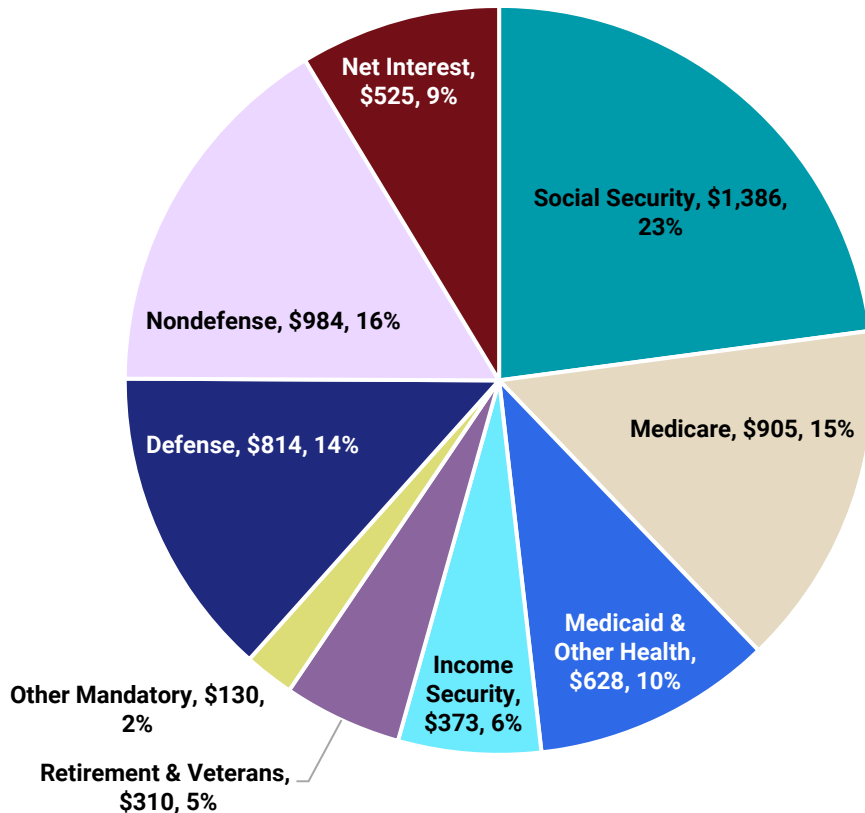


# Weekly market update



## Chart of the week (Feb. 10, 2023)

Composition of FY24 Spending (\$BN)



It appears that raising the U.S. debt ceiling is not going to be easy. Then again, when is a budget discussion of any kind easy when resources are limited while wants and needs abound?

The good news, or maybe the bad news, is that we have some time before we risk making decisions on what bills to pay or, worse, not being able to pay bills at all. Treasury Secretary Janet Yellen has indicated the ability to use funds in various accounts to operate the government until mid-June. However, the amount of money from the Federal government that flows into our economy and capital markets is huge. Any interruption in this flow of funds would cause significant problems.

We know government support had to increase, with significant help from the Fed's monetary policies, to avoid a negative economic outcome as the pandemic raged. But now we have some tough decisions as much of the money we spent was borrowed when interest rates were much lower. It is also much harder to reduce spending than increase spending. Increasing revenue through tax increases is also a way to reduce future deficits, which will slow the growth of outstanding debt.

This week's chart provides some insight into how the government's revenue is spent. There are two big "buckets" to consider - mandatory spending, which is required by law, and discretionary spending, which is subject to the annual appropriations process.

The majority of the annual budget is mandatory spending. This bucket includes everything but defense, non-defense, and net interest in the chart. These three categories of discretionary spending total only about 39% of the budget, which means about 61% of the annual federal budget is mandatory spending.

Within the discretionary area, interest expense is roughly 9% and growing. (Although one could easily argue that interest expenses are mandatory spending, as a default on government debt would be very bad.) Defense spending is another category that appears to be difficult to cut spending as the global political environment is not becoming calmer. This leaves only about 16% of government spending on which to negotiate.

One can see why we expect the negotiation process to be difficult, although both sides ultimately will have to agree upon some increases in revenue and some cuts in spending. It won't always be pretty, but we will get this done.

