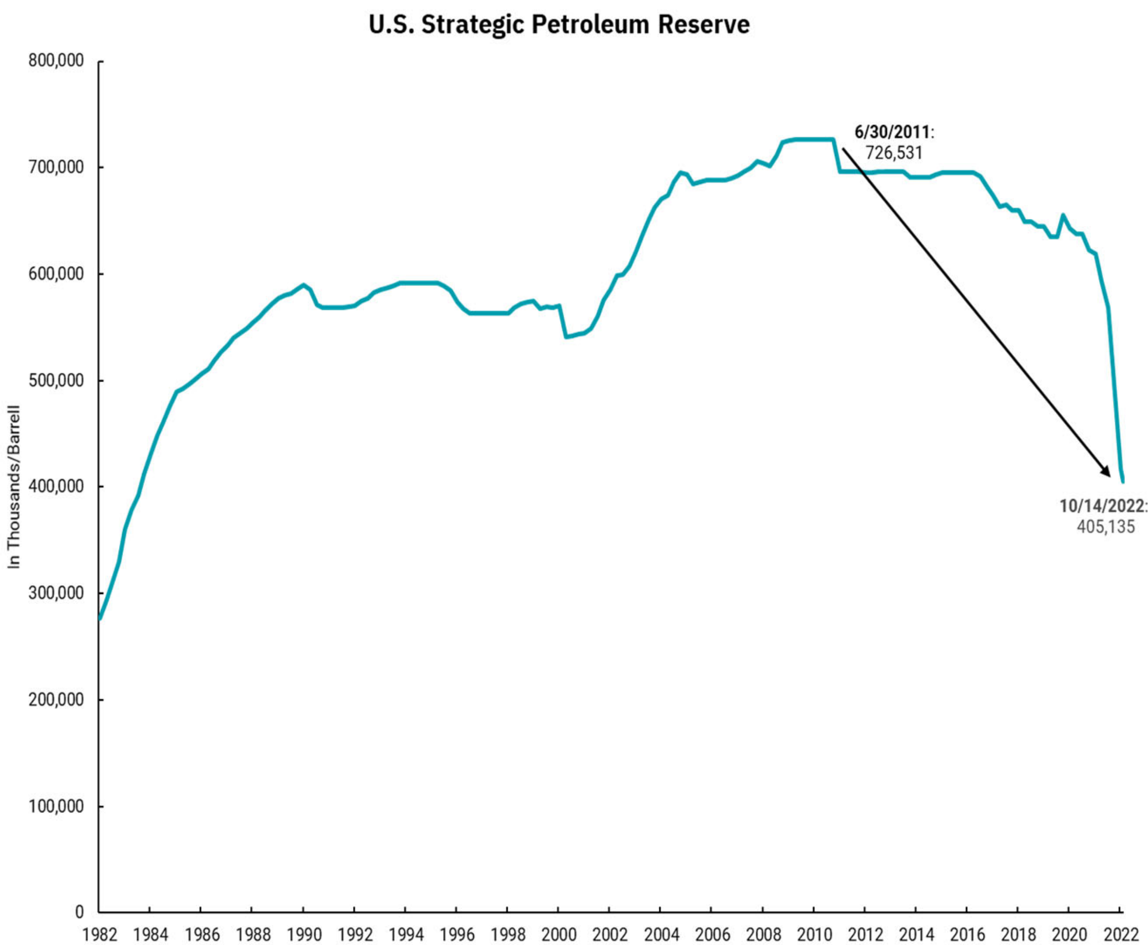
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Oct. 21, 2022)



With inflation running hot, it is not surprising to see those in Washington try to take action to reduce the burden on U.S. consumers. One area affecting all consumers, but often hitting low and middle-income households the hardest, is gasoline prices.

In June, President Biden announced a release from the Strategic Petroleum Reserve (SPR) in an effort to reverse an increase in gasoline prices. Until recently, gasoline prices declined. But as OPEC+ announced a cut in production, oil prices and gasoline prices have risen. President Biden subsequently announced an additional release of oil from the SPR along with calls on refiners and gasoline marketers to ensure price declines in oil flowed through to consumers.

