixed results.

Bonds

- U.S. Treasury yields moved higher on hotter-than-expected CPI data for March. However, rates closed the week off the highs on rising geopolitical concerns and PPI increasing only moderately in March.
- The ECB left rates unchanged on Thursday but signaled that a June rate cut is likely, with a few governors already sufficiently confident about inflation. The futures market ended the week, assigning a +90% probability that the ECB will cut in June.
- Japanese rates made new highs across the curve on speculation that the Bank of Japan (BOJ) will have to raise rates further this year to fight inflation. The exchange rate between the Japanese yen and the U.S. dollar also made a three-decade low, with the BOJ failing to intervene in the currency markets despite verbal warnings from officials.

International Equities

- The impact of the U.S. inflation data and rising geopolitical risk in the Middle East rattled investors, sending oil and gold higher and putting pressure on foreign stock markets.
- Foreign stocks experienced a downturn this week, with multiple European markets witnessing a drop, primarily due to the weakness in the region's financial sector. The European Central Bank (ECB) held interest rates steady for the fifth consecutive meeting, with a growing consensus that a rate cut could come at the June meeting.
- Emerging markets turned in mixed results, with markets across Asia faring better than those across Latin America. However, China's economy continues to face headwinds, as the country's exports fell 7.5% in March, well below economist forecasts. The data casts doubt on the outlook for the world's second-largest economy.

Economics

- The Bureau of Labor Statistics (BLS) reported that the Consumer Price Index (CPI-U) increased by 0.4% in March, with most of the monthly increase due to higher prices for gasoline and shelter. Over the prior one-year period, inflation increased by 3.5%. Core CPI, which excludes food and energy, increased 3.8% over the prior 12 months, with most of the increase due to shelter costs, which rose 5.7%. Motor vehicle insurance increased 22.2%.
- The BLS Producer Price Index (PPI) increased 0.2% in March as services increased 0.3% while goods declined 0.1%. Over the prior 12 months, prices for final demand increased by 2.1%.
- The Department of Labor reported initial claims for unemployment insurance were 211,000 for the week ending April 6, slightly below the four-week average of 214,250.
- Retail sales will be released on Monday.

Weekly Market Update

For Week Ending April 12, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	37,983.24	-2.4%	1.3%	15.3%
S&P 500 Index	5,123.41	-1.5%	7.9%	27.2%
NASDAQ Composite	16,175.09	-0.4%	8.0%	36.7%
S&P 400 Midcap Index	2,899.72	-3.0%	4.7%	18.7%
S&P 600 Smallcap Index	1,270.05	-2.9%	-3.2%	11.3%
MSCI EAFE	8,032.73	-1.1%	3.2%	10.6%
MSCI Emerging Markets	546.12	-0.4%	2.3%	7.6%
Bloomberg US Agg	2,107.58	-0.7%	-2.5%	-0.7%
Bloomberg Municipal 5 Yr	484.86	0.0%	-0.8%	0.7%
Bloomberg US Corporate	3,149.00	-0.7%	-2.2%	1.9%
Bloomberg Glb Agg ex US Hdq	565.90	0.0%	0.2%	5.5%
Bloomberg High Yield	2,489.58	-0.6%	0.4%	9.4%
MSCI US REIT Index	2,031.64	-2.0%	-5.5%	4.5%
Bloomberg Commodity Index	239.91	0.1%	6.0%	0.9%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	5.00%
3-Month Treasury	5.38%	5.36%	5.33%	4.94%
1-Year Treasury	5.13%	5.05%	4.76%	4.64%
2-Year Treasury	4.90%	4.75%	4.25%	3.96%
5-Year Treasury	4.56%	4.39%	3.85%	3.46%
7-Year Treasury	4.55%	4.41%	3.88%	3.42%
10-Year Treasury	4.52%	4.40%	3.88%	3.39%
30-Year Treasury	4.63%	4.55%	4.03%	3.62%

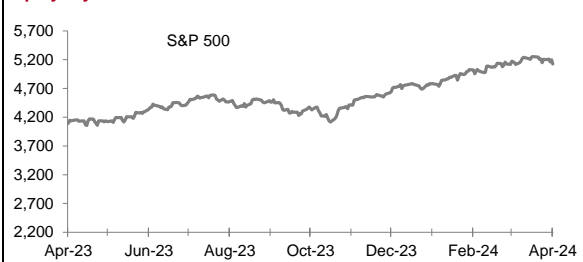
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.36%	7.27%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.75%
SOFR	5.31%	5.32%	5.38%	4.80%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,344.37	2,329.75	2,062.98	2,014.93
Crude Oil (WTI)	85.66	86.91	71.65	75.97
Gasoline	3.63	3.59	3.12	3.65
Natural Gas	1.77	1.79	2.33	3.07
Copper	4.26	4.24	3.89	4.08

