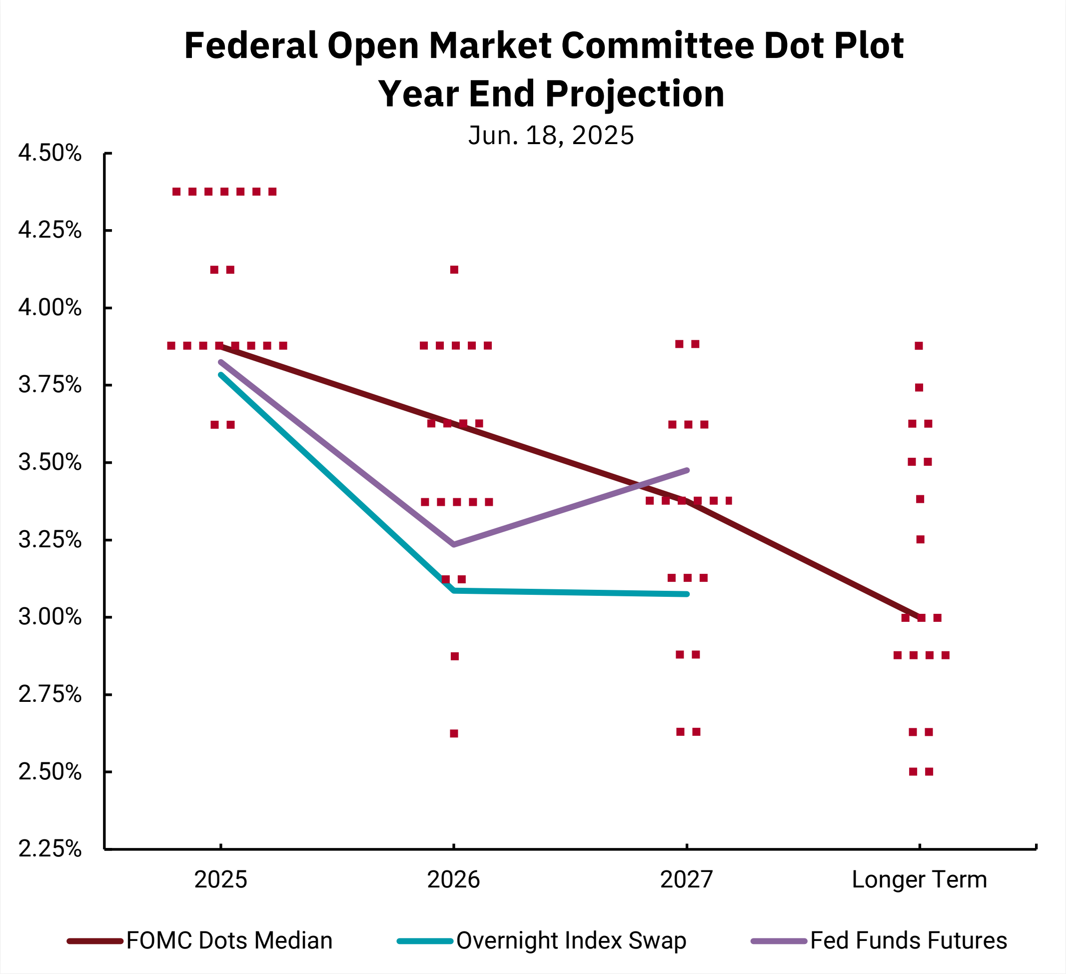
INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Chart of the week (Jun. 20, 2025)



Federal Open Market Committee Dot Plot Year End Projection

Jun. 18, 2025

Source: Bloomberg.

After each meeting of the rate-setting arm of the Federal Reserve, the Federal Open Market Committee (FOMC), we get a summary statement of the meetings discussions (not to be confused with the actual meeting minutes which are released after a period from each meeting). Fed Chair Powell also normally holds a press conference to answer questions from reporters. Additionally, about once a quarter, we get their updated Statement of Economic Projections (SEP), which the FOMC released on June 18. The SEP is where the Fed provides numerical projections for factors such as gross domestic product (GDP), inflation and its target for the Fed Funds rate. They provide these estimates for short, intermediate and longer-term time frames, which helps us understand how they see the economy evolving from its current state.