These actions can also have an effect on voter sentiment and can take on more urgency as we approach important midterm elections. There are, of course, many factors that influence how people vote. Still, the economy and inflation, especially at current inflation levels, will usually be near the top of the list of concerns. Why does this matter? Gasoline prices are historically the data point with the highest correlation to approval ratings. The President's current approval rating is at a level that has seen changes in the control of one or both houses of Congress in the past.

President Biden is not the first President to use the SPR as a means to raise, or as in this case, lower oil prices. However, as the SPR is reduced, it naturally raises the topic of when it will be refilled and at what price. In addition, lower reserves in the SPR potentially reduce flexibility in responding to a supply crisis in the future. The global energy market is being buffeted by many factors as we move towards an energy environment with less reliance on fossil fuels. But the world is not ready to forego fossil fuels entirely.

Source: Bloomberg

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BOK FINANCIAL

Commentary (Oct. 21, 2022)

Domestic Equities

- U.S. stocks ended the week positive as investors received mostly positive earnings reports and the possibility of a slower pace of rate increases.
- Earnings season continued this week with about 20% of S&P 500 reported. So far, 68% of companies have reported better-than-expected earnings. Forward earnings estimates for 2022, 2023 and 2024 have been coming down since July and continued to decline this week. If results overall show that estimates have come in enough, it could provide some stability to the market. Investors are watching closely to see how rising rates, the strong dollar, and high inflation are affecting profits.
- Reports this week indicated the Fed remains likely to raise its benchmark interest rate by another 0.75% at their November meeting. Still, some Fed officials have begun to signal their desire to slow the pace of increases going forward.

Bonds

- U.S. Treasury yields continued their inexorable move higher following stronger-than-expected global inflation data and hawkish comments from a number of Federal Reserve officials. The news also pushed the market expected terminal Fed funds rate up to 5%.
- High-yield bonds were positive for the week following better-than-expected third quarter earnings from U.S. firms. The option-adjusted spread on the ICE BofA U.S. High Yield Index also fell below 5% for the first time since early September.
- The monetary authorities in Japan were forced to intervene in the currency market to prevent a further devaluation in the yen, after the currency briefly exceeded 150 relative to the U.S. dollar. The Bank of Japan was forced to conduct emergency bond buying, with the 10-year Japanese government bond (JGB) yield exceeding its 0.25% cap for two consecutive days.

International Equities

- Foreign markets found some strength as looming global central bank meetings cast a shadow over some positive corporate earnings, which have failed to dispel downbeat investor sentiment.
- Foreign developed markets moved higher, led by strength across European markets. The U.K. continues to face political turmoil as the U.K.'s Prime Minister, Liz Truss, resigned Thursday following a failed tax-cutting budget that rocked financial markets. On the economic data front, U.K. inflation rose 10.1% as food prices rose 14.6%.
- Emerging markets rebounded this week as markets across Europe and Asia delivered positive returns. Negative sentiment towards Chinese stocks lingers as the country's leaders suggested that its Zero-COVID policy is likely to persist, creating doubts about the future growth of its economy.

Economics

- The Federal Reserve reported industrial production rose 0.4% in September as both output and capacity utilization increased. Over the prior 12 months, industrial production has increased 5.3%.
- The Census Bureau reported monthly housing starts declined 8.1% in September at a seasonally adjusted annual rate (SAAR). The decline was fairly widespread as starts declined in most regions in the U.S.
- The Department of Labor reported initial claims for unemployment insurance were 214k for the week ending Oct. 15, a decline of 12k from the prior week. Continuing claims for the week ending Oct. 8 were 1.39m.
- The first estimate of third quarter GDP will be released on Thursday. Consumer spending, personal income, and consumer confidence will be released on Friday.