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.38	20.76	4.77	1.96
S&P 500	21.46	22.96	4.69	1.46
S&P 500 Value	16.57	17.16	2.80	2.39
S&P 500 Growth	28.09	32.73	10.87	0.67
NASDAQ	28.69	34.66	6.28	0.79
S&P Midcap 400	16.42	16.31	2.47	1.88
S&P Smallcap 600	15.42	14.92	1.77	14.77
MSCI EAFE	14.32	13.95	1.83	3.21
MSCI Emerging Markets	12.78	14.91	1.66	2.93

Source: Bloomberg

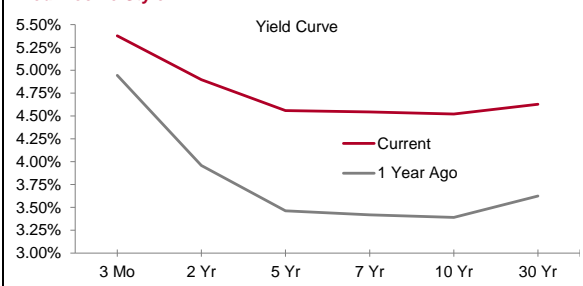
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
-1.98	-0.88	0.01	3.26	7.86	11.88
Mid					
-2.17	-1.65	-1.19	-1.50	4.69	10.72
Small					
-3.36	-2.17	-1.01	-6.29	-3.17	-0.04

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
-0.20	-0.96	-4.18	-0.06	-1.37	-7.32
Corp					
-0.07	-0.84	-2.96	0.50	-0.84	-4.96
HY					
0.04	-0.63	-0.62	1.55	0.38	0.65

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.5%	5.0%
CPI Core Inflation	3.8%	5.6%
Personal Consumption Exp (PCE) Core	2.8%	4.8%
Jobs		
Unemployment Rate (U3)	3.8%	3.5%
Broader Unemployment Rate (U6)	7.3%	6.7%
JOLT Survey (in millions)	8.76	9.85
Jobless Claims (000's)	211	220
Change in Non-Farm Payroll (000's)	303	146
Average Hourly Earnings (Y/Y % Change)	4.1%	4.6%
Consumer & Spending		
Consumer Confidence (Conf Board)	104.7	104.0
Consumer Spending (\$ Bil)	19,189	18,297
Consumer Credit (\$ Bil)	5,051	4,926
Retail Sales (\$ Bil)	701	690
Housing		
Housing Starts (000's)	1,521	1,436
Case-Shiller Home Price Index	310.46	292.81
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,679	21,990
Quarter over Quarter Change	3.4%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	50.30	46.50
Capacity Utilization	78.25	79.55
Markit US Composite PMI	52.10	52.30
U.S. General		
Leading Economic Indicators	102.8	109.7
Trade Weighted Dollar Index	121.4	119.4
EUR / USD	1.06	1.10
JPY / USD	153.23	133.13
CAD / USD	0.73	0.74
AUD / USD	0.65	0.67

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	5.67%	18.26%
Energy	9.06%	15.85%
Information Technology	-2.05%	11.34%
Industrials	0.91%	8.27%
Financials	-1.60%	6.97%
Materials	-0.08%	5.44%
Consumer Staples	-2.53%	3.44%
Health Care	-5.18%	2.31%
Consumer Discretionary	-0.80%	2.30%
Utilities	2.08%	2.24%
Real Estate	-5.88%	-6.33%

© 2024 BOK Financial Corp. Services provided by BOKF, NA, Member FDIC. BOKF, NA is the banking subsidiary of BOK Financial Corporation. BOK Financial Corporation (BOKF) offers wealth management and trust services through various affiliate companies and non-bank subsidiaries including advisory services offered by BOKF, NA and its subsidiary Cavanaugh Hill Investment Management, Inc., an SEC registered investment adviser. BOKF offers additional investment services and products through its subsidiary BOK Financial Securities, Inc., a broker/dealer, member FINRA/SIPC, and an SEC registered investment adviser and BOK Financial Private Wealth, Inc., also an SEC registered investment adviser. The information in the report was prepared by (SIA) Strategic Investment Advisors of BOKF, NA which is a division of BOK Financial Corporation.

This report is not to be considered a recommendation of any particular security, strategy or investment product, nor is it intended to provide personal investment advice. It does not take into account any specific investment objectives, financial situations, or particular needs of any specific person who may receive this report. The information provided in this presentation is for informational purposes only and is not an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed in this report and should understand that statements regarding future prospects may not be realized. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

Investments are not insured by the FDIC and are not guaranteed by any bank or bank affiliate. Investments are subject to risks, including the possible loss of the principal amount invested. This report 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. Any unauthorized use or disclosure is prohibited.

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.

BOK Financial® is a trademark of BOKF, NA. Member FDIC. Equal Housing Lender. 2024 BOKF, NA.

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