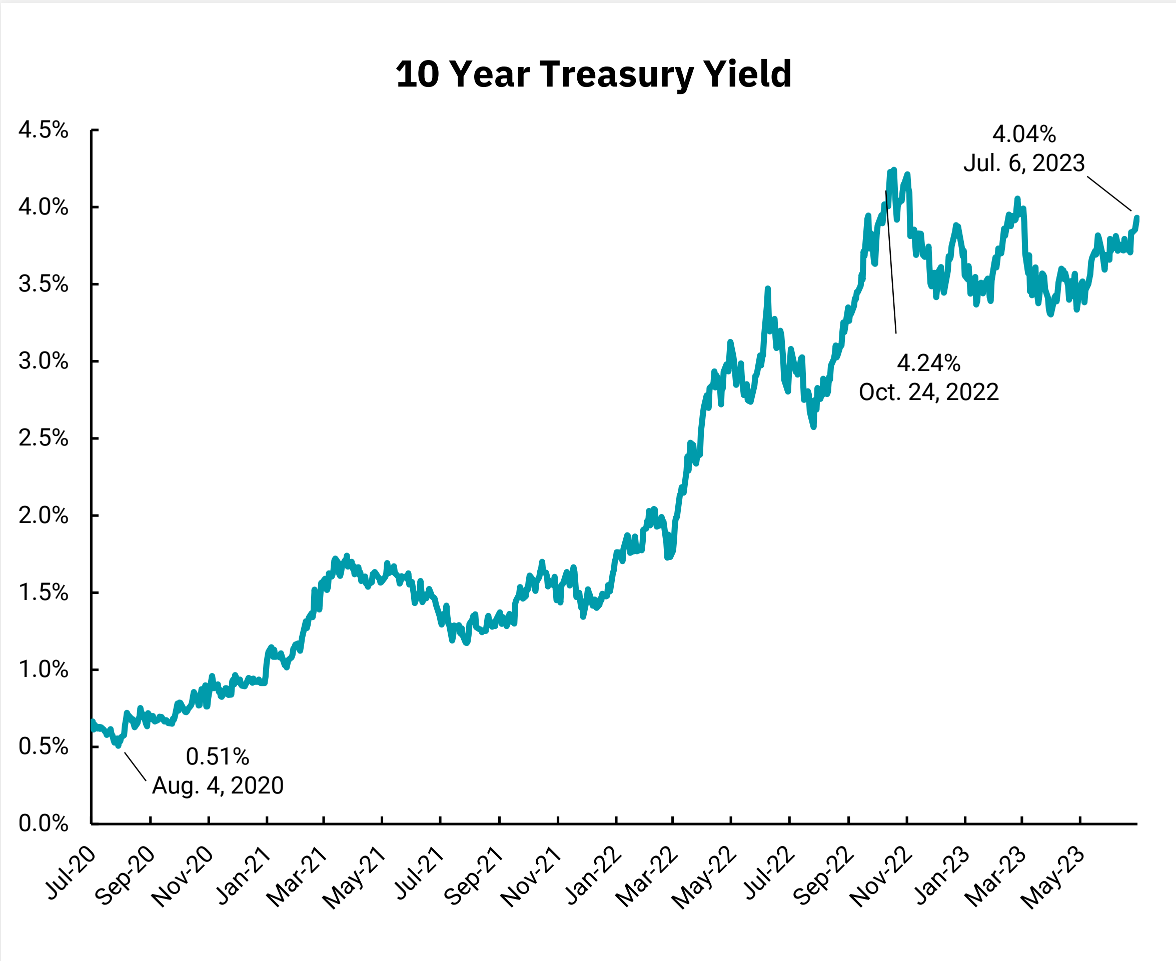
INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Chart of the week (Jul. 07, 2023)



Having started my investment career as a bond salesman in January 1982, I have always tried to pay attention to the "message" of the bond market. While the stock market gets more press and, frankly, can be a bit more interesting, one ignores the bond market at their own peril.

The bond market is made up of lots of different kinds of debt, from governments to corporate issuers to car loans to home mortgages. How these different types of bonds trade on an absolute and relative basis can offer important information about investor outlooks for the future of the economy. For example, if bond investors begin demanding a higher spread over treasuries to buy corporate bonds, it can indicate an outlook for slower economic growth. As growth slows, more corporations could have trouble repaying debt, leading investors to demand more return in compensation for risk.

The U.S. treasury market is at the base of the bond market and, in a broader sense, even the stock market. U.S. treasuries are viewed as the global riskless security; hence, the angst recently as the risk of inaction on the debt ceiling introduced the risk of a U.S. government bond default. That idea of U.S. treasuries as "riskless" means every investment outside treasuries has some measure of higher risk. The Federal Reserve controls the short end of the bond market, normally defined as bonds two years and less in maturity, with monetary policy and their overnight Federal Funds target rate. But the longer end of the treasury market, defined as ten years or longer, is less influenced by overnight rates and more by the perception of longer-term economic growth and inflation. For consumers, the ten-year note is normally the basis for 30-year fixed mortgage rates.