Weekly Market Update

For Week Ending October 21, 2022

Markets

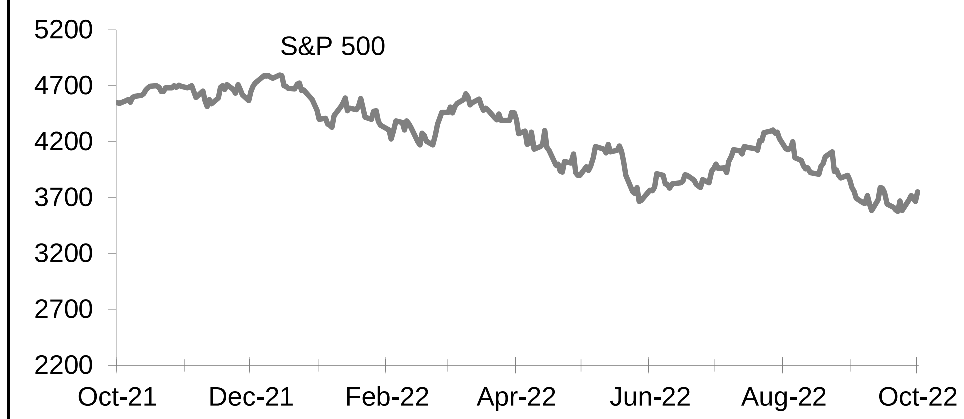
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	31,082.56	4.9%	-13.0%	-10.9%
S&P 500 Index	3,752.75	4.8%	-20.3%	-16.2%
NASDAQ	10,859.72	5.2%	-30.1%	-28.1%
S&P 400 Midcap Index	2,312.21	3.0%	-17.6%	-16.0%
S&P 600 Smallcap Index	1,127.54	3.4%	-18.6%	-17.1%
MSCI EAFE	5,673.31	0.5%	-25.9%	-25.5%
MSCI Emerging Markets	437.80	0.2%	-27.8%	-30.9%
Bloomberg US Agg	1,960.94	-1.1%	-16.7%	-16.1%
Bloomberg Municipal 5 Yr	454.64	-0.5%	-8.1%	-7.8%
Bloomberg US Corporate	2,787.56	-1.2%	-20.9%	-20.0%
Bloomberg Glb Agg ex US Hdg	514.76	-0.1%	-10.9%	-10.4%
Bloomberg High Yield	2,110.60	0.3%	-14.3%	-13.5%
MSCI US REIT Index	1,807.22	3.1%	-29.6%	-23.8%
Bloomberg Commodity Index	240.57	-2.0%	13.6%	9.2%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	3.25%	3.25%	0.25%	0.25%
3-Month Treasury	3.93%	3.70%	0.06%	0.05%
1-Year Treasury	4.51%	4.46%	0.39%	0.10%
2-Year Treasury	4.47%	4.50%	0.73%	0.45%
5-Year Treasury	4.34%	4.27%	1.26%	1.24%
7-Year Treasury	4.28%	4.16%	1.44%	1.53%
10-Year Treasury	4.22%	4.02%	1.52%	1.70%
30-Year Treasury	4.33%	3.99%	1.90%	2.15%
Consumer Rates				
1-Year CD	5.48%	5.34%	0.57%	0.26%
30-Year Mortgage	7.24%	7.20%	3.27%	3.18%
Prime Rate	6.25%	6.25%	3.25%	3.25%
3-Month LIBOR	4.36%	4.19%	0.21%	0.12%
Commodities				
Gold	1,657.69	1,644.47	1,829.20	1,782.90
Crude Oil (WTI)	85.05	84.65	72.78	72.18
Gasoline	3.99	4.03	3.38	3.42
Natural Gas	4.96	6.45	3.64	4.11
Copper	3.47	3.42	4.43	4.42

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	16.65	17.73	4.19	2.24
S&P 500	16.82	18.44	3.77	1.75
S&P 500 Value	14.54	16.02	2.68	2.43
S&P 500 Growth	20.26	22.05	6.76	1.02
NASDAQ	14.30	15.31	3.53	2.24
S&P Midcap 400	12.49	13.81	2.14	1.79
S&P Smallcap 600	12.31	13.59	1.69	1.55
MSCI EAFE	11.22	11.62	1.40	3.76
MSCI Emerging Markets	10.52	9.62	1.30	3.63

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	0.50	-0.87	-2.31
Mid	-1.07	-0.97	-0.85
Small	0.66	0.00	-0.78