We are now in a period during which there is not only debate about the direction of their estimates but also their assessment of the current economic environment. Plus, there are unknowns surrounding the impacts of numerous policy decisions, including tariffs, tax policy, regulatory policy, the debt ceiling and immigration. Some data, such as unemployment, appear strong on the surface while underlying trends indicate a weakening trend. Some data are improving, like inflation, but have known headwinds going forward. Additionally, some data, such as housing, is just in a bad spot with high prices and mortgage rates stuck around 7%. Then, there is confusing data, such as negative GDP in the first quarter, which was driven by a pre-tariff surge in imports that seems to be reversing this quarter.

Overall, as compared to the last SEP release, the Fed lowered their growth expectations a bit, raised their short-term inflation forecasts a bit, kept their view of the long-term neutral rate steady, see unemployment rising to 4.5% by year-end and continue to pencil in two rate cuts between now and year-end. We might all be forgiven if reading this update produces more questions than answers. Slower growth and higher unemployment make lower rates sensible, but not if inflation is expected to tick higher, even for a limited period (I am not going to use the word 'transitory').

Our chart this week, the Fed's "dot plot", is not intended to be a forecasting tool, although it can be useful to see where the median FOMC committee member stands compared to market-based forecasts, such as the overnight index swap (OIS) market and Fed Funds futures. However, to me, the bigger story is in the dispersion of opinions within the committee. Keep in mind that this committee is made up of surely some of the brightest economic minds with access to reams of information and research. Despite this, their range of outlooks for interest rates in the short run and the longer term is extremely wide, indicating widely disparate views on what the economy will do from here. Within an environment like this, assuming as the Fed does, they are not overly restrictive or accommodative, it seems the best action is to take no action. By definition, this means the Fed will be late to move as most economic data is lagging, and the Fed's monetary actions also act with a lag. The only question remaining is will they be late to raise rates or lower rates.

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Commentary (Jun. 20, 2025)

Domestic Equities

- U.S stocks ended a short trading week about flat. Oil prices were in the spotlight as the Iran-Isreal conflict drove prices up sharply, then reversed toward the end of the week as President Trump held off on taking action and European ministers met with Iranian officials to push for de-escalation.
- The Federal Reserve held rates steady at their June meeting. Expectations remain for one or two cuts by the end of the year. One official speaking later in the week said the central bank should look through tariff-related price hikes when considering a cut in July.
- The consulting firm Accenture reported weaker-than-expected quarterly results. Like its competitors, the company is under pressure from the government's push to cut spending.
- Used car retailer CarMax reported better-than-expected quarterly results as tariff uncertainty sparked demand for secondhand vehicles.

Bonds

- U.S. Treasury yields initially fell due to safe-haven buying on escalating tensions in the Middle East. However, the market pared its gains into week-end, following a more hawkish tone from the Fed. The central bank has downgraded its outlook for the economy and more members expecting zero cuts this year compared to the previous meeting.
- Across foreign markets, it was a busy week for central bank policy announcements, with the Riksbank, Swiss National Bank (SNB) and the Norges Bank cutting policy rates largely due to inflation continuing to moderate. Most notably, the SNB policy rate is back to the lower bound for the first time since 2022. The Bank of Japan left rates unchanged at 0.50% but announced further tapering of its bond buying. The Bank of England also left rates unchanged due to uncertainty around inflation and energy prices. Banco Central do Brasil was the only major central bank to hike rates this week, with the Selic rate rising to 15%. However, the central bank indicated they would be taking a very long pause on any additional hikes.

