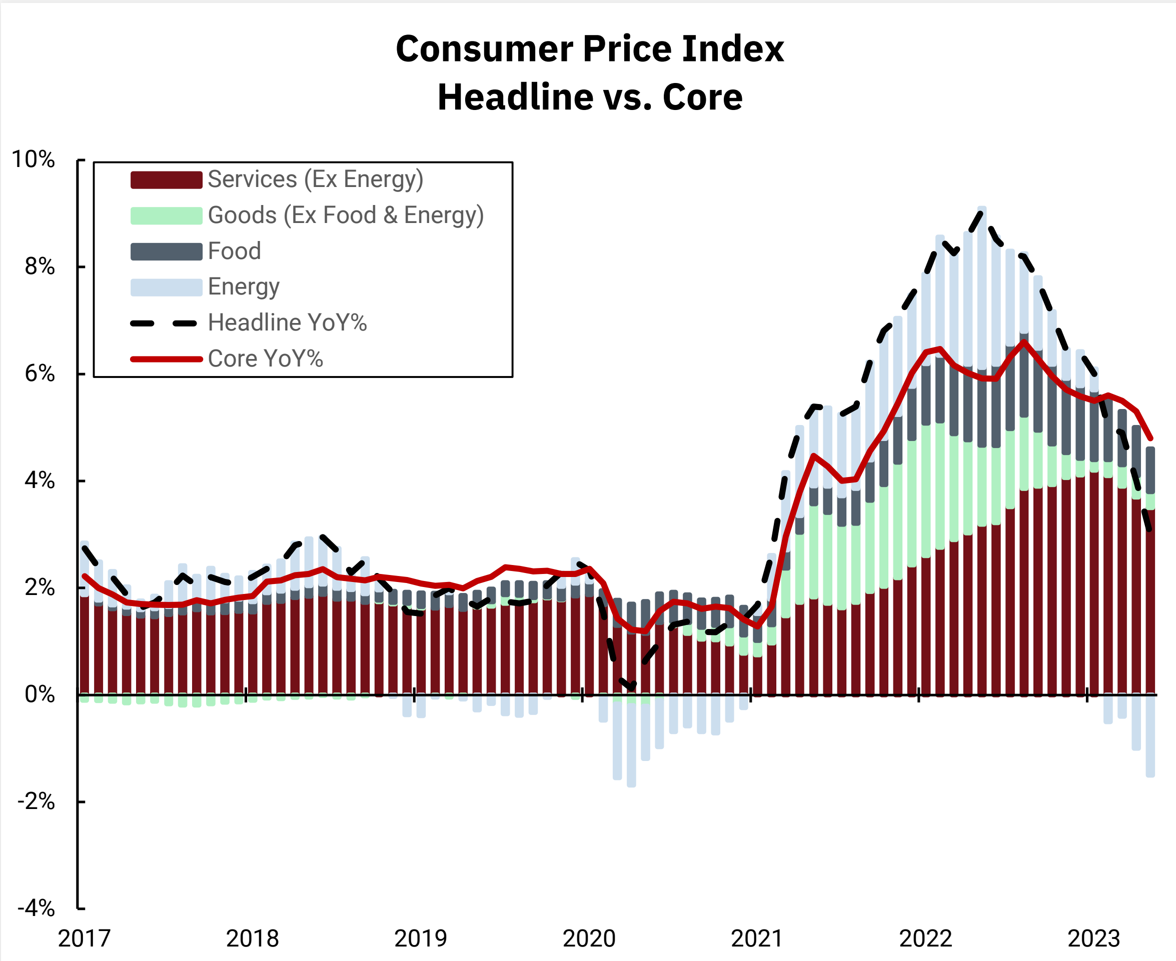
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Jul. 14, 2023)



Source: : Bloomberg

We got some great news on inflation last week, as both the Consumer Price Index (CPI) and Producer Price Index (PPI) were lower than market expectations. It is unsurprising to see inflation slow from the very rapid increases we witnessed a year ago. However, it is also important to realize that overall price levels are still increasing, just at a much slower pace.

This week's chart breaks down the CPI into its individual components. This is important because we know some prices within our economy can move around a lot; think food prices, where seasonal availability can lead to price variances, or energy, where global demand and supply issues can cause price volatility.

A review of the chart shows that energy prices have decreased for the last four months. This has been a tailwind for U.S. consumers, as energy is a common expense, and we have seen food inflation moderate as well. Both of these factors help explain why headline inflation, the measure of all prices, is falling rapidly, showing to a 3% increase year-over-year in the June data, down from a peak of over 9% a year ago.