We watch longer-term rates and their relationship to shorter-term rates as one marker in our economic outlook. Our chart shows the material move higher from the lows we saw during the depths of the pandemic, where future growth prospects seemed bleak, to today, where inflation is still higher than the Fed's target. Note the recent trend back towards high yields of around 4.25%. The "message" from this move is somewhat positive from an economic growth standpoint. Higher rates could portend positive growth but also gives an indication that the market expects the Fed to keep rates higher for a longer period of time. For stock market investors, higher rates can be a headwind to higher stock prices. Of course, the variability of the chart shows opinions can change, but, our outlook is for the Fed to remain firm on rates.

Source: : Bloomberg

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Commentary (Jul. 07, 2023)

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Domestic Equities

- In the first half of 2023, U.S. stocks generally saw strong gains. The broad-market Russell 3000 Index was up 16.17% year-to-date, as of Jun. 30. The largest gains were concentrated in a few sectors, and the tech-heavy Nasdaq Composite Index doubled the broad-market return up 32.32% year-to-date. Value and small-cap indices saw only single-digit returns, and financials, health care, energy and utilities sectors fell year-to-date.
- Stocks fell this week as strong employment data led to increased odds of another rate hike at the Fed meeting this month. On the positive side, a tight labor market makes a recession less likely.
- Shares of electric-vehicle maker Rivian are up over 75% in the past two weeks. The stock fell sharply on supply-chain woes and inflation fears last year and has recovered on better-than-expected deliveries in the second quarter.

Bonds

- U.S. Treasury yields were higher after stronger-than-expected employment data fueled expectations that the Federal Reserve will have to be more aggressive in raising interest rates. The market was led higher by tenors at the long-end, with the yield on the 10- and 30-year both breaking out above 4.00%. The Fed Fund futures market is now pricing in a 94% probability that the Fed with hike 0.25% in July.
- The broad investment grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was negative, with weakness across the Treasury complex weighing most heavily on index returns.
- China promoted Pan Gongsheng as the PBOC’s new Communist Party chief, putting him in line to be the next governor. This follows news that the central bank plans to step up its efforts to stabilize the Yuan after the currency fell to a 15-year low against the U.S. dollar.

International Equities

- Global markets have been roiled this week by renewed fears central banks will have to keep interest rates higher for longer, as robust economic data keeps fueling concerns that inflation will remain elevated.
- Foreign developed markets fell slightly this week, with the heaviest losses across European markets. Europe faces multiple headwinds as the European Central Bank forecasts suggest the region’s GDP growth could be less than 0.5% for the rest of the year, with leading economic indicators suggesting deteriorating economic momentum.
- Emerging markets struggled to find direction this week, with losses seen across Latin America, while some markets within Europe, the Middle East, and Asia posted gains. U.S. Treasury Secretary Yellen is visiting China with the goal of finding areas of common ground. If successful, that could start reducing the geopolitical risk, which in turn could positively shift investor sentiment.

Economics

- The Bureau of Labor Statistics (BLS) reported total nonfarm payroll employment increased by 209,000 in June, much lower than the ADP® report of 497,000. The BLS reported that most job gains occurred in the government, health care, social assistance and construction industries. The unemployment rate (U-3) slightly declined to 3.6%, and the labor force participation rate was unchanged at 62.6%. The BLS Job Openings and Labor Turnover Summary (JOLTS) report indicated monthly job openings declined -498,000 to reach 9.8 million openings as of the last business day in May.
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- The June CPI report will be released on Wednesday.

