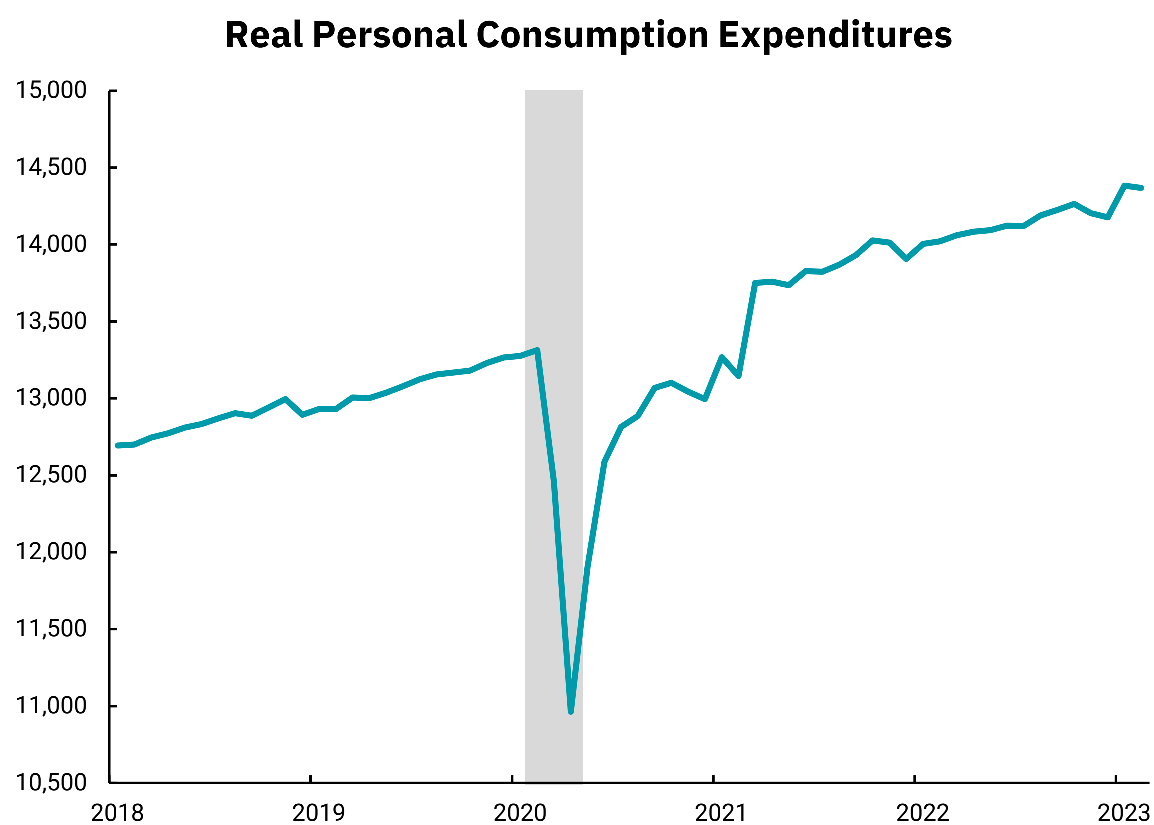
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Mar. 31, 2023)



After a significant bout of mid-month volatility spurred by financial system tremors, having a week of relative calm was good. Information from the Federal Reserve on bank funding shows that the worst of the initial liquidity issues may be behind us. However, that is not to say we are totally out of the woods. The higher-rate environment and a slowing economy may reveal other areas of weakness within the financial system. Still, as of now, economic momentum remains and credit markets are not indicating widespread issues. The resilience of the equity markets has been impressive.

Beyond the immediacy of the liquidity issues, we would expect a response from bank regulatory authorities. Without knowing any specifics, one could reasonably expect higher oversight and rule changes designed to reduce risk within the banking system further. This has been the response to past banking issues, as we try to write new rules and regulations to keep the same mistake from happening again. Overall, efforts to reduce risk tend to also reduce profit margins which will be a headwind for financials and the broader economy going forward.