At the same time, a closer inspection of the data shows why it might be a little too early to think inflation is no longer a concern. While we all spend on food and energy, the historical volatility of prices in those areas means that the Federal Reserve pays more attention to other areas of inflation, which tend to move more slowly and in longer-term trends. These areas make up what's known as "core inflation," which includes rents and wages (represented in the chart by the "Services" bar).

The good news is we see inflation pressures subsiding there, too, but at a much slower pace. While core inflation moved up throughout 2022, we can see it did not move up as much or as fast. We are now in a position where the broader "headline" inflation readings are below the narrower "core" inflation readings.

The Fed has identified the labor market as a key input into core inflation. We remain in a position where competition for labor is leading to wage growth which could make it difficult to get inflation back to the Fed's 2% target. As a result, we welcome the good news on overall inflation and expect price pressures to continue to ease overall. But the Fed will need to see core inflation moderate more before reducing interest rates. This means we should be watching the labor market closely for signs of slower wage growth as a key to the Fed lowering interest rates in the future.

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Commentary (Jul. 14, 2023)

Domestic Equities

- U.S. stocks rose steadily this week on encouraging economic data and the beginning of Q2 earnings reports. Mega-cap tech stocks participated in the rally, but market enthusiasm appears to be broadening, with small caps significantly outperforming large caps and value outperforming growth.
- Big banks reported earnings Friday, with profits beating expectations at JP Morgan, Wells Fargo, BlackRock and Citigroup. Strong bank earnings raise the odds that the Fed has engineered a "soft landing," where inflation cools but the economy does not significantly contract, although downside risks remain.
- UnitedHealth Group shares also surged as the company reported its sixth-straight quarter of double-digit revenue growth. Financials and health care are sectors that had struggled earlier this year but are more recently outperforming, broadening the breadth of the 2023 market rally.

Bonds

- U.S. Treasury yields were lower on softer U.S. inflation data for the week. The drop in yields was most pronounced around the belly of the curve, with the yield on both the three-year and five-year tenors falling by over 0.40%. Despite softer inflation data, the market continues to price in a 90% probability that the Federal Reserve will hike by 0.25% this month. Federal Reserve Governor Waller echoed this sentiment during his speech at New York University on Thursday, with the governor arguing for two more 0.25% hikes before pausing.
- The broad investment-grade market was positive for the week, as measured by the Bloomberg US Aggregate Bond Index, with the market mainly benefitting from lower rates but also narrowing spreads.
- In international markets, E.M. local currency debt outperformed, with a weaker U.S. dollar driving performance. Additionally, the Bank of Canada hiked policy rates by 0.25%, with the overnight rate now at 4.75%.

International Equities

- As the inflation data from the U.S. came in softer than expected, investors speculated that the Federal Reserve's monetary tightening cycle is nearing an end. That shift sent the U.S. dollar lower, benefitting foreign stock markets.
- Foreign developed markets staged a strong rally, with robust gains seen across most markets. European stocks continue to surge higher despite a challenging macro environment. Euro-area industrial production rose less than anticipated in May, adding to signs that manufacturing is struggling to regain momentum after the 20-nation bloc suffered a recession over the winter.
- Emerging markets snapped a three-week losing streak as investors drove stocks higher. Markets across Asia delivered the largest gains for the week. Chinese stocks rebounded as the country's central bank hinted at more policy support for the economy, which renewed investor hopes that the economic outlook will improve.

Economics

- The Bureau of Labor Statistics (BLS) reported the Consumer Price Index (CPI-U) was 0.2% in June and 3.0% over the prior 12 months, the lowest 12-month increase since the period ending March 2021. Declining energy prices were largely responsible for the slowing growth over the prior 12 months. Core CPI (which excludes food and energy) was 0.2% in June and 4.8% over the prior 12 months.
- The BLS reported prices for U.S. imports fell 0.2%, and exports fell 0.9% in June. Over the prior 12 months, the prices for U.S. imports declined 6.1%, the largest decline since the period ending May 2020, and export prices declined 12%, the largest decline since the series began in Sep. 1984.
- Initial claims for unemployment insurance totaled 237,000 for the week ending Jul. 8, a decline of 12,000 from the prior week.

