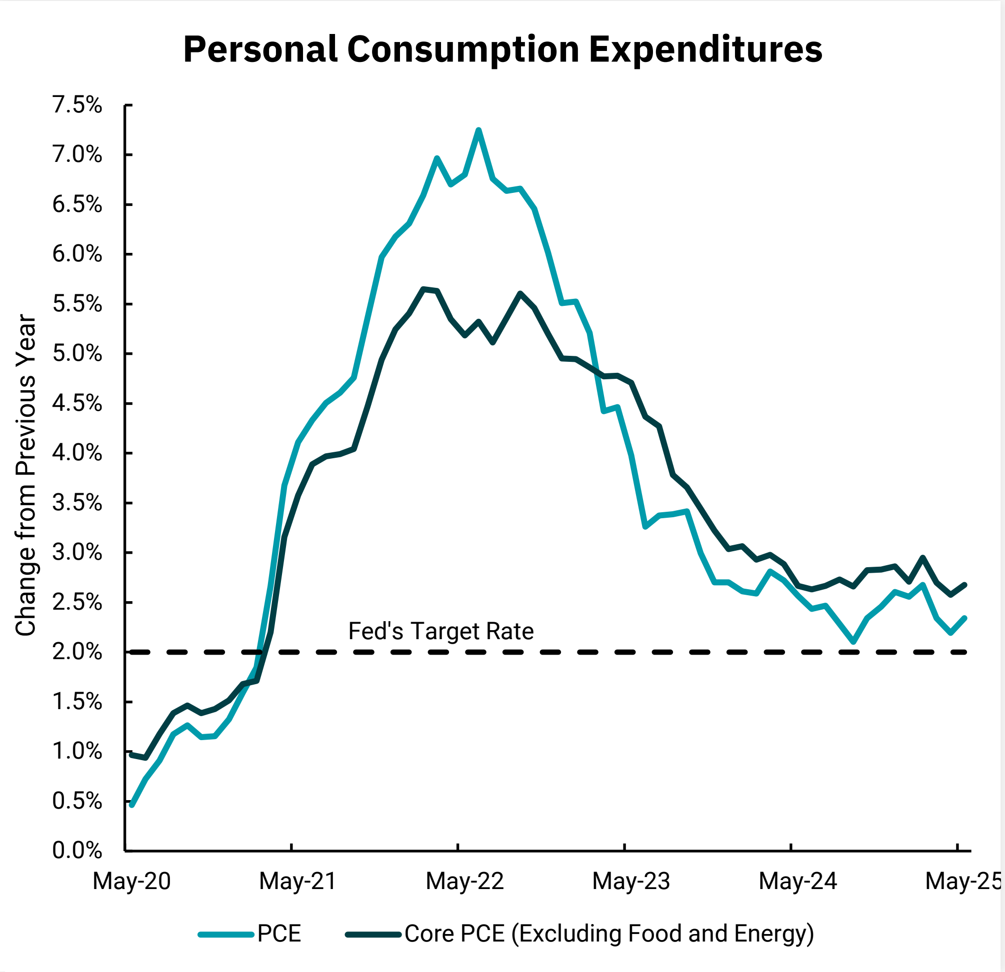
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Jun. 27, 2025)



What, me worry? With the S&P 500 and Nasdaq indexes setting new record highs this morning, it would seem that the angst surrounding "Liberation Day" tariffs and the resulting increase in inflation, along with economic weakness, was unfounded. The domestic, and global, economy is never uniformly good or bad, but investors must be impressed with the resilience of both the economy and the capital markets.

At the conclusion of the Federal Reserve's most recent Federal Open Market Committee (FOMC) meeting, Fed Chair Powell spent a lot of time talking about why the Fed can wait to see the ultimate impact of all the various policy changes. Some, such as tariffs or immigration policy, risk higher prices while also potentially slowing the economy. In contrast, offsets like extending and broadening the Tax Cuts and Jobs Act (TCJA) and regulatory reform could spur faster growth and higher business investment. Additional news on potential trade deals could also reduce uncertainty and lead to better economic expectations.

Within this high-change environment, we, along with the Fed, are left to parse economic data releases, looking for clues as to which side of the equation —faster or slower growth, or lower or higher inflation —will assert itself. The Fed's current language indicates a heightened sensitivity to the inflation aspects of tariffs. Recent Consumer Price Index (CPI) and Producer Price Index (PPI) data have not reflected any meaningful impact; now, the Fed's preferred measure of inflation, the Personal Consumption Expenditures Index (PCE), has been added to the mix. While not bad, the core rate of inflation did tick up 0.2%, above the 0.1% expectation, which took the year-over-year reading to 2.7%, compared to the expected reading of 2.6%. Higher inflation in core services was offset by a continuing decline in housing costs, while core goods bounced higher. This miss is not enough to spark fears of rapidly increasing inflation, but it certainly does not give the Fed any reason to reconsider their current "stay put" stance. The ultimate direction of inflation remains a question mark.

