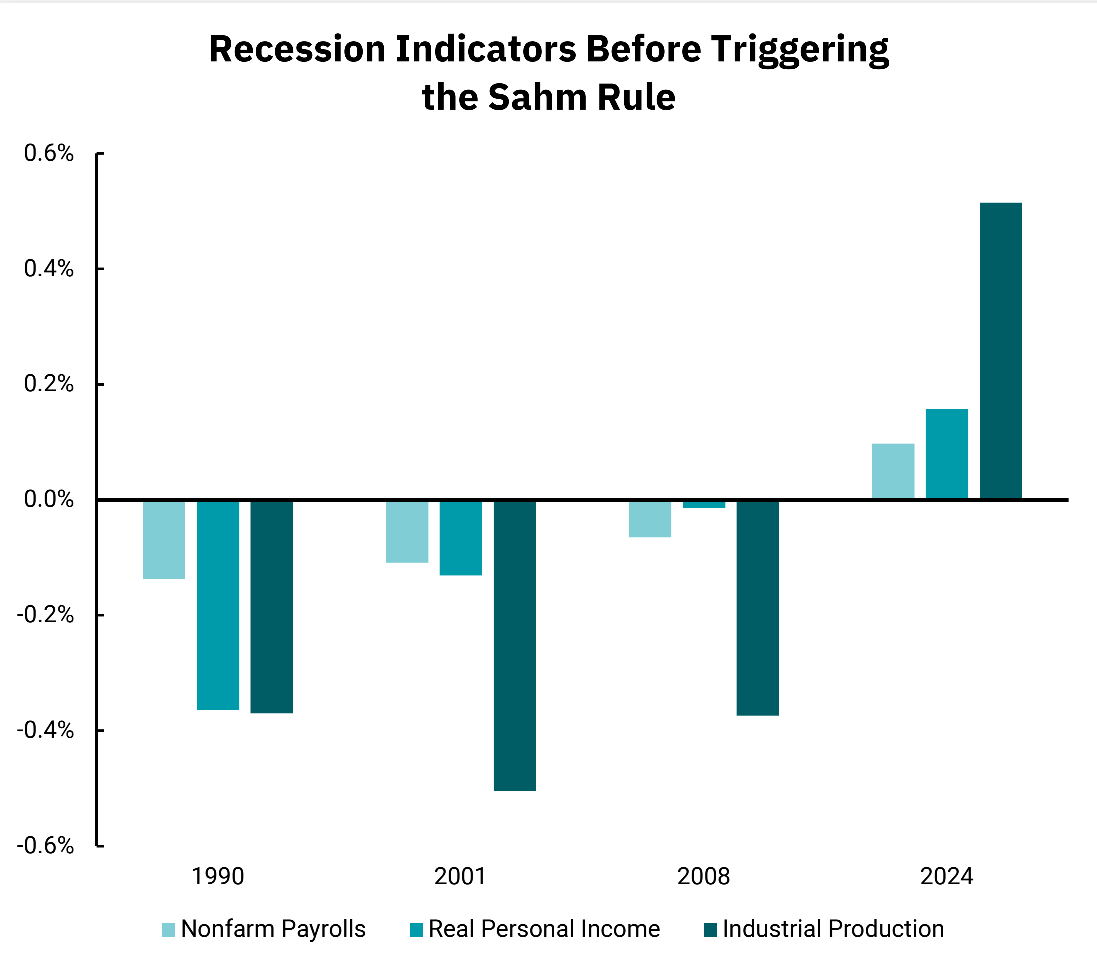
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Aug. 09, 2024)



Four months up to and including the month the Sahm rule is triggered, except industrial production and real incomes in 2024, which are for three months before rule was triggered.
Source: Federal Reserve Bank of St. Louis.

We recently wrote about unemployment's rise to 4.3%, which triggered the "Sahm Rule." This rule, named for former Federal Reserve economist Claudia Sahm, has had a perfect record of signaling when the U.S. economy was sliding into a recession. However, as is the case with many economic indicators, we may have to take a broader view to ascertain our economic position in this post-pandemic period.

With this in mind, this week's chart looks at the growth rate of nonfarm payrolls, real personal income and industrial production leading up to when the "Sahm Rule" was triggered in 1990, 2001, 2008 and today. Doing this reveals material differences in the economy today versus past periods.

The factor that jumps out at us the most is the difference between nonfarm payrolls today versus past periods. We can see that, in each previous period, the economy was losing jobs. In contrast today, even though job growth was less than expected in the latest report from the Department of Labor (DOL), the economy is still adding jobs. Additional job market data from the Job Openings and Labor Turnover Survey (JOLTS) shows that, while open jobs are declining, we still have more open jobs than unemployed persons. Indeed, the headline unemployment rate went up in July because the labor force grew, not because layoffs materially increased.

Looking beyond the labor market, though, shows additional factors that remain positive today as opposed to negative in previous periods. While aggregate inflation is still pinching consumers, the recent decline in inflation means real incomes are now rising. Also, the ongoing deglobalization trend might be additive to industrial production, which remains a positive factor in today's economy.

