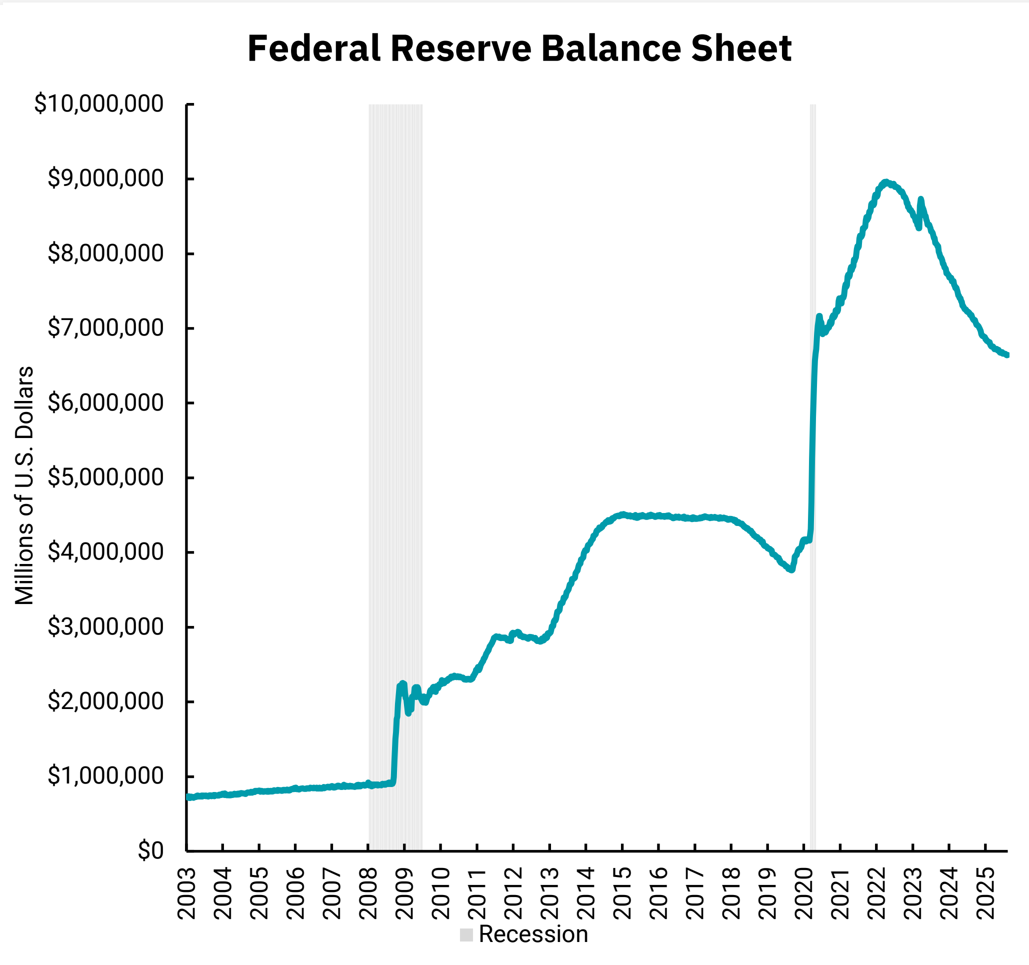
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Aug. 22, 2025)



Source: Board of Governors of the Federal Reserve System (US); Federal Reserve Bank of St. Louis via FRED®.

The debate around rate cuts rages on. In July, the Federal Open Market Committee (FOMC) decided to keep rates the same, but two members dissented in favor of lower rates. Their dissent has added a more public debate element to an already mixed economic outlook. Internally, we have a varied set of opinions, and at this point, whatever decision is made will be cheered by some and pilloried by others.

There is always room for debate when considering monetary--and fiscal, for that matter--policy. The dual mandate of the Fed, full employment and price stability, can often give conflicting signals, and such is the case today. There is even room for debate within each of the two pillars of their mandate. Inflation is below the current Fed Funds target, and the impacts from tariffs have been more limited than expected. However, the fact is that core Consumer Price Index (CPI) inflation is still over 3% and progress towards the 2% target has slowed. Recent Producer Price Index (PPI) data, along with surveys from purchasing managers and supply managers, show inflation pressures may be building within the overall economy. Tariff price pressures are generally deemed to be, dare I say it, transitory, but some level of increase in inflation indexes appears to still be in front of us.