As we look at the growth side of the equation, it's all about jobs. The job market remains supportive, with unemployment remaining at 4.2% and job growth remaining positive. However, the underlying data exhibits a bit more weakness. Weekly jobless claims ticked down last week but are higher over the course of the year. Continuing claims, a measure showing the ability of job losers to find new employment, continues to tick higher. Companies appear to be hesitant to fire, but they are becoming more hesitant to hire, too. We can also see a weakening trend in personal incomes and consumption. The final revision of first quarter GDP was lowered to -0.5%, due to reduced levels of personal consumption. Within the May PCE release, we saw both personal incomes and spending fall. Interestingly, the reduction in personal incomes was driven by a reduction in transfer payments, which were driven lower by the largest drop in Social Security benefits ever, due to efforts by DOGE to stop payments to those ineligible. The net effect between spending and incomes meant that the savings rate also fell.

In sum, our sense is slower growth will eventually lead to lower inflation and, therefore, lower interest rates. However, we do not anticipate an aggressive easing cycle, and the economy's resilience may keep the Fed on the sidelines for longer.

Source: U.S. Bureau of Economic Analysis via FRED®

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BOK FINANCIAL

Commentary (Jun. 27, 2025)

Domestic Equities

- The S&P 500 Index and the Nasdaq Composite both hit new record highs on Friday, driven by progress in trade negotiations and a tentative ceasefire in the Middle East. The Russell 2000 Index also had a good week as the likelihood of a rate cut next month increased.
- The S&P 500 Index is up over 20% from the Apr. 8 bottom. The technology sector is up over 35%, and the industrials sector is up about 25%. Momentum and AI trades are back in favor, with chip makers Micron and AMD as some of the best performers off the bottom. Industrials' outperformance indicates expected strength in the economy going forward.
- Trump announced late Thursday that a deal had been reached with China on the exports of rare earths, which had been a major sticking point in negotiations. Treasury Secretary Bessent said the U.S. is close to closing numerous other trade deals and expects to wrap up most by September.

Bonds

- U.S. Treasury yields moved lower on softer employment data and optimism that the ceasefire between Israel and Iran would hold, corresponding with a drop in oil prices. The rally in Treasuries was led by strength across the short-to-intermediate part of the curve, but yields finished the week off lower after core PCE inflation came in stronger than expected on Friday.
- Municipal bonds lagged U.S. Treasuries for the week. Issuance across the municipal market has been elevated this year, with state and local governments borrowing at a record pace to fund projects. State and local governments have issued an estimated $153 billion of new debt in the second quarter, which is already the highest ever.
- Perceived credit risk across the market continues to moderate, with the spread on the Market CDX NA HY Index falling to its lowest level since March.
- Long-term German bund yields had their biggest weekly rise since March after the government unveiled a major fiscal spending package.

International Equities

- Foreign markets traded higher on some positive geopolitical news, lifting investor sentiment. Key developments include a fragile ceasefire between Israel and Iran, NATO agreeing to increase defense spending to 5% of GDP and potential imminent trade agreements with key U.S. trading partners.
- Developed markets rallied this week, driven by the strength of the European markets. The European Union (EU) has signaled that it plans to impose retaliatory tariffs on approximately $116 billion of U.S. imports if the U.S. imposes a baseline levy on EU goods. The EU is rushing to clinch a deal with Washington before tariffs on nearly all its exports to the U.S. jump to 50% on Jul. 9.
- Emerging markets trended higher this week as markets across Asia posted positive results. The U.S. and China confirmed details of a tentative trade framework in which China will ease restrictions on key rare earth materials in exchange for the U.S. relaxing some limits on technology exports.

Economics

- On Tuesday and Wednesday, Fed Chair Jerome Powell testified before the Senate Banking Committee. Powell continued to reiterate his stance that the Fed was waiting to see how tariffs and future tax policy would impact the U.S. economy.
- On Monday, existing home sales came in at 4.03 million. This was slightly above consensus estimates of 3.95 million and the last reading of 4.00 million. While the figure was in line with estimates and last month's report, it still represents a sharp drop from pre-pandemic levels as home prices and mortgage rates remain elevated.
- On Thursday, jobless claims showed an increase of 236,000. This was below consensus estimates of 245,000 and the prior revised reading of 246,000. While new claims continue to show stability in the labor market, continuing claims have been climbing and are an area of potential weakness.