Nevertheless, we cannot say the risk of a recession is non-existent. We agree that it is becoming clear that the economy's overall growth rate is shifting lower. This, along with lower inflation, should put the Fed in a position to begin recalibrating monetary policy by lowering rates. At the same time, calls for an emergency cut in rates spurred by recent market volatility would seem to be premature, at best. Neither the markets nor the economy are in crisis. That said, this doesn't mean we, or the Fed, can ignore signals that have proved worthy in the past. On the contrary, we should remain diligent as it can be very dangerous to think, "This time is different." It remains very difficult to look at single-point indicators and paint a complete picture of our economy.

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Commentary (Aug. 09, 2024)

Domestic Equities

- Markets around the world fell sharply on Monday. Soft U.S. economic data followed by rate hikes in Japan drove the Volatility Index (VIX) to its all-time largest intra-day move.
- Over the first three trading days in August, the S&P 500 fell about 7%, the Nasdaq Composite corrected over 10% and the Russell 2000 corrected over 13%. Since Monday, markets have recovered, with each of these three indices up about 3% for the week. Better-than-expected employment data late in the week helped boost investor confidence.
- Earning season is drawing to a close with mixed results. About 75% of S&P 500 companies had better-than-expected results, but 2024 estimates came down slightly. Forward estimates for small-caps came down even more.

Bonds

- U.S. Treasury yields rebounded off recent lows on better U.S. employment data and the Bank of Japan downplaying the potential for further hikes under current market conditions. Yields also moved higher, but to a lesser extent. That's after several Fed officials pushed back on calls for more aggressive policy actions and there were softer auction results, with both the 10- and 30-year U.S. Treasury auctions tailing this week.
- Credit spreads narrowed after briefly touching nine-month highs on improving risk sentiment. In particular, high-yield bonds led the market higher, with the Bloomberg US Corporate High Yield Index posting a positive return for the week despite rates moving higher.
- In international markets, Mexico's central bank cut its main policy rate by 0.25% to 10.75% due to rising concerns over a slowing economy.

International Equities

- Global equities and currencies plunged earlier this week after the Bank of Japan hiked interest rates and the U.S. released weaker-than-expected employment numbers, reigniting recession fears.
- The volatility in Japanese stocks and weakness across many European markets depressed returns in foreign developed market stocks. Following the market volatility, Bank of Japan Deputy Governor Shinichi Uchida sent a strong dovish signal by pledging to refrain from hiking interest rates when the markets are unstable to calm investor fears about future policy actions.
- Emerging markets endured a volatile week, with Asian markets faltering while Latin American markets found some strength. Mexico's central bank lowered its benchmark interest rate by 0.25% while making upward revisions to its inflation outlook. Policymakers are seeking to balance the risks to economic growth while bringing down inflation.

Economics

- Jobless claims fell more than expected, which investors welcomed following last week's poor unemployment reading. Jobless claims fell to 233,000, which was below the expectations of 240,000.
- The Mortgage Bankers Association (MBA) reported that mortgage applications increased 6.9% from the prior week. Refinancing picked up 15.9% from the prior week. This was due to a drop in mortgage rates that was driven by fears of an economic slowdown.
- Core PPI and Core PPI year-over-year will be released Tuesday. Core CPI and Core CPI year-over-year will be released on Wednesday. Weekly jobless claims will be reported on Thursday.

Weekly Market Update

For Week Ending August 09, 2024

Markets

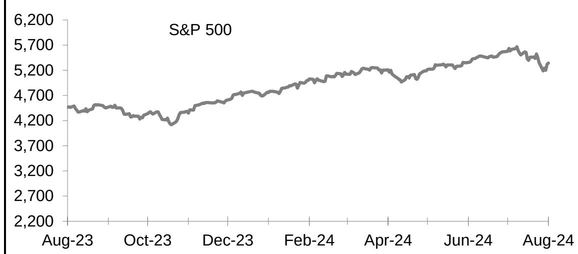
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	39,497.54	-0.6%	6.0%	14.8%
S&P 500 Index	5,344.16	0.0%	13.0%	21.4%
NASDAQ Composite	16,745.30	-0.2%	12.0%	23.1%
S&P 400 Midcap Index	2,935.55	-0.4%	6.5%	11.9%
S&P 600 Smallcap Index	1,336.33	-1.0%	2.4%	9.0%
MSCI EAFE	8,099.02	-0.3%	4.0%	9.9%
MSCI Emerging Markets	564.62	0.3%	5.8%	8.2%
Bloomberg US Agg	2,213.02	-0.8%	2.4%	6.3%
Bloomberg Municipal 5 Yr	492.90	0.0%	0.8%	4.2%
Bloomberg US Corporate	3,295.91	-0.8%	2.3%	8.1%
Bloomberg Glb Agg ex US Hdg	581.47	0.0%	2.9%	7.5%
Bloomberg High Yield	2,592.14	0.3%	4.5%	11.2%
MSCI US REIT Index	2,299.05	0.7%	7.0%	13.8%
Bloomberg Commodity Index	226.55	0.9%	0.0%	-5.4%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	5.50%
3-Month Treasury	5.21%	5.17%	5.33%	5.43%
1-Year Treasury	4.48%	4.36%	4.76%	5.34%
2-Year Treasury	4.05%	3.88%	4.25%	4.81%
5-Year Treasury	3.80%	3.62%	3.85%	4.14%
7-Year Treasury	3.84%	3.67%	3.88%	4.08%
10-Year Treasury	3.94%	3.79%	3.88%	4.01%
30-Year Treasury	4.22%	4.11%	4.03%	4.17%
Consumer Rates				
30-Year Mortgage	6.97%	6.90%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	9.25%
SOFR	5.34%	5.35%	5.38%	5.30%
Commodities				
Gold	2,431.32	2,443.24	2,062.98	1,914.46
Crude Oil (WTI)	76.84	73.52	71.65	77.87
Gasoline	3.45	3.48	3.12	3.83
Natural Gas	2.14	1.97	2.33	3.44
Copper	3.99	4.10	3.89	3.86