As the Fed utilizes its tools to improve financial system liquidity, they must keep in mind the ongoing problem of inflation which remains too high. The release of the Fed's preferred measure of inflation, the core Personal Consumption Expenditures index (PCE), brought some welcome news on the inflation front as the monthly and year-over-year reading came in a bit lower than expectations and continued the trend toward lower inflation. This is good news…to a point. The fact remains that inflation is far above the Fed's recently confirmed goal of 2% which would indicate a need to remain vigilant, or put more simply, keep rates higher for longer than the market's current expectation.

A lot can and will happen over the next few months, which may alter our viewpoint but while bank liquidity issues are scary and require a response, the bigger, longer-term issue for the Fed and the economy remains inflation.

Source: Federal Reserve Bank of Saint Louis

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Weekly market update

BOK FINANCIAL

Commentary (Mar. 31, 2023)

Domestic Equities

- U.S. stocks ended the first quarter of 2023 on a positive note with solid gains for the week, the month and the quarter in most sectors.
- Value stocks underperformed growth stocks for the quarter primarily due to financials exposure. Volatility increased sharply in mid-March as two U.S. banks collapsed, but it has come down this week, as the crisis appears contained and is not expected to spill over into the broader economy.
- As the rate-hiking cycle draws closer to an end, high-growth stocks that suffered the most in 2022 have seen a significant rebound. The tech-heavy Nasdaq composite is up over 17% in the first quarter.
- A widely-anticipated recession has failed to materialize, and investors are becoming more confident that it will be mild if at all. The labor market remains strong and inflation is easing, raising the potential for that coveted "soft-landing".

Bonds

- U.S. Treasury yields rose as stress in the banking sector appeared to subside. The yield curve bear-flattened, with a weak 2-year auction contributing to a larger jump in yields at the front end of the curve.
- Lower quality credits outperformed during the week, with high yield/leverage loans outperforming the investment-grade segment of the corporate market.
- Following the rally in the broader equity markets, preferred securities and convertible bonds were the top performing fixed-income sectors.
- In international markets, the central banks of South Africa, Columbia and Mexico hiked policy rates. Additionally, the Bank of Japan announced that it would be expanding the range of its planned bond buying next quarter by +/- ¥100 billion to ¥100-to-¥500 billion ($752 million to $3.8 billion) of 10-to-25 year bonds per operation.

International Equities

- Global stock markets moved higher this week to close out the quarter. Investor sentiment dramatically improved as signs of stability in the banking industry emerged, boosting stock prices around the world.
- Developed markets moved higher to reverse last week's losses. The largest gains were seen across most European markets, led by a sharp rebound in European bank stocks. The German stock market rose even though the country's consumer prices rose by 7.80%, primarily driven by higher food prices.
- Emerging markets posted gains this week, with markets across Latin America and Eastern Europe posting sharp gains while Asian markets inched higher. Brazilian stocks rallied as investors reacted favorably to the government's proposed fiscal plan to stabilize the country's budget and government debt levels.

Economics

- The Bureau of Economic Analysis (BEA) reported consumer spending (PCE) rose by $29 billion due to increased spending on services and non-durable goods. The Personal Consumption Expenditures Price Index was 0.30% in February and 5.0% during the prior 12 months.
- The BEA also reported personal income increased by $73 billion (+0.3%) in February. Most of the increase was due to higher employee compensation, notably in services producing industries. Additionally, the personal savings rate rose to 4.6%.
- The Department of Labor reported weekly initial claims for unemployment insurance rose to 198,000 for the week ending Mar. 25, an increase of 7,000 from the prior week.
- Job openings (JOLTS) will be released on Tuesday, and the March jobs report will be released on Friday.

