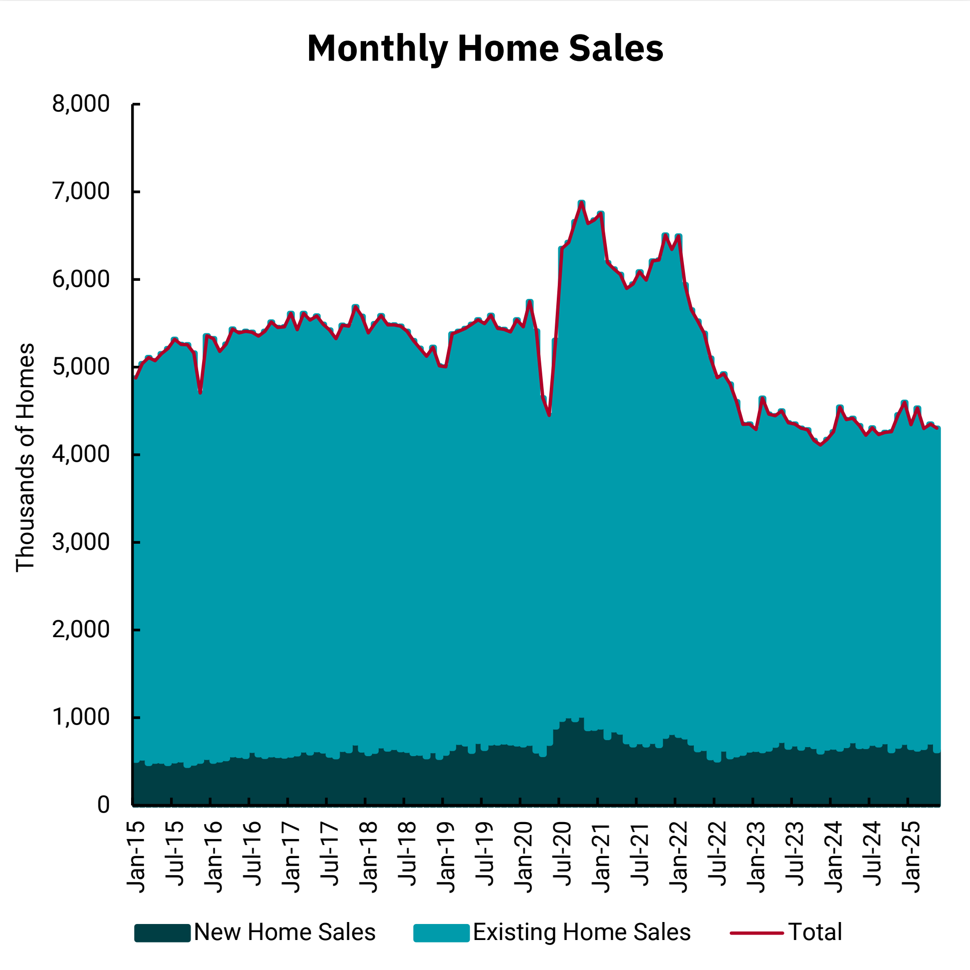
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Jul. 25, 2025)



Having a robust and healthy housing market is important for many reasons. The housing market directly impacts our economy in a couple of ways, residential and construction, which includes remodeling, itself is not a huge component coming in at 3-5%, but when we add consumer consumption on housing services like rents and utilities, its impact expands to 15-18% of gross domestic product (GDP). Not to mention the idea of owning a home is a key part of achieving the American dream.

Our chart this week is on monthly home sales and provides some insight into the state of the housing market compared to past periods. This is a national sales chart, and we know that real estate markets are local, meaning individual markets may look different. However, broadly speaking, we can see a material decline in overall home sales, particularly over the last two to three years. We can also see that the biggest shift downward has been in existing homes. The darker shade of the chart represents new home sales, which have been much more stable. However, underinvestment in housing, where we are some four to five million units short, is a key reason why we have a nationwide supply issue. However, the bigger part of the overall housing market is the existing home market—and it is here that we see the result of the ultra-low-interest-rate environment that existed from the Financial Crisis through the pandemic era, until inflation took off.

With most homeowners today holding mortgages at rates below the current level, the concept of selling and giving up the low mortgage to buy another house is at least unpalatable and, in many cases, a bad business decision. The result is fewer existing homes for sale, which is limiting supply and playing a part in holding prices high. The combination of 7% mortgage rates and high prices means overall affordability is at very low levels. Speaking of affordability, recent research has shown that for affordability to return to historical levels, the following would need to occur, if nothing else changed: mortgage rates would need to fall by 3%, home prices would need to fall 25%, or incomes would need to rise by 40%. Now, combining a few of these would reduce the amounts listed above, but the overall message is this: housing affordability is a long way from where it used to be. And one can easily see that within these changes, there would be winners and losers.