# Weekly market update



## Commentary (Feb. 10, 2023)

### Domestic Equities

- U.S. equities gave up some gains this week as investors sifted through a busy week of earnings and reconsidered the path of interest rates.
- More than half of U.S. companies have reported earnings, with about 70% beating expectations. Some staples companies such as Kellogg and PepsiCo saw increased sales despite rising prices. Unilever noted that higher prices hit consumer demand. Shares of Disney rose sharply mid-week as the company announced significant cost-cutting measures, including job cuts and a greater emphasis on sports media. Lyft fell sharply after missing expectations on Friday.
- The strong jobs report last week and comments from Fed Chair Powell this week reminded investors that it could still take quite a bit of time to get inflation down to the 2% target. Derivatives markets reflected a change in the expectation that the Fed would cut interest rates this year.

### Bonds

- U.S. Treasury yields moved higher, with investors re-evaluating the likely path of Federal Reserve policy following last Friday's stronger-than-expected employment report. The 30-year U.S. Treasury bond sale on Thursday also experienced weak demand, sending longer-term rates higher.
- The broad investment grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was negative for the week, with longer-duration U.S. Treasuries and corporates leading the index lower.
- The Bank of Mexico (Banxico) surprised markets by hiking its policy rate by 0.50% to 11%. This move marks the central bank's first decision in seven that has diverged from the Federal Reserve. The Central Bank of Sweden (Riksbank) also hiked its policy rate by 0.50% to 3%, which was in line with market expectations.

### International Equities

- As global central banks continue to tighten monetary policies, global investors are struggling to assess the trajectory of future rate hikes and how this environment might impact future economic growth.
- Foreign developed markets struggled this week, with many markets across Europe falling while some select markets in the Pacific Rim posted small gains. U.K. stocks advanced this week even though the British economy showed zero growth in the final three months of 2022. The country is still wrestling with double-digit inflation, straining its economy.
- Emerging markets stumbled for the second consecutive week as markets across Asia, Latin America and Eastern Europe struggled. Mexico's central bank surprised the markets by increasing interest rates by 0.50%, instead of the 0.25% hike widely expected by economists. Policymakers continue to express concern over elevated inflation levels.

### Economics

- The Federal Reserve reported growth in consumer credit increased at a slower rate in Dec., rising only 2.90% compared to 8.40% in Nov. and 8.2% in Oct., as an annualized rate. In Dec., both revolving and non-revolving credit showed declining growth, rising 7.30% and 1.50%, respectively.
- The Census Bureau reported Dec. exports declined to \$250 billion, and imports increased to \$317 billion, causing the trade deficit to increase 10.50% to \$67 billion.
- Initial claims for unemployment were 196,000 for the week ending Feb. 4, and continuing claims were 1.7 million for the week ending Jan. 28.
- Weekly initial claims for unemployment insurance declined to 183,000, the lowest level since Apr. 23, 2022.
- The Consumer Price Index will be released on Tuesday, retail sales on Wednesday, and the Producer Price Index on Thursday.

## Weekly Market Update

For Week Ending February 10, 2023

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	33,869.27	-0.1%	2.3%	-1.9%
S&P 500 Index	4,090.46	-1.1%	6.7%	-7.7%
NASDAQ	11,718.12	-2.4%	12.1%	-16.7%
S&P 400 Midcap Index	2,639.30	-2.5%	8.7%	0.0%
S&P 600 Smallcap Index	1,265.51	-3.4%	9.5%	-1.4%
MSCI EAFE	7,066.84	-1.6%	7.3%	-6.7%
MSCI Emerging Markets	515.43	-2.4%	6.1%	-16.6%
Bloomberg US Agg	2,080.41	-1.4%	1.5%	-7.9%
Bloomberg Municipal 5 Yr	476.72	-0.4%	1.7%	-1.2%
Bloomberg US Corporate	3,033.17	-1.8%	2.2%	-8.9%
Bloomberg Gbl Agg ex US Hdg	529.83	-0.8%	1.6%	-5.9%
Bloomberg High Yield	2,253.47	-1.8%	3.1%	-5.2%
MSCI US REIT Index	2,099.50	-1.9%	9.7%	-10.0%
Bloomberg Commodity Index	238.15	1.6%	-3.1%	1.8%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.75%	4.75%	4.50%	0.25%
3-Month Treasury	4.73%	4.64%	4.34%	0.37%
1-Year Treasury	4.87%	4.73%	4.69%	1.08%
2-Year Treasury	4.52%	4.29%	4.43%	1.58%
5-Year Treasury	3.92%	3.66%	4.00%	1.95%
7-Year Treasury	3.85%	3.59%	3.97%	2.03%
10-Year Treasury	3.73%	3.52%	3.87%	2.03%
30-Year Treasury	3.82%	3.61%	3.96%	2.32%