International Equities

- Foreign stock markets slipped during the week as investors assessed the U.S. Federal Reserve's decision to keep interest rates steady while also monitoring the escalating tensions between Israel and Iran, which dampened sentiment.
- Developed markets faltered during the week as sluggish performance across Europe dampened returns. In key economic news, Australia's unemployment rate came in at 4.1% in May. In central bank news, Switzerland cut its policy rates by 0.25%. This rate cut lowered the policy rate to 0%, raising concerns about a potential return to negative interest rates. The Bank of England held rates steady at 4.25%.
- Emerging markets declined due to soft performance from Asian markets. South Korea unveiled a new budget plan to increase its stimulus spending to support its economy, which is struggling with sluggish consumption and mounting headwinds from shifting U.S. tariff policies.

Economics

- The U.S. Census Bureau's retail sales number showed a 0.9% drop for May, its second consecutive month-over-month decline. Core retail sales, which exclude automobiles, were also negative, declining 0.3% for the month.
- Continuing jobless claims were 1.945 million, down from 1.95 million the previous week, while initial jobless claims were 245,000, down from 250,000 the previous week.
- Housing starts were 1.245 million, down 9.8% for May. Building permits were also lower in May, rising to 1.393 million, while April was 1.422 million.
- Crude Oil Inventories, as measured by the Energy Information Administration (EIA), showed a weekly drop of -11.473M barrels. This was the fourth consecutive weekly decline in inventories and the largest weekly decline since March 2024.
- Several important economic indicators are being released in the coming week, but the market will likely be most focused on the Personal Consumption Expenditures Price Index (PCE) release on Friday.

Weekly Market Update

For Week Ending June 20, 2025

Markets

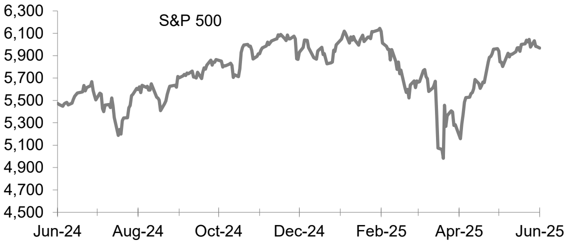
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	42,206.82	0.1%	0.1%	9.8%
S&P 500 Index	5,967.84	-0.1%	2.1%	10.5%
NASDAQ Composite	19,447.41	0.2%	1.0%	10.5%
S&P 400 Midcap Index	3,025.18	0.6%	-2.4%	5.2%
S&P 600 Smallcap Index	1,296.70	0.2%	-7.2%	3.0%
MSCI EAFE	9,359.08	-1.5%	15.8%	13.5%
MSCI Emerging Markets	642.88	0.0%	12.0%	11.2%
Bloomberg US Agg	2,253.58	0.3%	2.9%	4.3%
Bloomberg Municipal 5 Yr	504.18	0.2%	1.9%	3.8%
Bloomberg US Corporate	3,387.72	0.3%	3.0%	5.0%
Bloomberg Glb Agg ex US Hdg	602.66	0.2%	1.6%	5.7%
Bloomberg High Yield	2,776.14	0.3%	3.5%	9.2%
MSCI US REIT Index	2,307.94	-0.2%	-0.1%	9.8%
Bloomberg Commodity Index	263.16	1.4%	10.3%	8.8%

	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%	4.35%	4.31%	5.37%
1-Year Treasury	4.06%	4.06%	4.14%	5.10%
2-Year Treasury	3.91%	3.95%	4.24%	4.74%
5-Year Treasury	3.96%	4.00%	4.38%	4.27%
7-Year Treasury	4.15%	4.18%	4.48%	4.26%
10-Year Treasury	4.38%	4.40%	4.57%	4.26%
30-Year Treasury	4.89%	4.89%	4.78%	4.40%
Consumer Rates				
30-Year Mortgage	6.89%	6.88%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.29%	4.28%	4.49%	5.32%
Commodities				
Gold (spot)	3,368.39	3,432.34	2,624.50	2,360.09
Crude Oil WTI	74.93	72.98	71.72	82.17
Gasoline	3.22	3.13	3.06	3.46
Natural Gas	3.85	3.58	3.63	2.74
Copper	4.83	4.81	4.03	4.56

