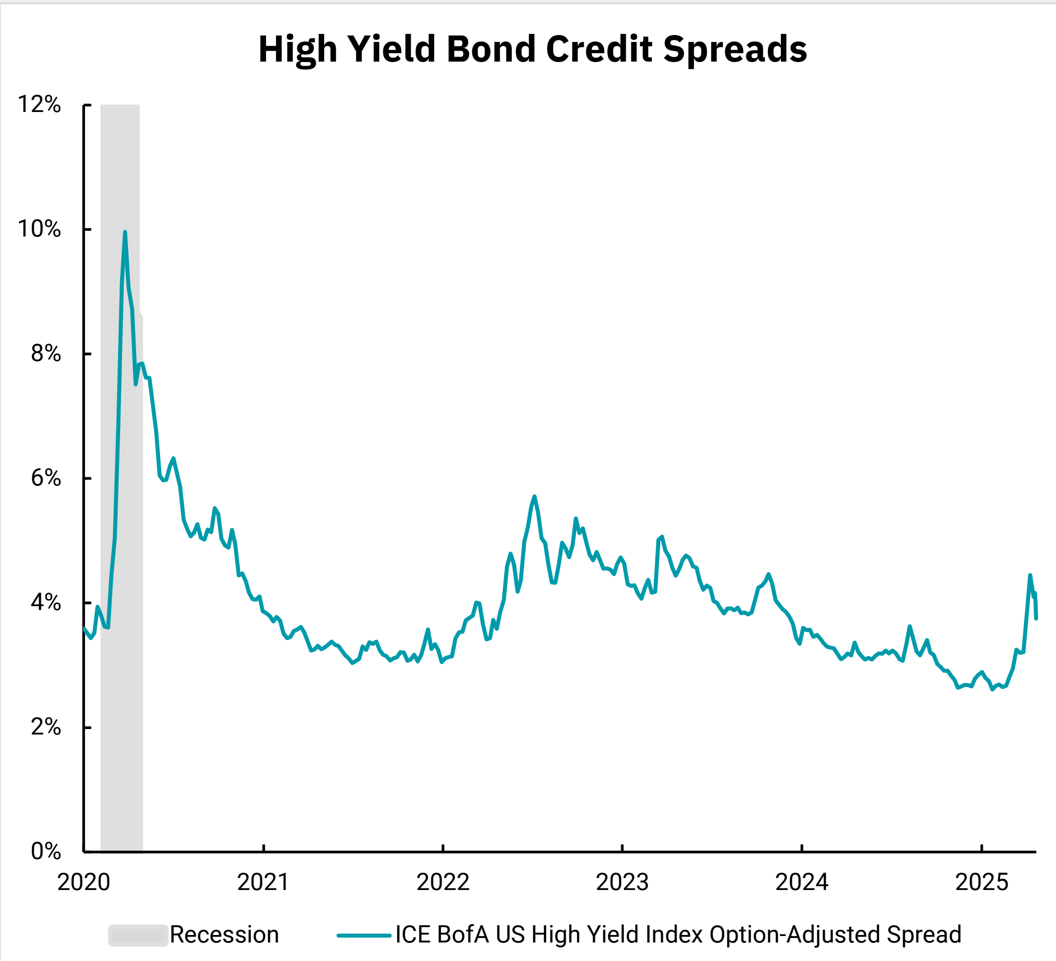
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Apr. 25, 2025)



You may wonder why economists watch the bond market so closely, despite the stock market getting most of the press. For one, the bond market is a multiple of size compared to equities. Plus, since the "growth rate" on bonds is zero, the "math" of the bond market is easier, as future cash flow and the terminal value are known figures. (That's because bonds are primarily issued at par and—absent a credit event, which is the point of this week's chart—mature at par. The only "return" for an investor is embedded in the regular cash flows, or coupons, over the life of the bond.) And yet, there's a lot of information to be gleaned from this "simple" market.

Of course, we watch the absolute level of Treasury rates, keeping in mind that interest rate policy is the Federal Reserve's primary monetary policy tool. Additionally, experts watch the movements and levels of shorter-term bonds, which are more heavily influenced by Fed policy, and longer-term rates, which are more influenced by the perceived level of future economic activity and/or inflation. This is where the shape of the "yield curve" comes into play. You might recall an elevated level of angst amongst economists as the yield curve inverted for an extended period a couple of years ago. Past periods when short-term rates exceeded those on longer-term bonds were followed by economic weakness and/or recessions. However, to date, the most recent period of yield curve inversion has not resulted in a recession, and we are now back to a positive sloping, or normal, yield curve with short-term rates below long-term.

While Treasury securities are considered "risk-free" from a credit standpoint, this is not true for other issuers like corporations. Economic activity changes can make corporations more or less likely to pay their bonds as promised. In general, if the economy is good and corporate cash flows and profits are positive, we would assume the repayment ability of corporations is improving. In this environment, investors would demand less spread between risk-free treasuries and riskier corporate bonds. Conversely, a slower economy might increase the risk of default and lead investors to demand a higher spread to treasuries to compensate for this risk. Again, unlike stocks, bond investments do not have a "growth" aspect.

Knowing all this, allows us to look at charts like the one we have this week, which shows, in real-time, the spread being demanded by investors in bonds--in this case, high-yield bonds, where sensitivity to economic growth is very high, as a guide to the economic outlook. We can see clearly the recent increase in spreads. Does this mean a recession is imminent? At this point, we would say no, as spreads are still lower than in past recessionary periods. However, the direction of the move means we are on alert for the possibility of a warning from the bond market. The stock market might be sexier, but the bond market is the "big dog" in the capital markets.

Source: Federal Reserve Bank of St. Louis.

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Commentary (Apr. 25, 2025)

Domestic Equities

- U.S. stocks rallied for most of the week, fueled by hopes for a de-escalation in Trump's tariff war with China and his retreat from threats to oust Fed Chair Jerome Powell.
- The trade war is far from over, and much uncertainty remains. Intel reported disappointing earnings and noted that tariffs would boost costs and zap demand. Colgate-Palmolive reported better-than-expected results but cut its 2025 earnings outlook due to tariffs. AbbVie raised its earnings outlook but said that its guidance did not reflect potential trade-policy shifts.
- Alphabet reported strong earnings results Thursday night ahead of analyst expectations on strong advertising revenue and noted that changing trade rules would cause only a "slight headwind." The report helped boost the tech-heavy Nasdaq Composite Index, which outperformed for the week. The rest of the "Mag-7" will report earnings next week.

Bonds

- The U.S. Treasury yield curve bull-flattened, with the long-term rates falling more than short-term rates on hopes of lower-than-feared U.S. tariffs and the possibility of an interest rate cut by the Federal Reserve in June. At the end of the week, markets were pricing in just under a 70% probability of 0.25% cut by the Fed on Jun. 18.
- Credit spreads narrowed with the Markit CDX North American High Yield Index closing the week slightly above 4%.
- Hybrid securities and lower-quality credit (CCC & Below-rated bonds) led fixed-income markets higher during the week, tracking the rally in equities.
- Municipal bonds continue to lag U.S. Treasuries, with some areas of the market even underperforming corporate bonds in recent weeks as the Trump administration's policies obscure the outlook for state and local governments. DOGE cuts have even hit the District of Columbia (DC), with Moody's cutting the capitol's credit rating on Wednesday from AAA to AA1.

International Equities

- Amid mixed messages from the U.S. administration on the future direction of its tariff policy, investors sent stocks higher, betting that the U.S. may soften its position given the market volatility.
- The International Monetary Fund (IMF) sharply lowered its 2025 forecast for world economic growth from 3.3% to 2.8%. The IMF also downgraded the outlook for many countries amid deteriorating sentiment among consumers and businesses.
- European stocks continue to rally, sending foreign developed markets higher. Meanwhile, emerging markets rose for the second straight week, led by gains across markets in Asia and Latin America. In key economic news, South Korea's gross domestic product (GDP) contracted 0.1% year-over-year in the first quarter, the first contraction in its economy since the fourth quarter of 2020. The slowdown in economic growth was primarily due to the 12.4% drop in construction activity.

Economics

- Jobless claims came in at 222,000 for the week, slightly exceeding the consensus estimate of 220,000 and the previous week's revised reading of 216,000. Even with mounting concerns over a potential slowdown in growth, the labor market continues to show resilience.
- New home sales were released on Wednesday--coming in at 724,000, higher than the estimate of 682,000 and last month's figure of 674,000. A slight decline in mortgage rates supported the uptick in sales.
- On Friday, the Consumer Sentiment Index came in at 52.2, above the consensus estimate of 50.5. Despite ongoing headlines and market volatility, consumer sentiment remains relatively upbeat.
- April's Employment Report will be released on Friday. This is an important indicator to watch as the Fed continues to pursue its dual mandate of full employment and stable prices.

BOK FINANCIAL

Weekly Market Update

For Week Ending April 25, 2025

Markets

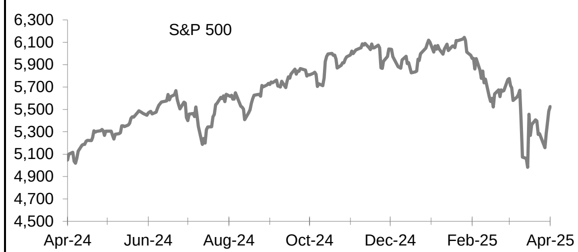
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	40,113.50	2.5%	-5.2%	7.2%
S&P 500 Index	5,525.21	4.6%	-5.7%	10.9%
NASDAQ Composite	17,382.94	6.7%	-9.8%	12.1%
S&P 400 Midcap Index	2,831.67	3.2%	-8.9%	-0.4%
S&P 600 Smallcap Index	1,219.01	3.8%	-13.0%	-2.7%
MSCI EAFE	8,880.88	2.9%	9.9%	11.5%
MSCI Emerging Markets	589.68	2.7%	2.8%	9.3%
Bloomberg US Agg	2,247.64	0.7%	2.7%	7.7%
Bloomberg Municipal 5 Yr	494.74	0.1%	0.0%	2.5%
Bloomberg US Corporate	3,355.70	1.0%	2.0%	7.6%
Bloomberg Glb Agg ex US Hdg	599.45	0.2%	1.1%	6.7%
Bloomberg High Yield	2,712.91	1.3%	1.1%	9.2%
MSCI US REIT Index	2,237.94	0.6%	-3.1%	12.2%
Bloomberg Commodity Index	251.32	-0.2%	5.3%	4.5%