Weekly Market Update

For Week Ending July 07, 2023

Markets

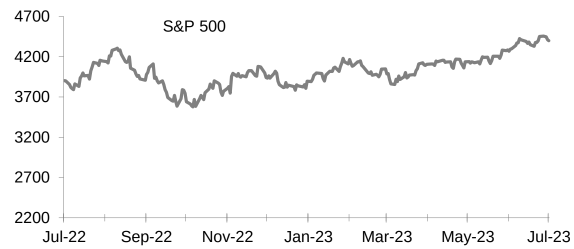
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,734.88	-1.9%	2.9%	9.8%
S&P 500 Index	4,398.95	-1.1%	15.6%	14.6%
NASDAQ	13,660.72	-0.9%	31.1%	18.6%
S&P 400 Midcap Index	2,603.24	-0.7%	8.1%	13.8%
S&P 600 Smallcap Index	1,199.83	-1.3%	4.6%	6.5%
MSCI EAFE	7,201.49	-2.0%	9.4%	16.7%
MSCI Emerging Markets	506.58	-0.6%	4.2%	1.5%
Bloomberg US Agg	2,064.52	-1.3%	0.8%	-2.3%
Bloomberg Municipal 5 Yr	473.41	-0.2%	1.0%	0.6%
Bloomberg US Corporate	3,019.71	-1.4%	1.7%	-0.2%
Bloomberg Glb Agg ex US Hdg	536.34	-0.7%	2.9%	0.3%
Bloomberg High Yield	2,289.67	-0.6%	4.7%	7.0%
MSCI US REIT Index	2,008.84	0.1%	4.9%	-2.7%
Bloomberg Commodity Index	227.94	0.5%	-7.3%	-7.7%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.25%	5.25%	4.50%	1.75%
3-Month Treasury	5.34%	5.28%	4.34%	1.86%
1-Year Treasury	5.38%	5.39%	4.69%	2.81%
2-Year Treasury	4.95%	4.90%	4.43%	3.01%
5-Year Treasury	4.36%	4.16%	4.00%	3.03%
7-Year Treasury	4.22%	3.99%	3.97%	3.06%
10-Year Treasury	4.06%	3.84%	3.87%	2.99%
30-Year Treasury	4.05%	3.86%	3.96%	3.18%
Consumer Rates				
30-Year Mortgage	7.38%	7.15%	6.66%	5.83%
Prime Rate	9.00%	9.00%	8.25%	5.50%
SOFR	5.06%	5.09%	4.77%	1.54%
Commodities				
Gold	1,925.05	1,919.35	1,824.02	1,740.16
Crude Oil (WTI)	73.86	70.64	80.26	81.79
Gasoline	3.54	3.54	3.21	4.72
Natural Gas	2.58	2.80	4.48	4.60
Copper	3.78	3.76	3.81	3.58

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.01	18.89	4.38	2.12
S&P 500	20.08	19.68	4.25	1.59
S&P 500 Value	17.80	17.96	2.84	2.01
S&P 500 Growth	22.52	21.53	7.43	1.23
NASDAQ	29.67	34.56	5.59	0.84
S&P Midcap 400	15.28	13.52	2.24	2.01
S&P Smallcap 600	15.41	12.87	1.71	1.72
MSCI EAFE	13.10	12.94	1.59	3.44
MSCI Emerging Markets	13.05	12.04	1.52	3.01

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.82	3.22	3.56
Mid	-1.56	1.52	1.50
Small	-1.56	-1.40	-1.27

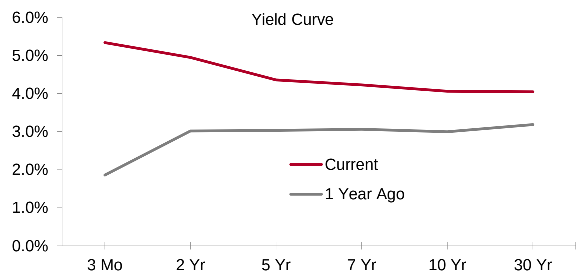
> 10% · 0% - 10% · <0%

Year to Date*

	Value	Core	Growth
Large	11.16	15.58	19.64
Mid	6.60	8.07	9.41
Small	3.91	4.62	5.24

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	-0.38	-1.03	-1.68
Corp	0.01	-0.84	-0.15
HY	0.56	0.15	0.95

> 10% · 0% - 10% · <0%

Year to Date*

	Short	Interm.	Long
Govt	0.91	0.44	0.33
Corp	1.46	1.71	2.12
HY	5.11	4.76	4.38

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	4.0%	8.6%
CPI Core Inflation	5.3%	6.0%
Personal Consumption Exp (PCE) Core	4.6%	4.9%
Jobs		
Unemployment Rate (U3)	3.6%	3.6%
Broader Unemployment Rate (U6)	6.9%	6.7%
JOLT Survey (in millions)	9.82	11.44
Jobless Claims (000's)	248	212
Change in Non-Farm Payroll (000's)	209	370
Average Hourly Earnings (Y/Y % Change)	4.4%	5.4%
Consumer & Spending		
Consumer Confidence (Conf Board)	109.7	98.4
Consumer Spending ($ Bil)	18,266	17,231
Consumer Credit ($ Bil)	4,860	4,551
Retail Sales ($ Bil)	687	676
Housing		
Housing Starts (000's)	1,631	1,543
Case-Shiller Home Price Index	301.05	301.77
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	20,283	19,924
Quarter over Quarter Change	2.0%	-1.6%
Year Over Year Change	1.8%	3.7%
ISM Manufacturing	46.00	53.10
Capacity Utilization	79.58	80.63
Markit US Composite PMI	53.20	52.30
U.S. General		
Leading Economic Indicators	106.7	115.9
Trade Weighted Dollar Index	119.9	120.9
EUR / USD	1.10	1.02
JPY / USD	142.21	136.01
CAD / USD	0.75	0.77
AUD / USD	0.67	0.68

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	5.56%	40.72%
Communication Services	2.01%	36.06%
Consumer Discretionary	7.48%	32.63%
Industrials	4.07%	9.05%
Materials	2.13%	5.58%
Real Estate	1.67%	4.02%
Consumer Staples	1.89%	0.20%
Financials	1.72%	-0.90%
Health Care	0.29%	-4.29%
Utilities	-0.84%	-5.81%
Energy	-1.12%	-6.15%

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