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.75	21.30	5.32	1.74
S&P 500	21.64	23.46	5.04	1.37
S&P 500 Value	17.92	18.89	3.30	2.13
S&P 500 Growth	26.61	29.95	9.50	0.69
NASDAQ	27.33	32.40	6.84	0.76
S&P Midcap 400	16.25	16.45	2.48	1.80
S&P Smallcap 600	15.18	15.67	1.75	2.62
MSCI EAFE	14.87	16.16	2.04	3.28
MSCI Emerging Markets	12.43	14.78	1.91	2.86

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-0.18	0.59	1.29
Mid	-0.82	-1.26	-1.66
Small	-0.91	-1.04	-1.17

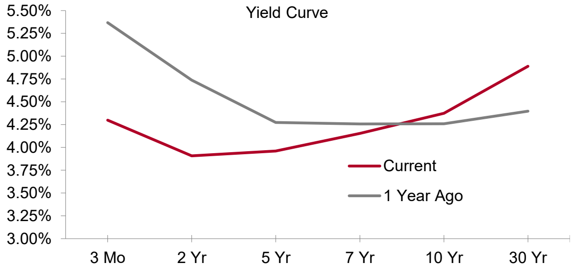
Year to Date*

	Value	Core	Growth
Large	0.65	2.12	3.45
Mid	-2.24	-2.37	-2.48
Small	-10.10	-7.19	-4.30

> 10%
0% - 10%
<0%

**S&P Indices*

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.44	0.70	1.64
Corp	0.50	0.91	2.42
HY	0.54	0.99	1.69
	1-3 Yrs	1-10 Yrs	+10 Yrs

Year to Date*

	Short	Interm.	Long
Govt	2.42	3.23	1.18
Corp	2.67	3.53	1.87
HY	3.54	3.48	2.87
	1-3 Yrs	1-10 Yrs	+10 Yrs

> 10%
0% - 10%
<0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.4%	3.3%
CPI Core Inflation	2.8%	3.4%
Personal Consumption Exp (PCE) Core	2.5%	2.9%
Jobs		
Unemployment Rate (U3)	4.2%	4.0%
Broader Unemployment Rate (U6)	7.8%	7.4%
JOLT Survey (in millions)	7.39	7.62
Jobless Claims (000's)	245	237
Change in Non-Farm Payroll (000's)	139	193
Average Hourly Earnings (Y/Y % Change)	3.9%	4.1%
Consumer & Spending		
Consumer Confidence (Conf Board)	98.0	101.3
Consumer Spending ($ Bil)	20,670	19,603
Consumer Credit ($ Bil)	5,010	5,053
Retail Sales ($ Bil)	715	693
Housing		
Housing Starts (000's)	1,256	1,316
Case-Shiller Home Price Index	327.68	316.99
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,528	23,054
Quarter over Quarter Change	-0.2%	1.6%
Year Over Year Change	2.1%	2.9%
ISM Manufacturing	48.50	48.50
Capacity Utilization	77.43	78.06
Markit US Composite PMI	52.80	54.80
U.S. General		
Leading Economic Indicators	99.0	103.1
Trade Weighted Dollar Index	120.7	124.3
EUR / USD	1.15	1.07
JPY / USD	146.09	158.93
CAD / USD	0.73	0.73
AUD / USD	0.65	0.67

S&P 500 Sector Returns

	1 Month	YTD
Industrials	-0.92%	8.47%
Utilities	-2.47%	7.49%
Consumer Staples	-1.97%	5.50%
Energy	6.75%	5.07%
Financials	-1.88%	4.68%
Communication Services	2.77%	4.27%
Real Estate	-0.11%	3.52%
Materials	-0.56%	3.52%
Information Technology	3.17%	2.24%
Health Care	-1.58%	-3.17%
Consumer Discretionary	-1.77%	-7.09%

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