Weekly Market Update

For Week Ending June 27, 2025

Markets

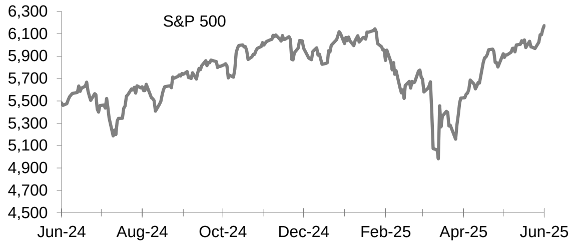
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	43,819.27	3.8%	3.9%	13.9%
S&P 500 Index	6,173.07	3.5%	5.6%	14.1%
NASDAQ Composite	20,273.46	4.3%	5.3%	14.3%
S&P 400 Midcap Index	3,102.77	2.6%	0.2%	7.8%
S&P 600 Smallcap Index	1,336.86	3.1%	-4.3%	5.8%
MSCI EAFE	9,648.99	3.1%	19.4%	17.7%
MSCI Emerging Markets	664.41	3.4%	15.8%	16.3%
Bloomberg US Agg	2,268.99	0.7%	3.7%	5.2%
Bloomberg Municipal 5 Yr	505.32	0.2%	2.2%	4.2%
Bloomberg US Corporate	3,410.50	0.7%	3.7%	5.9%
Bloomberg Glb Agg ex US Hdg	603.01	0.1%	1.7%	6.0%
Bloomberg High Yield	2,798.56	0.8%	4.3%	10.1%
MSCI US REIT Index	2,283.05	-1.1%	-1.2%	8.2%
Bloomberg Commodity Index	253.86	-3.5%	6.4%	6.3%

	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%	4.30%	4.31%	5.37%
1-Year Treasury	3.97%	4.06%	4.14%	5.10%
2-Year Treasury	3.75%	3.91%	4.24%	4.71%
5-Year Treasury	3.83%	3.96%	4.38%	4.30%
7-Year Treasury	4.03%	4.15%	4.48%	4.28%
10-Year Treasury	4.28%	4.38%	4.57%	4.29%
30-Year Treasury	4.84%	4.89%	4.78%	4.43%
Consumer Rates				
30-Year Mortgage	6.85%	6.88%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.39%	4.29%	4.49%	5.34%
Commodities				
Gold (spot)	3,274.33	3,368.39	2,624.50	2,327.73
Crude Oil WTI	65.52	74.93	71.72	81.74
Gasoline	3.19	3.22	3.06	3.50
Natural Gas	3.74	3.85	3.63	2.69
Copper	5.07	4.83	4.03	4.33

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.42	22.11	5.52	1.68
S&P 500	22.03	24.27	5.21	1.32
S&P 500 Value	18.15	19.30	3.37	2.09
S&P 500 Growth	27.13	31.33	9.94	0.66
NASDAQ	27.72	33.77	7.13	0.73
S&P Midcap 400	16.56	16.87	2.54	1.75
S&P Smallcap 600	15.63	16.21	1.81	2.51
MSCI EAFE	15.17	16.65	2.10	3.12
MSCI Emerging Markets	12.76	15.37	1.99	2.78

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.99	4.37	5.61
Mid	2.44	2.18	1.95
Small	3.32	3.02	2.75

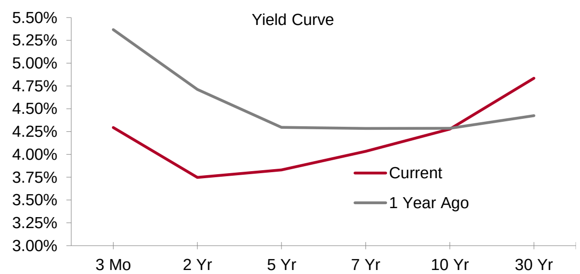
Year to Date*

	Value	Core	Growth
Large	2.82	5.64	8.23
Mid	-0.03	0.15	0.32
Small	-7.35	-4.30	-1.27

> 10%
0% - 10%
<0%

*S&P Indices

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.69	1.05	2.20
Corp	0.75	1.35	2.71
HY	0.92	1.78	2.73

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	2.75	3.78	2.14
Corp	2.99	4.16	2.70
HY	4.03	4.31	3.85

> 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	2.7%	2.7%
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)	236	233
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)	93.0	97.8
Consumer Spending ($ Bil)	20,593	19,697
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	329.61	320.88
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,513	23,054
Quarter over Quarter Change	-0.5%	1.6%
Year Over Year Change	2.0%	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	121.4	124.5
EUR / USD	1.17	1.07
JPY / USD	144.65	160.76
CAD / USD	0.73	0.73
AUD / USD	0.65	0.66

S&P 500 Sector Returns

	1 Month	YTD
Industrials	2.72%	12.14%
Communication Services	6.89%	10.76%
Utilities	0.28%	8.98%
Financials	2.30%	8.28%
Information Technology	8.51%	7.00%
Consumer Staples	-1.50%	5.90%
Materials	1.39%	5.90%
Real Estate	0.48%	2.73%
Energy	4.22%	1.45%
Health Care	1.83%	-1.73%
Consumer Discretionary	1.78%	-3.03%

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