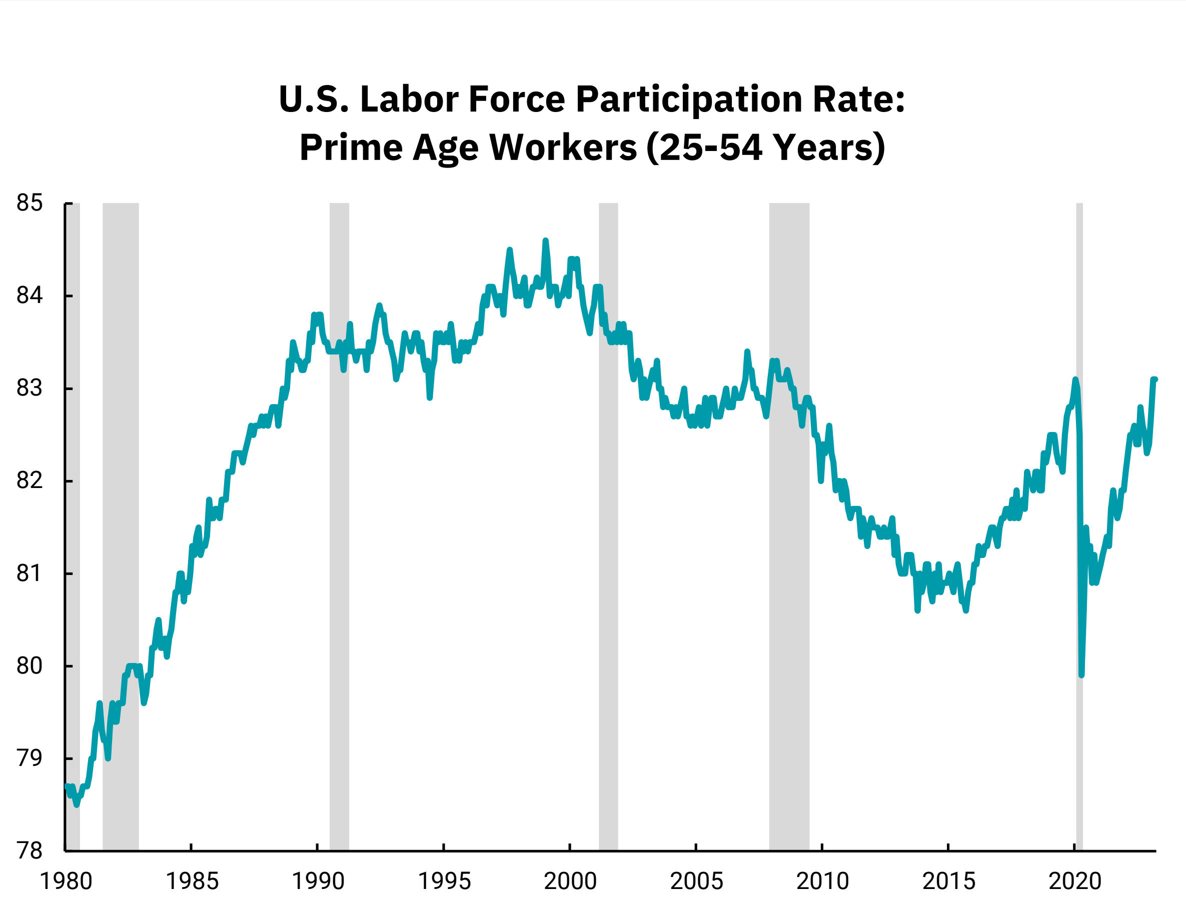
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Apr. 21, 2023)



The job market is front and center as it pertains to the Federal Reserve, inflation and future monetary policy. Wages, along with rents, tend to be the stickier parts of inflation, so following trends within the labor market is centrally important to shaping the Fed's view.