Looking forward, it is possible to see some relief on rates as the Federal Reserve lowers rates in response to lessening inflationary pressures. However, despite protestations to the contrary by the president, there are reasons longer-term rates might not go down even if the Fed lowers short-term rates. Yet, our outlook for continued economic growth and a firm, if not robust, labor market supports the idea that the U.S. consumer will remain a positive part of the economy. Over time, lower rates can help, as can slowing or flat prices, and increasing consumer incomes can also be beneficial. It might just take a longer period than we like. In the meantime, a growing trend we are seeing is existing homeowners using their growing equity to remodel their homes, rather than moving. This doesn't help activity in the housing market but is additive to economic growth.

Recent earnings announcements by homebuilders have led to some positive reaction in their stock prices. Is this a harbinger of a better outlook? Housing expert C.J. Maloney of BOKF says this is "more about gross margins than a sunny outlook on the actual industry." It would seem that homebuilder stocks have been depressed to the degree that news that is "less bad" is good news.

Source: National Association of Home Builders

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BOK FINANCIAL

Commentary (Jul. 25, 2025)

Domestic Equities

- Major U.S. indexes ended the week higher, with the Dow, S&P 500 and Nasdaq all posting gains. Disappointing earnings from Tesla weighed on overall market sentiment, while strong results from IBM and Alphabet helped buoy the broader market. As earnings season progresses, investors continue to closely watch whether elevated valuations in the tech sector can be justified.
- Markets responded positively to news that the U.S. had reached trade agreements with Japan and the Philippines, supporting equity gains during the week. However, investor sentiment remains cautious, as negotiations with key partners, Canada, Mexico and the European Union remain unresolved ahead of the Aug. 1 tariff-pause deadline.
- Intel announced plans to cut 15% of its workforce and cancel major chip facility projects in Europe. Under new CEO Lip-Bu Tan, the company is pivoting toward AI chip development and streamlining operations to regain competitiveness in the rapidly evolving semiconductor landscape.

Bonds

- U.S. Treasuries remained range bound with investors waiting for the Federal Reserve's FOMC announcement on July 30th and the Trump administration's trade deadline set for August 1st.
- New issuance continues to pick up across the leverage loan market, with a record $61 billion in loans hitting the market on Monday alone, the second highest ever. The uptick in new issuance has been met by strong demand, with many issuers having to reprice their borrowings multiple times, cutting interest rates for investors.
- FHFA director Bill Pulte announced that lenders may start using VantageScore, as an alternative to the Fair Isaac Corporation's FICO score, to assess borrower creditworthiness for government-sponsored Fannie Mae or Freddie Mac mortgages.
- The ECB paused in its rate-cutting cycle for the first time in over a year, with the central bank signally that it would like additional clarity on tariffs before considering further cuts.

International Equities

- Foreign markets moved higher as resilient economic data and optimism surrounding new trade deals bolstered investor sentiment.
- Developed market stocks advanced this week, as a strong rally in Japan led the index higher. The key catalyst was the announcement that the U.S. and Japan reached a trade agreement that includes a 15% tariff on Japanese goods, which is lower than the initially threatened 25%. Additionally, the European Central Bank (ECB) left its policy rates unchanged amid U.S. trade uncertainty.
- Emerging markets rose for the second consecutive week, driven by strength in markets across Asia. South Korea's economy expanded by 0.6% from the previous quarter and rose 0.5% year-over-year. Exports of both goods and services were key drivers of economic growth in the second quarter. The future outlook remains unclear, as economists anticipate a softening of global trade due to higher U.S. tariffs.

Economics

- On Tuesday, existing home sales came in at 3.93 million, marking a 2.7% month-over-month decline. This was slightly below consensus estimates of 4 million and last month's reading of 4.04 million. While housing inventory has improved, elevated mortgage rates and high home prices have kept buyer activity subdued.
- On Thursday, jobless claims were reported at 217,000 for the week, better than the consensus estimate of 225,000 and last week's figure of 221,000. Continuing claims rose slightly to 1.96 million from 1.95 million. Initial claims suggest the labor market remains steady, though the uptick in continuing claims may indicate that companies are cautious about new hiring.
- Next Tuesday and Wednesday, the Federal Reserve will convene for its July policy meeting. On Wednesday, the Fed will announce its interest rate decision and hold a press conference.

Weekly Market Update

For Week Ending July 25, 2025

Markets

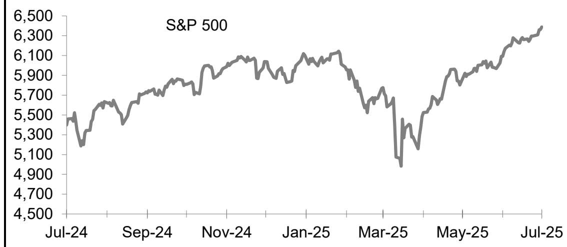
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,901.92	1.3%	6.5%	14.4%
S&P 500 Index	6,388.64	1.5%	9.4%	19.9%
NASDAQ Composite	21,108.32	1.0%	9.7%	23.7%
S&P 400 Midcap Index	3,218.31	1.5%	4.0%	8.0%
S&P 600 Smallcap Index	1,377.40	0.9%	-1.3%	-0.2%
MSCI EAFE	9,788.15	1.9%	21.1%	18.8%
MSCI Emerging Markets	682.05	0.7%	18.8%	19.7%
Bloomberg US Agg	2,267.87	0.4%	3.6%	4.5%
Bloomberg Municipal 5 Yr	509.35	0.3%	3.0%	4.0%
Bloomberg US Corporate	3,422.91	0.6%	4.1%	5.6%
Bloomberg Glb Agg ex US Hdg	601.48	0.0%	1.4%	4.7%
Bloomberg High Yield	2,819.13	0.4%	5.1%	9.1%
MSCI US REIT Index	2,337.23	1.3%	1.2%	5.6%
Bloomberg Commodity Index	256.15	-1.5%	7.3%	11.8%

	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	4.35%	4.33%	4.31%	5.31%
1-Year Treasury	4.09%	4.06%	4.14%	4.84%
2-Year Treasury	3.92%	3.87%	4.24%	4.43%
5-Year Treasury	3.96%	3.95%	4.38%	4.13%
7-Year Treasury	4.15%	4.16%	4.48%	4.17%
10-Year Treasury	4.39%	4.42%	4.57%	4.24%
30-Year Treasury	4.93%	4.99%	4.78%	4.48%
Consumer Rates				
30-Year Mortgage	6.80%	6.77%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.36%	4.30%	4.49%	5.35%
Commodities				
Gold (spot)	3,337.30	3,349.94	2,624.50	2,364.56
Crude Oil WTI	65.16	67.34	71.72	78.28
Gasoline	3.15	3.15	3.06	3.52
Natural Gas	3.11	3.57	3.63	2.04
Copper	5.76	5.58	4.03	4.11

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.51	22.56	5.66	1.67
S&P 500	22.47	25.00	5.40	1.28
S&P 500 Value	18.49	19.73	3.46	2.04
S&P 500 Growth	27.42	32.23	10.28	0.63
NASDAQ	28.75	34.64	7.44	0.70
S&P Midcap 400	16.96	17.47	2.63	1.69
S&P Smallcap 600	11.66	16.54	1.85	2.38
MSCI EAFE	15.54	16.99	2.15	3.03
MSCI Emerging Markets	13.10	15.77	2.04	2.68

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	4.21	4.95	5.61
Mid	4.97	5.48	5.95
Small	6.06	5.05	4.09

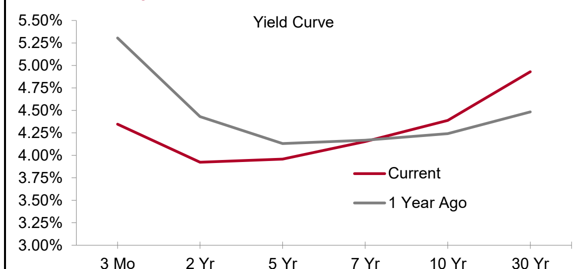
Year to Date*

	Value	Core	Growth
Large	6.02	9.41	12.52
Mid	3.48	3.98	4.43
Small	-3.42	-1.27	0.86

> 10%
0% - 10%
<0%

*S&P Indices

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.09	-0.04	-0.75
Corp	0.31	0.44	0.43
HY	0.89	0.96	2.13

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	2.77	3.65	1.53
Corp	3.24	4.51	3.15
HY	4.83	5.06	5.58

> 10%
0% - 10%
<0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	3.0%
CPI Core Inflation	2.9%	3.3%
Personal Consumption Exp (PCE) Core	2.7%	2.7%
Jobs		
Unemployment Rate (U3)	4.1%	4.1%
Broader Unemployment Rate (U6)	7.7%	7.4%
JOLT Survey (in millions)	7.77	7.90
Jobless Claims (000's)	217	236
Change in Non-Farm Payroll (000's)	147	87
Average Hourly Earnings (Y/Y % Change)	3.7%	3.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	93.0	97.8
Consumer Spending ($ Bil)	20,593	19,697
Consumer Credit ($ Bil)	5,048	5,027
Retail Sales ($ Bil)	720	693
Housing		
Housing Starts (000's)	1,321	1,327
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	49.00	48.30
Capacity Utilization	77.64	78.20
Markit US Composite PMI	54.60	54.30
U.S. General		
Leading Economic Indicators	98.8	102.9
Trade Weighted Dollar Index	120.8	123.2
EUR / USD	1.17	1.08
JPY / USD	147.69	153.94
CAD / USD	0.73	0.72
AUD / USD	0.66	0.65

S&P 500 Sector Returns

	1 Month	YTD
Industrials	7.80%	18.37%
Utilities	5.04%	13.21%
Information Technology	6.32%	12.88%
Communication Services	4.45%	11.94%
Financials	4.01%	11.42%
Materials	5.73%	10.74%
Real Estate	3.82%	6.86%
Consumer Staples	0.26%	5.62%
Energy	3.04%	3.50%
Health Care	1.95%	0.09%
Consumer Discretionary	5.86%	-0.35%

Disclosures

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