### Consumer Rates

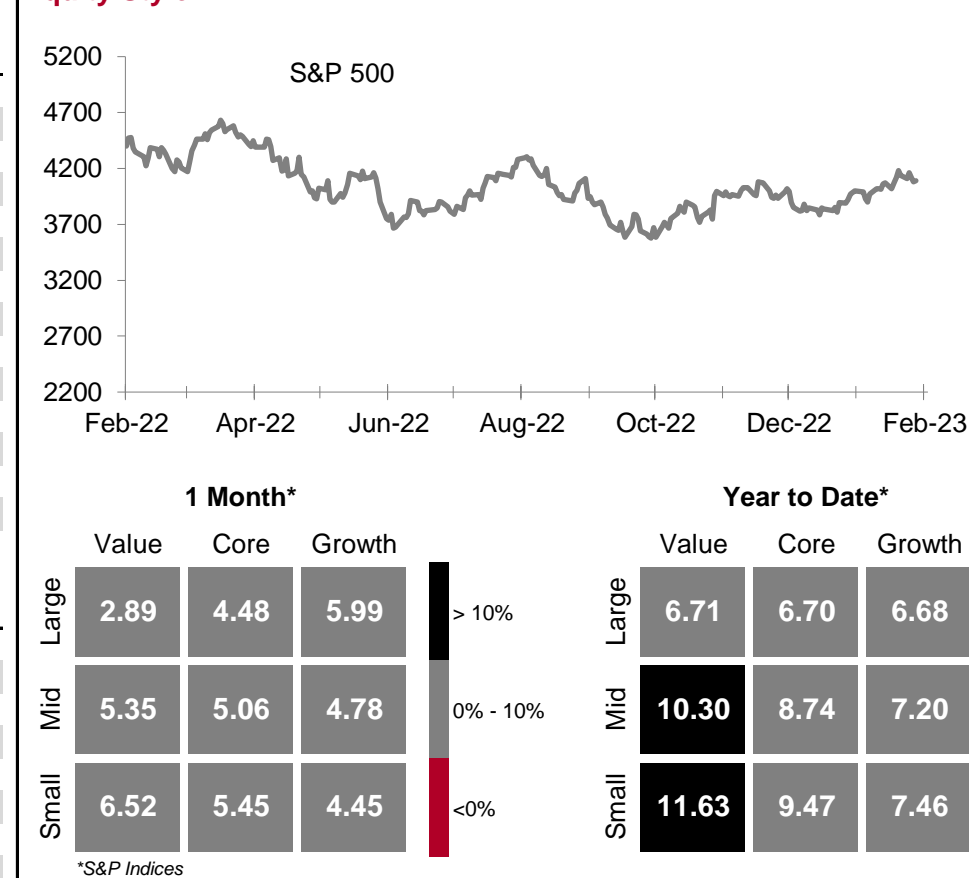
30-Year Mortgage	6.66%	6.46%	6.66%	4.20%
Prime Rate	8.50%	8.50%	8.25%	4.00%
3-Month LIBOR	4.87%	4.83%	4.77%	0.39%