Since the pandemic, getting people back into the labor force has been difficult, despite a record number of open jobs and unemployment at or near 3.5%. If we consider labor as a raw material for economic output, we can see why growing the labor force is so important. More people working equates to more economic output.

Thinking simply about how we can lower inflation involves either reducing demand or increasing supply (ideally both, but we are thinking about this simplistically for now). Since the Federal Reserve cannot create goods and services, they use their tools—interest rates and policies like quantitative easing and tightening—to influence demand. Lowering rates is used to spur demand or, as of now, raising rates to reduce demand. An unfortunate side effect of reducing demand is lower economic output, leading to higher unemployment.

If, instead, the labor force can grow, which increases output, the Fed may not have to try to lower demand as much and, therefore, not have to raise interest rates as high. This week's chart shows that the labor force has been declining since the late 1990s. However, recently, we have seen the prime-age labor force participation rate begin to move higher, and it’s now back to about where it was before the pandemic. This could be very good news from an economic growth and inflation standpoint, both of which could mean the Fed is close to being able to stop raising interest rates and lessen the risks of a recession.

Source: Piper Sandler

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Commentary (Apr. 21, 2023)

Domestic Equities

- U.S. stocks ended the week with minor losses as signs of a slowing economy heightened fears of recession, but Fed officials continue to signal that more rate hikes could be needed to curb inflation.
- It has been difficult for investors to view any economic news as good news. Weak manufacturing data out Thursday sparked concerns about a recession, but data showing increased business activity and prices out Friday increased worries over rate hikes.
- In earnings highlights, Meta shares fell on news of slower hiring and more potential layoffs. Tesla shares were down sharply this week on narrowing profit margins. Proctor & Gamble stock rose as it said they have been able to pass higher prices on to consumers by raising prices 10% year-over-year without triggering a decline in demand.

Bonds

- U.S. Treasury yields were roughly flat for the week with investors awaiting additional guidance from the Federal Reserve at the upcoming FOMC meeting on May 2-3. As of week-end, the market is pricing in an 89% probability that the FOMC will hike by 0.25% at its May meeting.
- Despite mixed earnings across the regional banking sector, traditional preferred securities finished the week marginally higher, outperforming credit markets more broadly.
- Municipal bonds underperformed the broad investment-grade market, with municipal to Treasury ratios rising across the curve as the market began to price in a larger new issue calendar.
- Argentina's central bank increased its benchmark interest rate by 3% to 81% on Thursday after inflation rose and currency reserves fell in March.

International Equities

- Global investor sentiment turned more cautious this week as investors mulled over corporate earnings data looking for clues about the future direction of the global economy.
- Foreign developed markets across the European and Pacific regions endured a sluggish trading week after four straight weeks of gains. The U.K.'s yearly rate of inflation was 10.1%, which was higher than expected due to higher food and energy prices. This persistent inflation data suggests future rate hikes are likely despite a weak economy.
- Emerging markets faltered this week, with weakness seen across many Asian and Latin American markets. China's economy expanded 4.5% over the last year as retail spending rebounded, helping the country recover from its economic malaise due to the zero-COVID policies that were relaxed late last year.

Economics

- The Census Bureau reported building permits for new housing units declined 9% in March and is 25% below March 2022. Housing starts slightly declined in March to 1.42 million, down 1%, and are 17% lower than March 2022. Finally, housing completions also slightly declined in March by 1% and are 13% lower than March 2022.
- The Fed's Beige Book indicated that nine of the 12 districts reported no change in economic activity, while the remaining three districts reported modest economic growth. It was also noted that despite price levels increasing, the rate of the increase appeared to be slowing.
- Initial claims for unemployment were 245,000 for the week ending April 15, an increase of 5,000 from the prior week. Continuing claims increased by 61,000 to 1,865,000 for the week ending April 8.

BOK FINANCIAL

Weekly Market Update

For Week Ending April 21, 2023

Markets

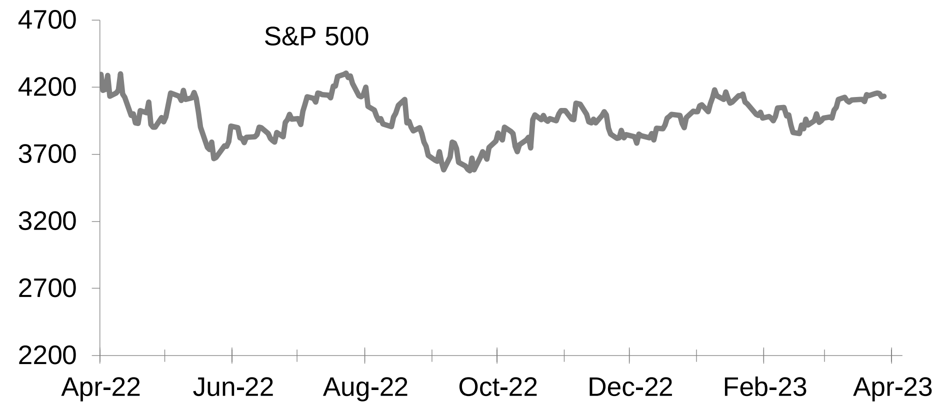
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,808.96	-0.2%	2.6%	-0.7%
S&P 500 Index	4,133.52	-0.1%	8.2%	-4.3%
NASDAQ	12,072.46	-0.4%	15.6%	-7.5%
S&P 400 Midcap Index	2,498.83	0.4%	3.3%	-4.3%
S&P 600 Smallcap Index	1,160.11	-0.3%	0.7%	-8.7%
MSCI EAFE	7,334.82	0.0%	11.4%	3.7%
MSCI Emerging Markets	500.93	-2.0%	3.1%	-7.2%
Bloomberg US Agg	2,104.68	-0.2%	2.7%	-1.5%
Bloomberg Municipal 5 Yr	475.87	-1.0%	1.5%	2.9%
Bloomberg US Corporate	3,069.00	-0.2%	3.4%	-1.0%
Bloomberg Glb Agg ex US Hdg	534.35	-0.1%	2.5%	-1.9%
Bloomberg High Yield	2,275.55	-0.3%	4.1%	-0.6%
MSCI US REIT Index	1,946.88	2.2%	1.7%	-22.9%
Bloomberg Commodity Index	233.52	-2.0%	-5.0%	-16.8%

	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	5.02%	4.99%	4.34%	0.79%
1-Year Treasury	4.72%	4.75%	4.69%	1.98%
2-Year Treasury	4.18%	4.10%	4.43%	2.68%
5-Year Treasury	3.66%	3.61%	4.00%	2.97%
7-Year Treasury	3.62%	3.55%	3.97%	2.97%
10-Year Treasury	3.57%	3.51%	3.87%	2.91%
30-Year Treasury	3.78%	3.73%	3.96%	2.93%
Consumer Rates				
30-Year Mortgage	6.89%	6.89%	6.66%	5.28%
Prime Rate	8.75%	8.75%	8.25%	4.25%
3-Month LIBOR	5.26%	5.20%	4.77%	1.18%
Commodities				
Gold	3.70	3.61	1,824.02	1,951.62
Crude Oil (WTI)	77.87	82.43	80.26	89.21
Gasoline	3.70	3.61	3.20	4.20
Natural Gas	2.23	2.11	4.48	4.27
Copper	3.99	4.11	3.81	4.72

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.98	19.18	4.51	2.16
S&P 500	19.00	18.57	4.08	1.70
S&P 500 Value	17.18	17.40	2.77	2.10
S&P 500 Growth	20.95	19.75	7.05	1.34
NASDAQ	16.98	15.42	3.84	2.28
S&P Midcap 400	14.71	12.47	2.24	2.12
S&P Smallcap 600	14.23	13.03	1.73	1.85
MSCI EAFE	13.28	14.12	1.80	3.35
MSCI Emerging Markets	12.46	11.77	1.58	3.12