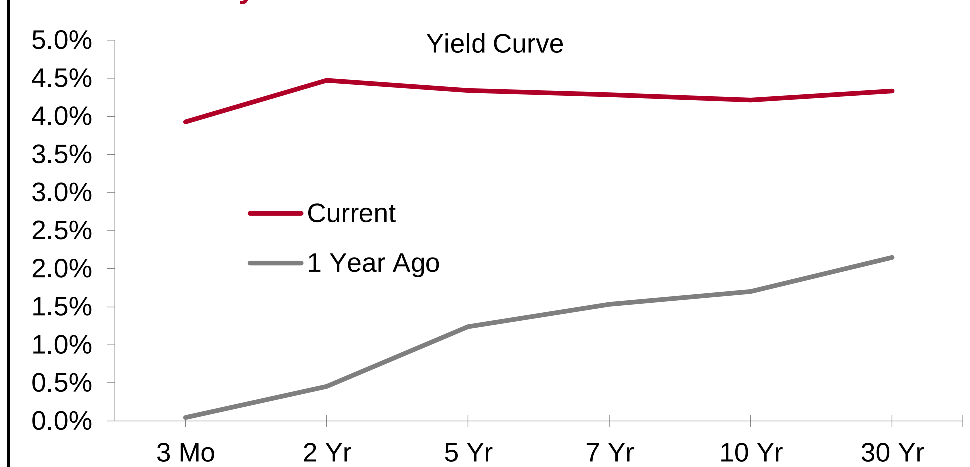
> 10%
0% - 10%
<0%

Year to Date*

	Value	Core	Growth
Large	-11.55	-20.27	-28.06
Mid	-12.86	-17.62	-22.29
Small	-14.08	-18.62	-23.10

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	-0.52	-1.88	-12.44
Corp	-1.06	-5.69	-11.07
HY	-0.93	-2.36	-6.18

> 10%
0% - 10%
<0%

Year to Date*

	Short	Interm.	Long
Govt	-4.72	-9.50	-34.51
Corp	-5.04	-20.97	-33.20
HY	-6.14	-13.53	-26.92

*Bloomberg Barclays Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	8.2%	5.4%
CPI Core Inflation	6.6%	4.0%
Personal Consumption Exp (PCE) Core	4.9%	3.9%
Jobs		
Unemployment Rate (U3)	3.5%	4.7%
Broader Unemployment Rate (U6)	6.7%	8.5%
JOLT Survey (in millions)	10.05	10.63
Jobless Claims (000's)	214	310
Change in Non-Farm Payroll (000's)	263	424
Average Hourly Earnings (Y/Y % Change)	5.0%	4.8%
Consumer & Spending		
Consumer Confidence (Conf Board)	108.0	109.8
Consumer Spending ($ Bil)	17,470	16,146
Consumer Credit ($ Bil)	4,680	4,332
Retail Sales ($ Bil)	684	632
Housing		
Housing Starts (000's)	1,439	1,559
Case-Shiller Home Price Index	307.45	265.57
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	19,895	19,544
Quarter over Quarter Change	-0.6%	7.0%
Year Over Year Change	1.8%	12.5%
ISM Manufacturing	50.90	60.50
Capacity Utilization	80.34	77.45
Markit US Composite PMI	49.50	55.00
U.S. General		
Leading Economic Indicators	115.9	117.6
Trade Weighted Dollar Index	127.9	113.7
EUR / USD	0.99	1.16
JPY / USD	150.15	113.99
CAD / USD	0.73	0.81
AUD / USD	0.64	0.75

S&P 500 Sector Returns

	1 Month	YTD
Energy	14.27%	62.48%
Consumer Staples	-2.50%	-8.84%
Health Care	3.13%	-9.11%
Utilities	-13.11%	-9.59%
Industrials	1.12%	-15.10%
Financials	0.33%	-16.38%
Materials	2.31%	-18.86%
Information Technology	-1.93%	-28.16%
Consumer Discretionary	-6.48%	-29.74%
Real Estate	-9.40%	-31.55%
Communication Services	-0.09%	-36.09%

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