	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	4.29%	4.31%	4.31%	5.41%
1-Year Treasury	3.94%	3.96%	4.14%	5.19%
2-Year Treasury	3.75%	3.80%	4.24%	5.00%
5-Year Treasury	3.86%	3.94%	4.38%	4.72%
7-Year Treasury	4.04%	4.12%	4.48%	4.73%
10-Year Treasury	4.24%	4.32%	4.57%	4.70%
30-Year Treasury	4.70%	4.80%	4.78%	4.81%
Consumer Rates				
30-Year Mortgage	6.90%	6.93%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.33%	4.32%	4.49%	5.31%
Commodities				
Gold (spot)	3,319.72	3,326.85	2,624.50	2,332.46
Crude Oil WTI	63.02	64.68	71.72	83.57
Gasoline	3.15	3.16	3.06	3.66
Natural Gas	2.94	3.25	3.63	1.64
Copper	4.84	4.74	4.03	4.52

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.87	20.35	5.15	1.81
S&P 500	20.15	22.49	4.75	1.48
S&P 500 Value	17.13	18.49	3.21	2.24
S&P 500 Growth	23.91	27.94	8.65	0.77
NASDAQ	24.47	29.85	6.24	0.83
S&P Midcap 400	14.86	15.79	2.32	1.94
S&P Smallcap 600	14.23	14.95	1.67	2.79
MSCI EAFE	14.35	15.77	2.00	3.30
MSCI Emerging Markets	11.79	14.21	1.79	2.94

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-5.04	-4.27	-3.53
Mid	-6.40	-5.80	-5.21
Small	-8.47	-6.96	-5.46

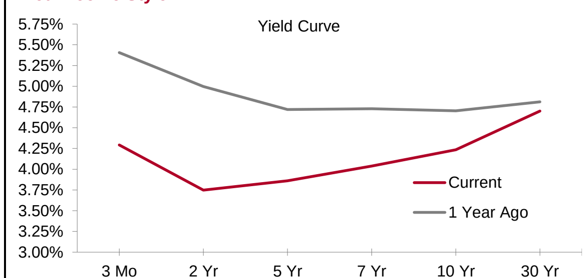
Year to Date*

	Value	Core	Growth
Large	-4.20	-5.68	-7.06
Mid	-8.16	-8.86	-9.52
Small	-15.48	-13.00	-10.54

> 10%
0% - 10%
<0%

*S&P Indices

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.72	0.94	-0.50
Corp	0.46	0.43	-0.95
HY	-0.07	-0.61	-2.94

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	2.10	2.97	2.86
Corp	1.90	2.43	1.15
HY	1.85	1.14	-0.71

> 10%
0% - 10%
<0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.4%	3.5%
CPI Core Inflation	2.8%	3.8%
Personal Consumption Exp (PCE) Core	2.8%	2.9%
Jobs		
Unemployment Rate (U3)	4.2%	3.9%
Broader Unemployment Rate (U6)	7.9%	7.3%
JOLT Survey (in millions)	7.57	8.45
Jobless Claims (000's)	222	209
Change in Non-Farm Payroll (000's)	228	246
Average Hourly Earnings (Y/Y % Change)	3.8%	4.2%
Consumer & Spending		
Consumer Confidence (Conf Board)	92.9	103.1
Consumer Spending ($ Bil)	20,439	19,413
Consumer Credit ($ Bil)	4,997	5,049
Retail Sales ($ Bil)	735	703
Housing		
Housing Starts (000's)	1,324	1,299
Case-Shiller Home Price Index	323.54	310.86
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,542	22,961
Quarter over Quarter Change	2.4%	3.2%
Year Over Year Change	2.5%	3.2%
ISM Manufacturing	49.00	49.80
Capacity Utilization	77.85	77.85
Markit US Composite PMI	51.20	51.30
U.S. General		
Leading Economic Indicators	100.5	104.1
Trade Weighted Dollar Index	123.3	123.3
EUR / USD	1.14	1.07
JPY / USD	143.67	155.65
CAD / USD	0.72	0.73
AUD / USD	0.64	0.65

S&P 500 Sector Returns

	1 Month	YTD
Consumer Staples	3.55%	5.12%
Utilities	1.65%	4.06%
Health Care	-4.93%	0.82%
Real Estate	-1.90%	0.33%
Financials	-4.67%	-0.15%
Materials	-4.21%	-1.00%
Industrials	-4.04%	-1.73%
Energy	-11.28%	-2.58%
Communication Services	-5.91%	-5.77%
Information Technology	-4.54%	-11.75%
Consumer Discretionary	-4.67%	-13.54%

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