Weekly Market Update

For Week Ending March 31, 2023

Markets

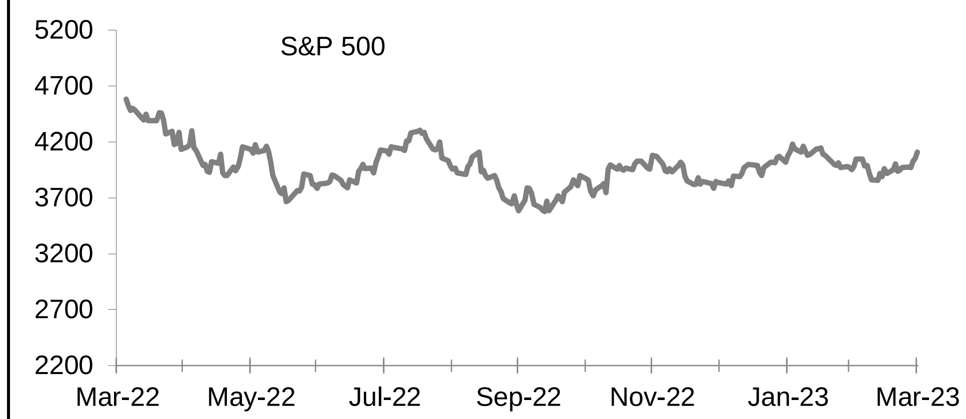
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,274.15	3.2%	0.9%	-2.0%
S&P 500 Index	4,109.31	3.5%	7.5%	-7.8%
NASDAQ	12,221.91	3.4%	17.0%	-13.3%
S&P 400 Midcap Index	2,512.16	4.6%	3.8%	-5.2%
S&P 600 Smallcap Index	1,182.07	3.7%	2.6%	-8.8%
MSCI EAFE	7,140.65	4.1%	8.5%	-1.4%
MSCI Emerging Markets	505.29	1.9%	4.0%	-10.7%
Bloomberg US Agg	2,109.41	-0.5%	3.0%	-4.8%
Bloomberg Municipal 5 Yr	477.71	0.2%	1.9%	1.8%
Bloomberg US Corporate	3,072.15	0.2%	3.5%	-5.6%
Bloomberg Glb Agg ex US Hdg	536.37	-0.4%	2.9%	-3.3%
Bloomberg High Yield	2,264.03	1.7%	3.6%	-3.3%
MSCI US REIT Index	1,960.35	5.9%	2.4%	-20.2%
Bloomberg Commodity Index	232.71	2.5%	-5.4%	-12.5%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.00%	5.00%	4.50%	0.50%
3-Month Treasury	4.69%	4.61%	4.34%	0.48%
1-Year Treasury	4.59%	4.22%	4.69%	1.60%
2-Year Treasury	4.03%	3.77%	4.43%	2.33%
5-Year Treasury	3.57%	3.41%	4.00%	2.46%
7-Year Treasury	3.53%	3.40%	3.97%	2.43%
10-Year Treasury	3.47%	3.38%	3.87%	2.34%
30-Year Treasury	3.65%	3.64%	3.96%	2.45%
Consumer Rates				
30-Year Mortgage	6.81%	6.81%	6.66%	4.90%
Prime Rate	8.75%	8.75%	8.25%	4.25%
3-Month LIBOR	5.19%	5.10%	4.77%	0.96%
Commodities				
Gold	1,969.28	1,978.21	1,824.02	1,937.44
Crude Oil (WTI)	75.67	69.26	80.26	85.32
Gasoline	3.55	3.53	3.20	4.33
Natural Gas	2.22	2.36	4.48	3.90
Copper	4.09	4.08	3.81	4.73

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.63	18.88	4.44	2.21
S&P 500	18.79	18.48	4.06	1.71
S&P 500 Value	17.01	17.29	2.75	2.13
S&P 500 Growth	20.69	19.67	7.02	1.34
NASDAQ	16.71	15.21	3.78	2.32
S&P Midcap 400	14.58	12.55	2.26	2.12
S&P Smallcap 600	14.35	13.13	1.76	1.81
MSCI EAFE	13.07	13.76	1.75	3.41
MSCI Emerging Markets	12.69	12.07	1.59	3.08

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	1.31	3.67	5.85
Mid	-5.33	-3.21	-1.13
Small	-6.40	-5.16	-3.97

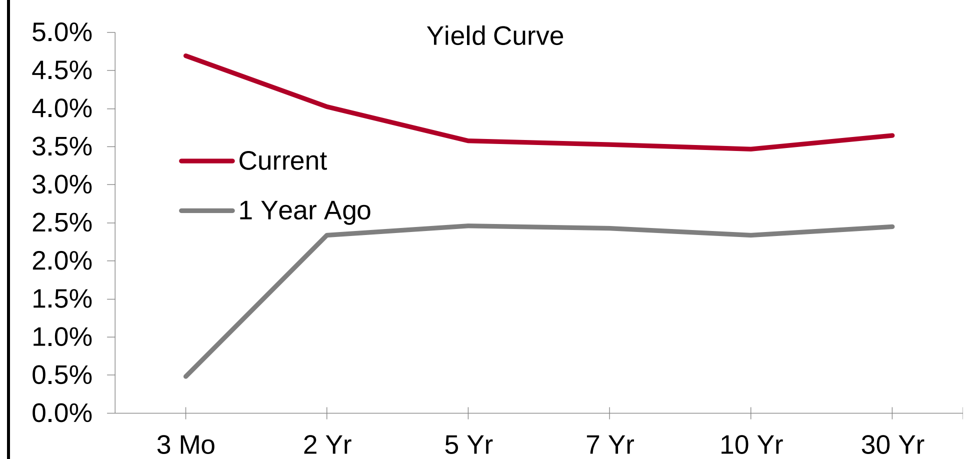
> 10%
0% - 10%
<0%

*S&P Indices

Year to Date*

	Value	Core	Growth
Large	5.15	7.48	9.63
Mid	2.50	3.81	5.02
Small	3.03	2.57	2.11

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	1.64	2.43	4.73
Corp	0.89	3.12	4.32
HY	0.43	1.05	1.63

> 10%
0% - 10%
<0%

*Bloomberg Indices.

Year to Date*

	Short	Interm.	Long
Govt	1.59	2.26	6.16
Corp	1.24	3.93	5.45
HY	3.07	3.57	3.67

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	6.0%	7.9%
CPI Core Inflation	5.5%	6.4%
Personal Consumption Exp (PCE) Core	4.6%	5.4%
Jobs		
Unemployment Rate (U3)	3.6%	3.8%
Broader Unemployment Rate (U6)	6.8%	7.2%
JOLT Survey (in millions)	10.82	11.49
Jobless Claims (000's)	198	171
Change in Non-Farm Payroll (000's)	311	904
Average Hourly Earnings (Y/Y % Change)	4.6%	5.3%
Consumer & Spending		
Consumer Confidence (Conf Board)	104.2	107.6
Consumer Spending ($ Bil)	18,125	16,845
Consumer Credit ($ Bil)	4,796	4,446
Retail Sales ($ Bil)	698	662
Housing		
Housing Starts (000's)	1,450	1,777
Case-Shiller Home Price Index	292.71	282.01
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	20,183	20,006
Quarter over Quarter Change	2.6%	7.0%
Year Over Year Change	0.9%	5.7%
ISM Manufacturing	47.70	58.40
Capacity Utilization	79.11	79.93
Markit US Composite PMI	53.30	57.70
U.S. General		
Leading Economic Indicators	110.0	117.6
Trade Weighted Dollar Index	119.8	116.0
EUR / USD	1.08	1.11
JPY / USD	132.86	121.70
CAD / USD	0.74	0.80
AUD / USD	0.67	0.75

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	10.92%	21.72%
Communication Services	10.38%	20.50%
Consumer Discretionary	3.12%	16.13%
Materials	-1.04%	4.29%
Industrials	0.63%	3.34%
Real Estate	-1.60%	1.67%
Consumer Staples	4.11%	0.63%
Utilities	4.92%	-3.24%
Health Care	2.22%	-4.31%
Energy	-0.17%	-4.67%
Financials	-9.61%	-5.71%

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