### Commodities

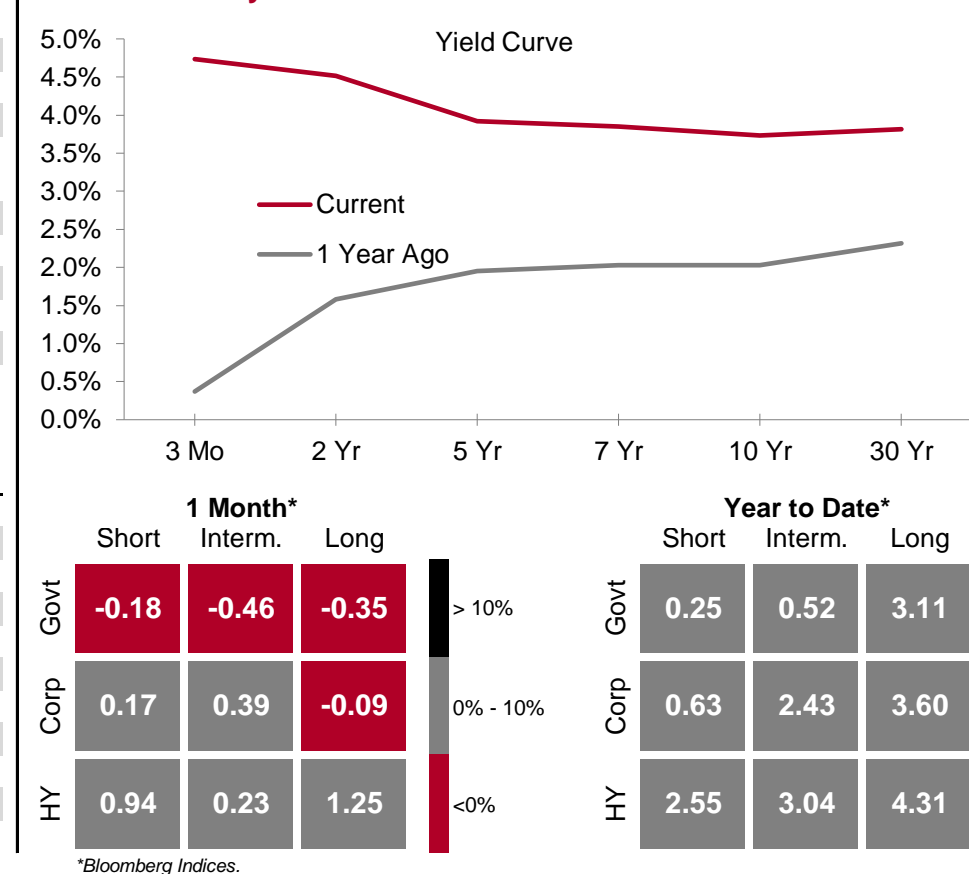
Gold	1,865.57	1,864.97	1,824.02	1,826.85
Crude Oil (WTI)	79.72	73.39	80.26	78.54
Gasoline	3.55	3.59	3.20	3.46
Natural Gas	2.51	2.41	4.48	4.02
Copper	4.02	4.06	3.81	4.58

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	17.86	19.17	4.56	2.17
S&P 500	18.54	18.32	4.16	1.62
S&P 500 Value	17.31	16.41	3.09	1.95
S&P 500 Growth	19.83	19.15	6.78	1.39
NASDAQ	17.13	15.59	3.93	2.10
S&P Midcap 400	15.28	4.56	2.47	1.93
S&P Smallcap 600	14.57	13.06	1.92	1.61
MSCI EAFE	13.03	14.56	1.74	3.25
MSCI Emerging Markets	12.48	10.84	1.54	3.65

### Equity Style



### Fixed Income Style



### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	6.5%	7.0%
CPI Core Inflation	5.7%	5.5%
Personal Consumption Exp (PCE) Core	4.4%	5.0%
<b>Jobs</b>		
Unemployment Rate (U3)	3.4%	4.0%
Broader Unemployment Rate (U6)	6.6%	7.1%
JOLT Survey (in millions)	11.01	11.45
Jobless Claims (000's)	196	191
Change in Non-Farm Payroll (000's)	517	364
Average Hourly Earnings (Y/Y % Change)	4.4%	5.7%
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	107.1	111.1
Consumer Spending (\$ Bil)	17,737	16,522
Consumer Credit (\$ Bil)	4,776	4,431
Retail Sales (\$ Bil)	677	639
<b>Housing</b>		
Housing Starts (000's)	1,382	1,768
Case-Shiller Home Price Index	297.29	276.07
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	20,198	20,006
Quarter over Quarter Change	2.9%	7.0%
Year Over Year Change	1.0%	5.7%
ISM Manufacturing	47.40	57.60
Capacity Utilization	78.75	78.74
Markit US Composite PMI	46.80	51.10
<b>U.S. General</b>		
Leading Economic Indicators	110.7	117.8
Trade Weighted Dollar Index	118.3	114.9
EUR / USD	1.07	1.14
JPY / USD	131.36	116.01
CAD / USD	0.75	0.79
AUD / USD	0.69	0.72

### S&P 500 Sector Returns

	1 Month	YTD
Consumer Discretionary	10.05%	14.59%
Communication Services	7.44%	13.13%
Information Technology	10.64%	12.81%
Real Estate	5.69%	8.64%
Financials	2.87%	6.59%
Materials	0.47%	5.63%
Industrials	1.13%	4.00%
Energy	2.78%	3.07%
Consumer Staples	-2.52%	-1.97%
Health Care	-1.52%	-2.50%
Utilities	-5.27%	-3.95%