Weekly Market Update

For Week Ending July 14, 2023

Markets

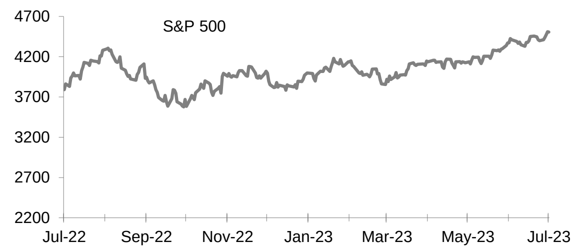
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	34,509.03	2.3%	5.3%	15.1%
S&P 500 Index	4,505.42	2.4%	18.4%	20.9%
NASDAQ	14,113.70	3.3%	35.5%	26.6%
S&P 400 Midcap Index	2,673.94	2.7%	11.0%	20.4%
S&P 600 Smallcap Index	1,236.66	3.1%	7.9%	13.0%
MSCI EAFE	7,551.90	4.9%	14.7%	26.2%
MSCI Emerging Markets	531.64	5.0%	9.4%	9.6%
Bloomberg US Agg	2,095.69	1.5%	2.3%	-1.0%
Bloomberg Municipal 5 Yr	475.15	0.4%	1.4%	0.6%
Bloomberg US Corporate	3,068.14	1.6%	3.4%	1.1%
Bloomberg Glb Agg ex US Hdg	539.40	0.6%	3.4%	0.5%
Bloomberg High Yield	2,326.39	1.6%	6.4%	8.8%
MSCI US REIT Index	2,070.92	3.1%	8.2%	3.2%
Bloomberg Commodity Index	234.19	2.7%	-4.8%	-2.3%

	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	5.35%	5.34%	4.34%	2.32%
1-Year Treasury	5.27%	5.38%	4.69%	3.10%
2-Year Treasury	4.77%	4.95%	4.43%	3.13%
5-Year Treasury	4.05%	4.36%	4.00%	3.07%
7-Year Treasury	3.94%	4.22%	3.97%	3.05%
10-Year Treasury	3.83%	4.06%	3.87%	2.96%
30-Year Treasury	3.93%	4.05%	3.96%	3.10%
Consumer Rates				
30-Year Mortgage	7.18%	7.38%	6.66%	5.83%
Prime Rate	9.00%	9.00%	8.25%	5.50%
SOFR	5.05%	5.06%	4.77%	1.53%
Commodities				
Gold	1,955.21	1,925.05	1,824.02	1,709.94
Crude Oil (WTI)	75.42	73.86	80.26	78.92
Gasoline	3.57	3.54	3.21	4.58
Natural Gas	2.54	2.58	4.48	4.69
Copper	3.93	3.78	3.81	3.21

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.51	19.32	4.48	2.08
S&P 500	20.61	20.15	4.35	1.55
S&P 500 Value	18.25	18.47	2.92	1.95
S&P 500 Growth	23.14	21.90	7.55	1.21
NASDAQ	30.67	35.71	5.78	0.81
S&P Midcap 400	15.76	13.88	2.31	1.96
S&P Smallcap 600	15.83	13.51	1.79	1.64
MSCI EAFE	13.48	13.62	1.68	3.32
MSCI Emerging Markets	13.74	12.49	1.58	2.91

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	3.35	3.15	2.99
Mid	3.45	4.32	4.59
Small	3.45	3.30	3.15

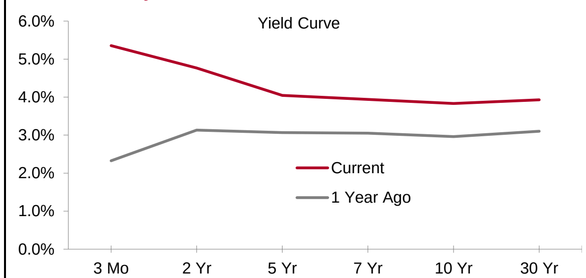
Year to Date*

	Value	Core	Growth
Large	13.91	18.40	22.51
Mid	9.38	11.03	12.54
Small	6.96	7.85	8.66

> 10%
0% - 10%
<0%

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.27	0.27	-0.27
Corp	0.57	1.04	1.26
HY	1.10	1.22	2.13

Year to Date*

	Short	Interm.	Long
Govt	1.38	1.54	2.69
Corp	1.92	3.71	4.54
HY	6.08	6.43	6.25

> 10%
0% - 10%
<0%

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.0%	9.1%
CPI Core Inflation	4.8%	5.9%
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)	237	221
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)	4,865	4,579
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	119.6	122.6
EUR / USD	1.12	1.00
JPY / USD	138.80	138.96
CAD / USD	0.76	0.76
AUD / USD	0.68	0.68

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	2.64%	44.67%
Communication Services	3.36%	40.64%
Consumer Discretionary	6.04%	37.03%
Industrials	4.80%	11.47%
Materials	3.48%	8.22%
Real Estate	4.31%	6.79%
Consumer Staples	1.40%	1.41%
Financials	3.57%	1.06%
Health Care	1.61%	-2.27%
Utilities	1.79%	-3.68%
Energy	2.09%	-5.57%

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BOK FINANCIAL

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