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	4.48	5.71	6.81
Mid	0.74	1.70	2.62
Small	-0.49	-0.05	0.37

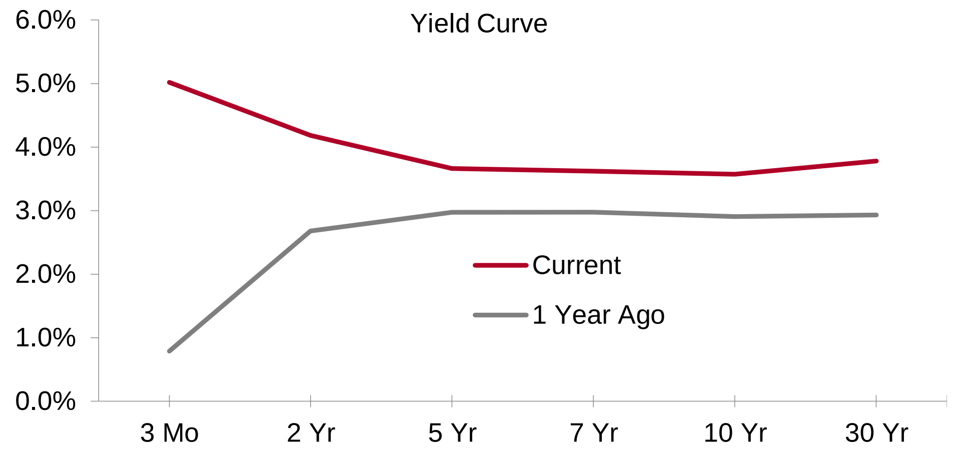
Year to Date*

	Value	Core	Growth
Large	6.00	8.20	10.22
Mid	1.42	3.31	5.10
Small	1.12	0.73	0.35

■ > 10%
■ 0% - 10%
🟥 <0%

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.59	1.04	1.23
Corp	0.85	2.70	3.03
HY	1.22	2.52	3.41

Year to Date*

	Short	Interm.	Long
Govt	1.57	2.16	4.78
Corp	1.53	3.86	4.79
HY	3.58	4.07	4.75

■ > 10%
■ 0% - 10%
🟥 <0%

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	5.0%	8.5%
CPI Core Inflation	5.6%	6.5%
Personal Consumption Exp (PCE) Core	4.6%	5.4%
Jobs		
Unemployment Rate (U3)	3.5%	3.6%
Broader Unemployment Rate (U6)	6.7%	6.9%
JOLT Survey (in millions)	9.93	11.60
Jobless Claims (000's)	245	217
Change in Non-Farm Payroll (000's)	236	414
Average Hourly Earnings (Y/Y % Change)	4.2%	5.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	104.2	107.6
Consumer Spending ($ Bil)	18,125	16,845
Consumer Credit ($ Bil)	4,821	4,478
Retail Sales ($ Bil)	692	672
Housing		
Housing Starts (000's)	1,420	1,716
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	46.30	57.00
Capacity Utilization	79.80	80.52
Markit US Composite PMI	53.50	56.00
U.S. General		
Leading Economic Indicators	108.4	117.6
Trade Weighted Dollar Index	118.6	116.8
EUR / USD	1.10	1.08
JPY / USD	134.16	128.38
CAD / USD	0.74	0.79
AUD / USD	0.67	0.74

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	12.38%	20.52%
Information Technology	6.83%	19.36%
Consumer Discretionary	4.70%	14.79%
Materials	3.75%	4.34%
Consumer Staples	4.99%	3.09%
Industrials	0.75%	2.74%
Real Estate	-0.51%	1.09%
Utilities	4.73%	-0.50%
Health Care	6.83%	-0.78%
Energy	7.94%	-1.87%
Financials	2.31%	-2.63%

Disclosures

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