Source: Bloomberg

© 2023 BOK Financial Corp. Services provided by BOKF, NA, Member FDIC. BOKF, NA is the banking subsidiary of BOK Financial Corporation. BOK Financial Corporation (BOKF) offers wealth management and trust services through various affiliate companies and non-bank subsidiaries including advisory services offered by BOKF, NA and its subsidiary Cavanal Hill Investment Management, Inc., an SEC registered investment adviser. BOKF offers additional investment services and products through its subsidiary BOK Financial Securities, Inc., a broker/dealer, member FINRA/SIPC, and an SEC registered investment adviser and BOK Financial Private Wealth, Inc., also an SEC registered investment adviser. The information in the report was prepared by (SIA) Strategic Investment Advisors of BOKF, NA which is a division of BOK Financial Corporation.

This report is not to be considered a recommendation of any particular security, strategy or investment product, nor is it intended to provide personal investment advice. It does not take into account any specific investment objectives, financial situations, or particular needs of any specific person who may receive this report. The information provided in this presentation is for informational purposes only and is not an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed in this report and should understand that statements regarding future prospects may not be realized. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

Investments are not insured by the FDIC and are not guaranteed by any bank or bank affiliate. Investments are subject to risks, including the possible loss of the principal amount invested. This report may not be reproduced, redistributed, retransmitted or disclosed, or referred to in any publication, in whole or in part, or in any form or manner, without the express written consent of BOKF. Any unauthorized use or disclosure is prohibited.



---

The information provided herein was prepared by the Investment Management team of BOKF, NA. BOKF, NA is the bank subsidiary of BOK Financial Corporation (BOKF), a financial services holding company (NASDAQ:BOKF). BOKF offers trust and wealth management services through its subsidiaries including BOKF, NA (and its banking divisions Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, and BOK Financial) and investment advisory services through its non-bank subsidiaries, Cavanal Hill Investment Management, Inc., and BOK Financial Private Wealth, Inc., each an SEC registered investment adviser, and BOK Financial Securities, Inc., also an SEC registered investment adviser and registered broker/dealer, member FINRA/SIPC (each an "Investment Affiliate") (collectively, "BOKF"). Distribution of this document is intended for informational purposes. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The opinions expressed herein reflect the judgment of the author(s) as of the date prepared and are subject to change without notice and are not a complete analysis of any sector, industry, or security regardless of the date on which the reader may receive or access the information. The information provided is intended to be educational in nature and not advice relative to any investment or portfolio offered through an Investment Affiliate, and does not constitute any form of regulated financial, legal, or tax advice, or other regulated financial service. The content provided herein is not a solicitation for the investment management services of any Investment Affiliate, nor is it intended to constitute a recommendation for, or advice to, any specific person on behalf of any Investment Affiliate, as it does not take into account the financial objectives, situation, or needs of any specific person. This information is provided on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of said content, any risks associated therewith, and any related legal, tax, accounting, or other material considerations. Recipients should not solely rely on this material in making any future investment decision. To the extent that the recipient has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, they are encouraged to consult with a qualified lawyer, accountant, or financial professional.

This document may contain forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections, the securities and credit markets and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the value and potential future value or performance of any security, group of securities, type of security or market segment involve judgments as to expected events and are inherently forward-looking statements. These statements are not guarantees of future performance. Likewise, past performance is not a guarantee of future results. This content is prepared for the use of the Investment Affiliates and their clients and prospective clients, and may not be reproduced, redistributed, retransmitted or disclosed, or referred to in any publication, in whole or in part, or in any form or manner, without the express written consent of BOKF or BOKF, NA. Any unauthorized use or disclosure is prohibited. Receipt and review of this document constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein. This report should not be distributed without the attached disclosures, and is considered incomplete if the disclosures are not attached.

\*This chart is for illustrative purposes only and not indicative of any actual investment.

Asset allocation, diversification, and rebalancing do not ensure a profit or protect against loss in declining markets. Investing involves risks, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

BOK Financial® is a trademark of BOKF, NA. Member FDIC. Equal Housing Lender. 2023 BOKF, NA.

**INVESTMENT AND INSURANCE PRODUCTS ARE: NOT FDIC INSURED | NOT GUARANTEED BY THE BANK OR ITS AFFILIATES | NOT DEPOSITS | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE**