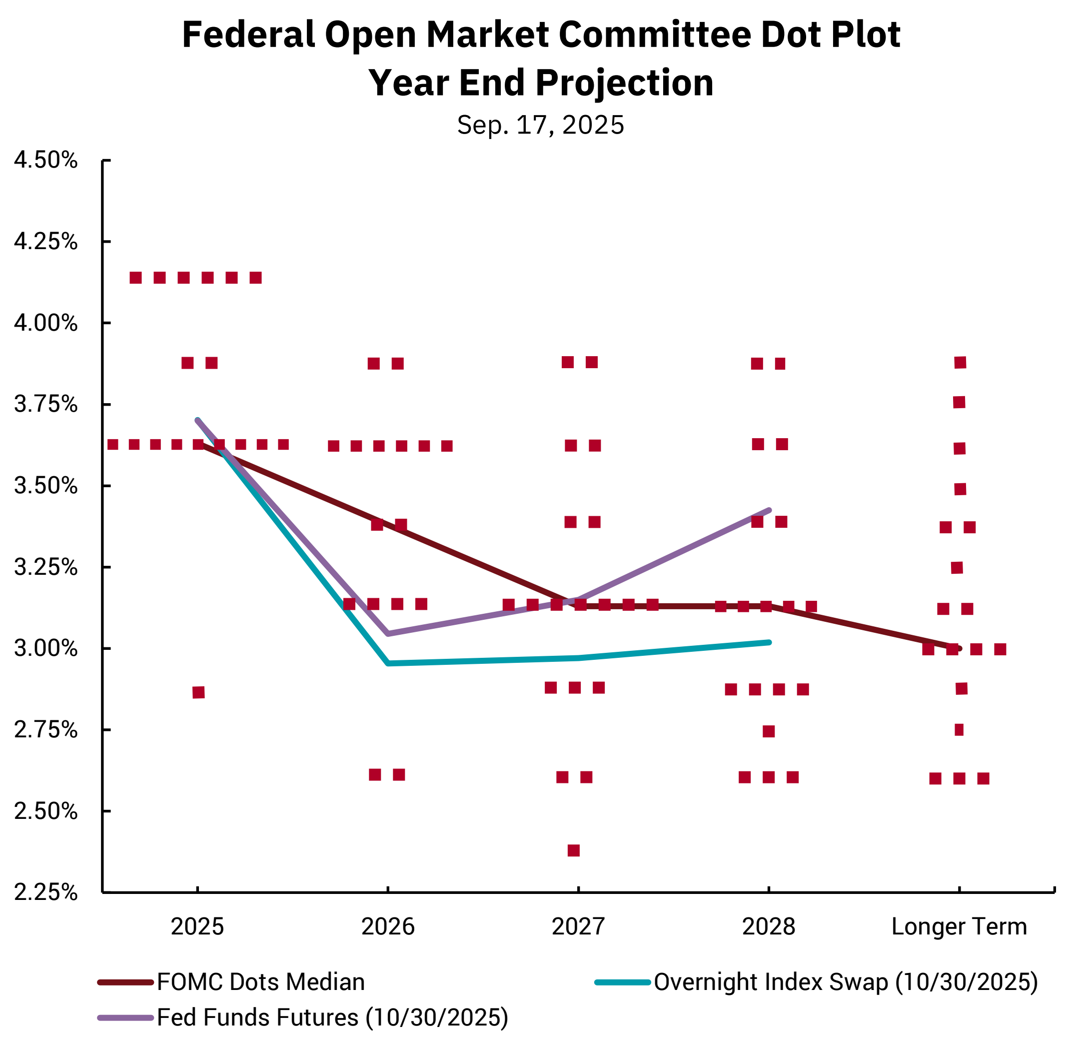
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Oct. 31, 2025)



The rate-setting arm of the Federal Reserve, the Federal Open Market Committee (FOMC), met from Oct. 28-29 to discuss the economic outlook, inflation, the labor market and what, if anything, they need to do from a monetary policy standpoint. Despite having very little information as the government shutdown drags on and impacts the release of economic data, we expected the Fed to reduce short-term interest rates by 0.25%, which is exactly what they did.

In addition, Fed Chair Powell indicated that by December, the Federal Reserve would end its "quantitative tightening" program, which has involved shrinking the size of its bond portfolio, comprised of Treasuries and mortgage-backed securities. Within this process, the Fed had not been actively selling securities; rather, they have stopped reinvesting maturities, which has led to lower overall holdings. Stopping this program should be viewed as an easing of monetary policy, different from a rate cut, but a move towards less restrictive policy nonetheless.

So far, so good...but some additional questions were raised as we saw the vote for the move and then listened to Fed Chair Powell's comments in his post-meeting press conference. In what appears to be an increasingly common outcome, there were two dissents to the decision to lower rates. Recall there recently were two dissents for the first time since 1993, but in this instance, one dissent was in favor of a 0.50% move while the other dissent was for no move at all. This means that there are disagreements within the FOMC, not only about the size of the move but also about the direction. During the post-meeting press conference, Chair Powell described the varied outlooks and stated another cut in December was not "a foregone conclusion." Fed funds futures showed a decline from a 90% chance of a cut to around a 75% chance after his comments.

With all this in mind, in this week's chart we are revisiting the Fed's recently updated "dot plot." Recall that these are dots representing the outlook of all FOMC members, both voting and non-voting. We have also plotted Fed Funds futures and overnight index swaps (OIS), as they are market-based measures of the rate outlook. The interesting aspect of this exercise is when the market and the Fed hold divergent views on future policy. At this point, the two are fairly close together, but the chart reveals a wide dispersion of individual views going forward. The Fed's current focus is on the labor market and trying to make sure it supports growth from that standpoint. However, we all know that inflation is not going away easily. As Fed Chair Powell has stated, there is no "riskless" path going forward.

Source: Bloomberg, Federal Open Market Committee. Data as of Oct. 30, 2025.

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BOK FINANCIAL

Commentary (Oct. 31, 2025)

Domestic Equities

- U.S. equity indices had mixed results this week. Strong tech earnings drove the Nasdaq Composite Index to positive returns for the week, while comments from the Fed regarding rate cuts weighed on small caps, and the Russell 2000 Index declined for the week.
- Amazon shares soared after its strong third-quarter earnings report, driven by accelerating growth in its cloud computing unit. Apple logged record sales and said it expects sales to remain strong in the fourth quarter. Meta also reported better-than-expected earnings, but the stock fell after forecasting increased capital expenditures for AI investments.
- Federal Reserve Chair Jerome Powell suggested that a rate cut in December is “not a foregone conclusion” after announcing a 0.25% cut this week. The ongoing U.S. government shutdown is affecting the release of official economic data, further clouding rate cut expectations.

Bonds

- U.S. Treasury yields were mostly higher for the week after Fed Chair Jerome Powell pushed back on rate cut expectations for December.
- Meta sold $30 billion of bonds this week, in an effort to finance its AI infrastructure buildout, drawing investor demand of $125 billion.
- The rate on overnight general collateral repurchase agreements remained elevated despite Fed rate cuts. As the cost to borrower in the overnight markets has become more expensive, banks have increased their usage of the Fed’s standing repo facility, rising to its highest level since 2020. On Friday, Dallas Fed President Lorie Logan indicated that the Fed would need to start buying assets if repo rates stay elevated.
- The Bank of Canada lowered its main policy rate by 0.25% to 2.25%, while the European Central Bank and Bank of Japan left policy rates unchanged. Australian consumer prices for September jumped by the most in two and a half years, dashing rate cut expectations for the Royal Bank of Australia’s Nov. 4 meeting.

International Equities

- Global investors closely monitored the in-person meeting between U.S. President Donald Trump and Chinese President Xi Jinping on Thursday. The U.S. reached an agreement with China on key issues related to rare earth materials, fentanyl-related tariffs and purchases of U.S. soybeans.
- Mixed performance across key European markets muted returns in developed foreign markets this week. The euro-area economy rose 0.2% in the third quarter and 0.9% over the last year. The results exceeded expectations, as France recorded its strongest growth in over two years, with a 0.5% jump in output driven by trade and domestic demand.
- Continued strength across Asian markets bolstered returns in emerging markets. South Korea’s gross domestic product (GDP) increased by 1.2% in the third quarter, exceeding expectations. Exports, which comprise over 40% of its GDP, maintained solid growth amid strong semiconductor demand despite tariff challenges.

Economics

- The government shutdown has now exceeded thirty days, and most major economic releases continue to be delayed.
- On Wednesday, the Fed lowered the Federal Funds rate by 0.25% and noted in its post-meeting statement that assessing broad economic conditions is uncertain due to the lack of economic data.
- On Tuesday, the Case-Shiller Home Price Index rose 1.6% year-over-year. This was in line with expectations but slightly below last month’s reading of 1.8%. While seasonal declines in home prices are typical, there is concern that home values have not kept pace with the recent Consumer Price Index (CPI) reports.
- If the government shutdown continues into next week, it will become the longest in history. With elections on Tuesday, there may be a catalyst for resolving it, however.

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Weekly Market Update

For Week Ending October 31, 2025

Markets

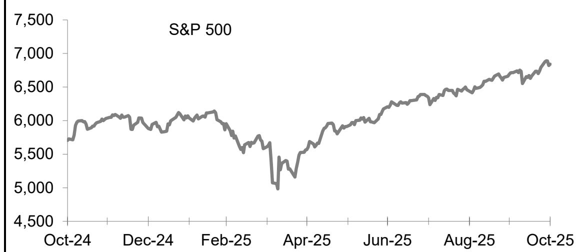
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	47,562.87	0.8%	13.3%	15.8%
S&P 500 Index	6,840.20	0.7%	17.5%	21.4%
NASDAQ Composite	23,724.96	2.3%	23.5%	32.0%
S&P 400 Midcap Index	3,246.26	-1.6%	5.3%	6.4%
S&P 600 Smallcap Index	1,435.53	-2.8%	3.3%	5.5%
MSCI EAFE	10,232.39	-0.5%	26.6%	23.0%
MSCI Emerging Markets	762.49	0.9%	32.9%	27.9%
Bloomberg US Agg	2,337.80	-0.6%	6.8%	6.2%
Bloomberg Municipal 5 Yr	516.79	0.0%	4.5%	4.5%
Bloomberg US Corporate	3,529.23	-0.9%	7.3%	6.6%
Bloomberg Glb Agg ex US Hdg	611.93	0.1%	3.2%	4.5%
Bloomberg High Yield	2,881.38	-0.1%	7.4%	8.2%
MSCI US REIT Index	2,358.38	-2.8%	2.1%	-1.6%
Bloomberg Commodity Index	268.54	0.0%	12.5%	14.2%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.00%	4.25%	4.50%	5.00%
3-Month Treasury	3.80%	3.84%	4.31%	4.54%
1-Year Treasury	3.68%	3.58%	4.14%	4.27%
2-Year Treasury	3.57%	3.48%	4.24%	4.17%
5-Year Treasury	3.69%	3.61%	4.38%	4.16%
7-Year Treasury	3.87%	3.79%	4.48%	4.22%
10-Year Treasury	4.08%	4.00%	4.57%	4.28%
30-Year Treasury	4.65%	4.59%	4.78%	4.48%
Consumer Rates				
30-Year Mortgage	6.25%	6.32%	7.28%	5.83%
Prime Rate	7.75%	8.00%	8.25%	8.75%
SOFR	4.22%	4.24%	4.49%	4.90%
Commodities				
Gold (spot)	4,002.92	4,113.05	2,624.50	2,743.97
Crude Oil WTI	60.98	61.50	71.72	69.26
Gasoline	3.04	3.06	3.06	3.12
Natural Gas	4.12	3.30	3.63	2.71
Copper	5.09	5.12	4.03	4.34

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.58	22.57	5.01	1.73
S&P 500	22.82	26.13	5.59	1.18
S&P 500 Value	18.51	20.32	3.51	1.94
S&P 500 Growth	28.02	33.99	10.76	0.58
NASDAQ	30.21	38.40	8.04	0.60
S&P Midcap 400	16.31	17.71	2.60	1.64
S&P Smallcap 600	15.50	16.76	1.91	2.42
MSCI EAFE	15.68	16.68	2.15	2.91
MSCI Emerging Markets	13.79	16.50	2.17	2.35

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	1.13	2.34	3.35
Mid	-1.31	-0.47	0.29
Small	-0.33	-0.88	-1.41

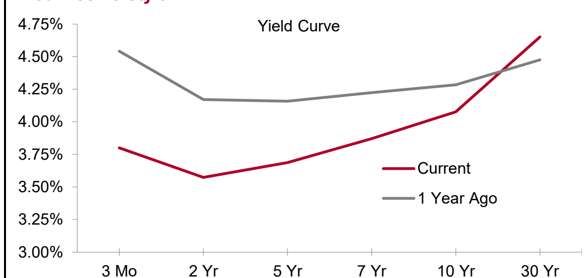
Year to Date*

	Value	Core	Growth
Large	10.92	17.50	23.54
Mid	4.03	5.27	6.41
Small	2.83	3.33	3.82

> 10% | 0% - 10% | <0%

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.34	0.44	1.28
Corp	0.33	0.38	0.40
HY	0.18	0.14	0.77
	1-3 Yrs	1-10 Yrs	+10 Yrs

Year to Date*

	Short	Interm.	Long
Govt	4.34	5.75	7.00
Corp	4.94	6.98	7.99
HY	6.67	7.25	14.66
	1-3 Yrs	1-10 Yrs	+10 Yrs

> 10% | 0% - 10% | <0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.0%	2.4%
CPI Core Inflation	3.0%	3.3%
Personal Consumption Exp (PCE) Core	2.9%	2.9%
Jobs		
Unemployment Rate (U3)	4.3%	4.2%
Broader Unemployment Rate (U6)	8.1%	7.8%
JOLT Survey (in millions)	7.23	7.65
Jobless Claims (000's)	218	221
Change in Non-Farm Payroll (000's)	22	71
Average Hourly Earnings (Y/Y % Change)	3.7%	4.0%
Consumer & Spending		
Consumer Confidence (Conf Board)	94.6	109.6
Consumer Spending ($ Bil)	21,112	20,001
Consumer Credit ($ Bil)	5,061	5,053
Retail Sales ($ Bil)	732	697
Housing		
Housing Starts (000's)	1,307	1,391
Case-Shiller Home Price Index	330.02	325.11
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,771	23,287
Quarter over Quarter Change	3.8%	3.6%
Year Over Year Change	2.1%	3.1%
ISM Manufacturing	49.10	47.50
Capacity Utilization	77.38	77.87
Markit US Composite PMI	54.80	54.10
U.S. General		
Leading Economic Indicators	98.4	102.1
Trade Weighted Dollar Index	121.3	124.7
EUR / USD	1.15	1.09
JPY / USD	153.99	152.03
CAD / USD	0.71	0.72
AUD / USD	0.65	0.66

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	6.23%	29.93%
Communication Services	1.86%	26.82%
Utilities	2.10%	20.17%
Industrials	0.47%	18.94%
Financials	-2.84%	9.55%
Materials	2.37%	7.80%
Health Care	3.58%	6.29%
Energy	-1.13%	5.83%
Real Estate	-5.04%	3.80%
Consumer Discretionary	-2.63%	3.40%
Consumer Staples	-2.32%	1.49%

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