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.71	20.77	5.06	1.89
S&P 500	21.93	23.42	4.84	1.44
S&P 500 Value	16.99	17.52	2.79	2.44
S&P 500 Growth	34.71	31.60	10.86	0.56
NASDAQ	33.04	33.59	6.53	0.80
S&P Midcap 400	16.57	16.59	2.47	1.82
S&P Smallcap 600	15.91	16.12	1.82	2.64
MSCI EAFE	14.07	14.83	1.86	3.34
MSCI Emerging Markets	12.53	14.68	1.68	3.00

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.24	-4.09	-8.31
Mid	3.58	1.73	0.07
Small	5.55	4.40	3.29

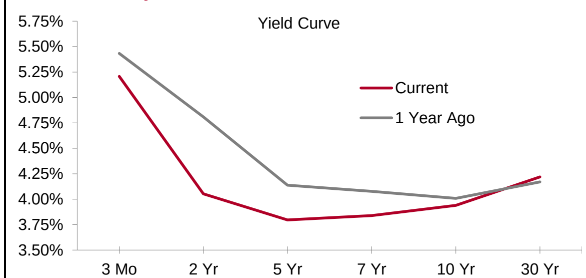
> 10% · 0% - 10% · <0%

Year to Date*

	Value	Core	Growth
Large	8.00	12.96	17.66
Mid	2.52	6.47	10.22
Small	-0.85	2.42	5.66

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	1.34	1.99	4.47
Corp	1.17	1.69	2.37
HY	1.27	1.40	2.41
	1-3 Yrs	1-10 Yrs	+10 Yrs

> 10% · 0% - 10% · <0%

Year to Date*

	Short	Interm.	Long
Govt	2.87	2.71	0.10
Corp	3.47	3.41	0.20
HY	5.20	4.57	2.28
	1-3 Yrs	1-10 Yrs	+10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.0%	3.0%
CPI Core Inflation	3.3%	4.8%
Personal Consumption Exp (PCE) Core	2.6%	4.3%
Jobs		
Unemployment Rate (U3)	4.3%	3.5%
Broader Unemployment Rate (U6)	7.8%	6.7%
JOLT Survey (in millions)	8.18	9.13
Jobless Claims (000's)	233	258
Change in Non-Farm Payroll (000's)	114	184
Average Hourly Earnings (Y/Y % Change)	3.6%	4.7%
Consumer & Spending		
Consumer Confidence (Conf Board)	100.3	114.0
Consumer Spending ($ Bil)	19,444	18,485
Consumer Credit ($ Bil)	5,078	4,986
Retail Sales ($ Bil)	704	689
Housing		
Housing Starts (000's)	1,353	1,415
Case-Shiller Home Price Index	323.48	305.34
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	22,919	22,225
Quarter over Quarter Change	2.8%	2.1%
Year Over Year Change	3.1%	2.4%
ISM Manufacturing	46.80	46.50
Capacity Utilization	78.76	78.60
Markit US Composite PMI	54.30	52.00
U.S. General		
Leading Economic Indicators	101.1	106.2
Trade Weighted Dollar Index	123.7	119.5
EUR / USD	1.09	1.10
JPY / USD	146.61	143.73
CAD / USD	0.73	0.75
AUD / USD	0.66	0.65

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	-7.02%	21.27%
Information Technology	-11.58%	18.67%
Utilities	6.99%	18.19%
Financials	1.56%	13.58%
Consumer Staples	3.02%	12.94%
Health Care	3.50%	10.90%
Industrials	2.84%	9.86%
Energy	1.27%	9.22%
Real Estate	8.89%	6.22%
Materials	1.52%	4.41%
Consumer Discretionary	-9.78%	-0.85%

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BOK FINANCIAL

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