Labor market data shows a headline unemployment rate of 4.2%, and weekly jobless claims continue to reflect an environment where companies seem hesitant to reduce employee headcount. At the same time, data within the Job Opening and Labor Turnover Survey (JOLTS) and continuing claims also confirm that the rate of hiring has slowed. Recent college graduate unemployment rates are elevated.

Within each of these two mandates, one can build a credible case for stable or lower rates. Few economists at this point are forecasting an outright recession, but a period of slower growth is evident. Slower growth and sticky inflation has a “stagflationary” feel to it.

The other aspect of the Fed’s current monetary policy stance, which is not getting as much attention as rates, is its ongoing policy to shrink the size of its balance sheet, known as quantitative tightening. This part of monetary policy does not have the immediate or visible impact as rate decisions. Still, it can be just as important as we think about the capital markets and even consumer rates like home mortgages. Since the Fed started reducing the size of its mortgage holdings, overall mortgage lending spreads have widened, leading to somewhat higher borrowing rates for prospective homeowners. It also matters what part of the yield curve in which the Fed is active. As borrowing by the Treasury heats up based on the recent debt ceiling increase and the need to refill the Treasury General Account (TGA), the Fed could be an influence based on its decision on how to reinvest maturities and interest payments. In short, this is all about managing the supply and demand balance between the issuer, the U.S. Treasury and investors. A mismatch could lead to market imbalances which could be disruptive across multiple sectors of the capital markets.

Fed Chair Powell’s speech on Friday could have some longer-term implications based on how he communicates what the Fed is thinking. Then again, this is his last speech at this event as Fed Chair, and we cannot ignore that future Fed Chairs might feel differently about the path we should be on.

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BOK FINANCIAL

Commentary (Aug. 22, 2025)

Domestic Equities

- What began as a weak week for U.S. equities, marked by five consecutive down days for the S&P 500 through Thursday, turned into a sharp rally following Fed Chair Powell's remarks in Jackson Hole on Friday morning. The Dow and the S&P 500 posted weekly gains, while the Russell 2000, representing small-cap stocks, benefited most from Powell's comments and surged nearly 4% on Friday alone.
- Nvidia has suspended production of its H20 AI chips for China due to renewed security concerns from Beijing. This move follows recent U.S. approval for limited exports under a revenue-sharing deal, allowing Nvidia to resume shipments in exchange for a portion of sales going to the U.S. government.
- Walmart reported second-quarter earnings this week, missing analysts' expectations. Still, the company raised its outlook, signaling confidence in business momentum and consumer demand.

Bonds

- U.S. Treasury yields were lower for the week following comments from Fed Chair Powell that alluded to a possible interest rate cut at the central bank's September meeting but stopped short of committing to an actual cut.
- Near-term inflation expectations rose as indicated by short-term inflation swaps and U.S. inflation protected securities outpacing nominal U.S. Treasuries
- Implied credit risk across the corporate bond market fell with the spread on the Market CDX North American High Yield Index closing the week just off the June lows.
- In international markets, longer-term Japanese bond yields made multi-decade highs because the Bank of Japan appears behind the curve in dealing with stagflation risks. Additionally, the central banks of New Zealand and Indonesia both lowered policy rates by 0.25% this week, while the central banks of Sweden and Israel announced they were leaving policy rates unchanged.

International Equities

- Foreign stocks endured a choppy week of trading as investors were looking ahead to Federal Reserve Chair Jerome Powell's speech at the Jackson Hole symposium for hints of possible rate cuts this year.
- Developed markets struggled to gain positive momentum but inched higher by the end of the week. In key economic news, Sweden's central bank maintained its policy rate at 2% to ward off a recent spike in inflation. U.K. inflation rose to an 18-month high, driven by surging prices for food, transport and hospitality.
- Similarly, emerging markets experienced a choppy week of trading with relatively wider dispersion of returns across markets in Asia and Latin America. The tech-heavy South Korean market struggled this week due to uncertainties related to potential tariff measures on semiconductors. In central bank news, the Bank Indonesia lowered its policy rate by 0.25% to 5% in a move aimed at boosting economic growth.

Economics

- On Tuesday, housing starts increased to 1.428 million, surpassing expectations of 1.358 million. The growth was largely driven by rental construction. Due to persistently high mortgage rates, rental properties have continued to show strong growth, while single-family home construction remains more subdued.
- On Thursday, jobless claims rose to 235,000 for the week, slightly above expectations of 224,000. Although this was the highest figure in several months, it still indicates that the labor market remains broadly stable.
- On Friday, the Federal Reserve concluded its Jackson Hole summit. In a press conference, Fed Chair Powell suggested that the Fed could begin cutting interest rates as early as next month.
- This week will feature a revised report on second-quarter GDP, along with updated consumer confidence data.

Weekly Market Update

For Week Ending August 22, 2025

Markets

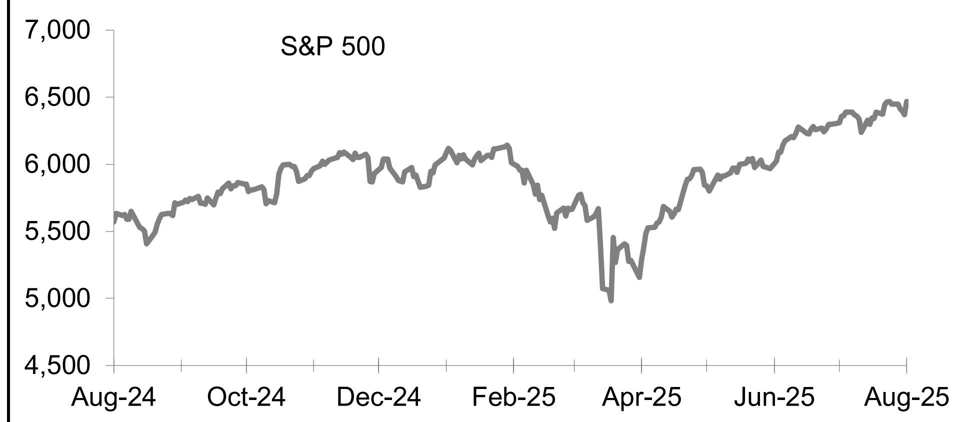
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	45,631.74	1.6%	8.4%	14.0%
S&P 500 Index	6,466.91	0.3%	10.9%	17.6%
NASDAQ Composite	21,496.54	-0.6%	11.8%	22.8%
S&P 400 Midcap Index	3,255.98	2.7%	5.3%	9.1%
S&P 600 Smallcap Index	1,442.77	3.5%	3.6%	7.0%
MSCI EAFE	10,068.18	0.8%	24.6%	17.4%
MSCI Emerging Markets	688.25	-0.4%	19.9%	17.6%
Bloomberg US Agg	2,294.64	0.4%	4.8%	2.9%
Bloomberg Municipal 5 Yr	513.68	0.1%	3.9%	3.7%
Bloomberg US Corporate	3,466.65	0.4%	5.4%	3.9%
Bloomberg Glb Agg ex US Hdg	603.15	0.0%	1.7%	3.5%
Bloomberg High Yield	2,840.81	0.3%	5.9%	8.3%
MSCI US REIT Index	2,352.00	2.8%	1.8%	0.1%
Bloomberg Commodity Index	252.42	1.3%	5.8%	11.5%

	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	4.18%	4.21%	4.31%	5.16%
1-Year Treasury	3.87%	3.92%	4.14%	4.46%
2-Year Treasury	3.70%	3.75%	4.24%	4.00%
5-Year Treasury	3.76%	3.84%	4.38%	3.72%
7-Year Treasury	3.97%	4.05%	4.48%	3.76%
10-Year Treasury	4.25%	4.32%	4.57%	3.85%
30-Year Treasury	4.88%	4.92%	4.78%	4.13%
Consumer Rates				
30-Year Mortgage	6.65%	6.67%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.36%	4.36%	4.49%	5.31%
Commodities				
Gold (spot)	3,371.86	3,336.19	2,624.50	2,484.75
Crude Oil WTI	63.66	62.80	71.72	73.01
Gasoline	3.15	3.14	3.06	3.37
Natural Gas	2.70	2.92	3.63	2.05
Copper	4.46	4.49	4.03	4.15

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.88	23.55	5.61	1.64
S&P 500	22.39	25.33	5.46	1.26
S&P 500 Value	18.64	19.86	3.44	1.99
S&P 500 Growth	27.19	32.73	10.43	0.62
NASDAQ	27.54	35.40	7.57	0.69
S&P Midcap 400	16.93	17.71	2.61	1.67
S&P Smallcap 600	16.25	17.10	1.92	2.52
MSCI EAFE	15.71	16.41	2.12	2.96
MSCI Emerging Markets	13.05	14.58	1.97	2.68

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.57	2.61	2.65
Mid	2.07	2.12	2.18
Small	5.59	5.01	4.46

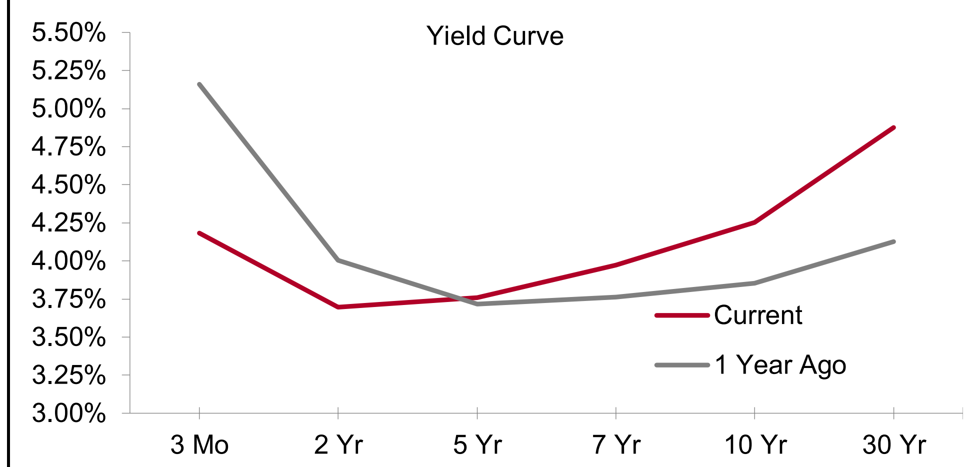
Year to Date*

	Value	Core	Growth
Large	7.86	10.87	13.63
Mid	5.71	5.32	4.98
Small	1.92	3.55	5.17

> 10% / 0% - 10% / <0%

*S&P Indices

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.59	0.79	1.11
Corp	0.70	1.04	1.90
HY	0.76	0.80	1.59

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	3.48	4.66	2.78
Corp	4.01	5.65	4.87
HY	5.57	5.85	7.30

> 10% / 0% - 10% / <0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	2.9%
CPI Core Inflation	3.1%	3.2%
Personal Consumption Exp (PCE) Core	2.8%	2.6%
Jobs		
Unemployment Rate (U3)	4.2%	4.2%
Broader Unemployment Rate (U6)	7.9%	7.8%
JOLT Survey (in millions)	7.44	7.41
Jobless Claims (000's)	235	232
Change in Non-Farm Payroll (000's)	73	88
Average Hourly Earnings (Y/Y % Change)	3.9%	3.6%
Consumer & Spending		
Consumer Confidence (Conf Board)	97.2	101.9
Consumer Spending ($ Bil)	20,685	19,747
Consumer Credit ($ Bil)	5,055	5,029
Retail Sales ($ Bil)	726	699
Housing		
Housing Starts (000's)	1,428	1,265
Case-Shiller Home Price Index	331.11	323.82
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,685	23,224
Quarter over Quarter Change	3.0%	3.0%
Year Over Year Change	2.0%	3.0%
ISM Manufacturing	48.00	47.00
Capacity Utilization	77.52	77.57
Markit US Composite PMI	55.40	54.60
U.S. General		
Leading Economic Indicators	98.7	102.4
Trade Weighted Dollar Index	120.8	122.9
EUR / USD	1.17	1.11
JPY / USD	146.94	146.29
CAD / USD	0.72	0.73
AUD / USD	0.65	0.67

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	5.23%	17.08%
Industrials	1.41%	17.01%
Utilities	1.16%	15.30%
Information Technology	2.77%	14.12%
Financials	1.70%	11.73%
Materials	1.25%	11.56%
Consumer Staples	1.36%	7.33%
Real Estate	-0.91%	5.80%
Energy	3.24%	4.92%
Consumer Discretionary	2.88%	2.56%
Health Care	3.48%	1.38%

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