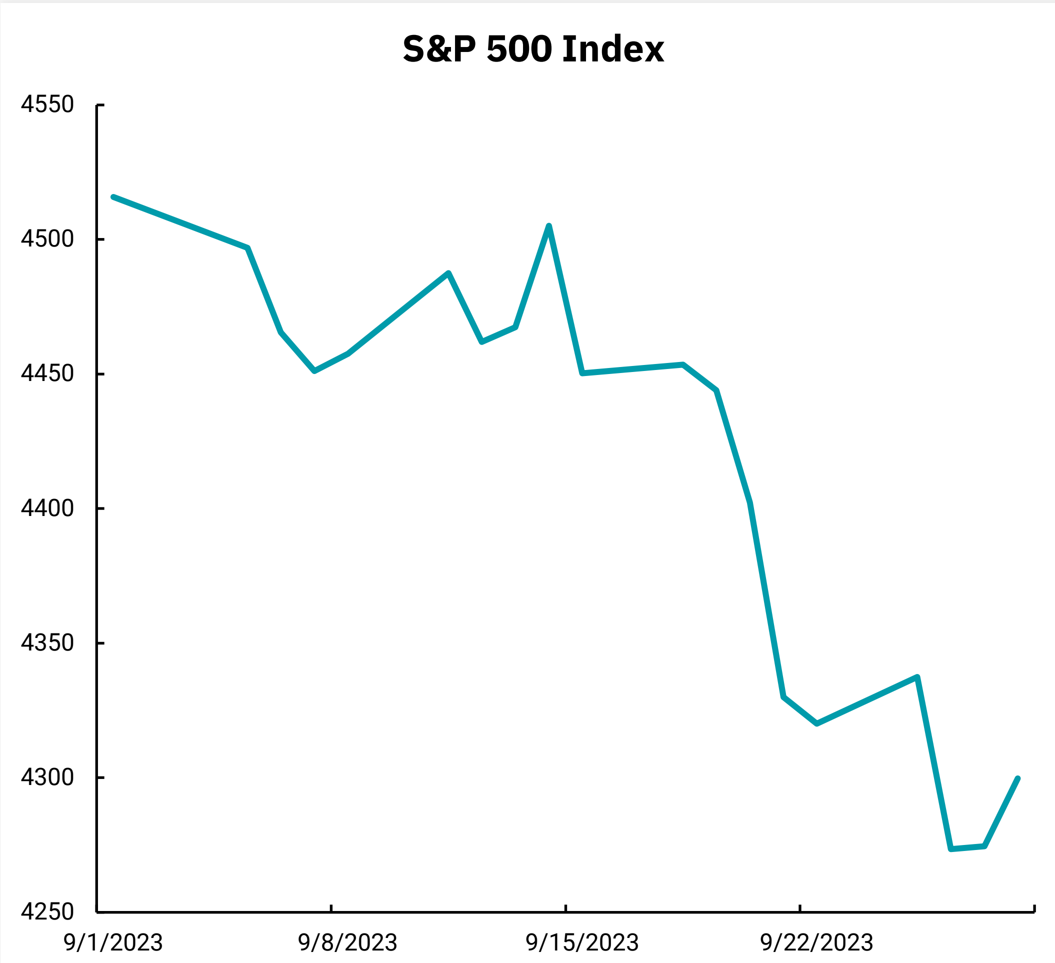
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Sep. 29, 2023)



Historically, September has been a poor month for stock market returns, and 2023 appears to be no exception with the S&P 500 closing down 4.9% for the month. Many analysts in the industry attribute the poor performance in September to a "seasonal bias." In fact, September has been the poorest month for performance for the S&P 500 going back to at least the 1940s.

As the equity market has come under the "September Effect" yet again this year, it seems a unique set of issues has affected recent market performance. In the short term, we face a wall of worry from factors, including the ongoing United Auto Workers (UAW) strike, the resumption of student loan payments, increasing oil prices and the federal government coming to the cusp of another government shutdown. Taken one by one, these issues would likely not cause as much heartburn to stocks, but together, on top of historically high interest rates, these issues have created some angst among financial market participants.

At the index level, equity market valuations, like the popular price/earnings ratio, are still a bit stretched compared to historical data. However, if the U.S. consumer remains in decent shape, the economy certainly has the capacity to fight through these issues and come out the other side relatively unscathed. As we consider the health of the consumer, a focus on the labor market is chief amongst several factors, including rising debt levels even as interest rates continue to climb.

There is good news as inflation continues to moderate with the most recent measure of a key price index, core personal consumption expenditures (PCE), coming in at only 0.1%, better than the expected 0.2%. Still, year over year, core PCE inflation is running at 3.8%, well above the Fed's 2% target. The key to inflation and whether the Fed must continue to raise interest rates will be how the labor market unfolds from here. We will get a better picture of the labor market with the September jobs report from the Department of Labor released on Friday, Oct. 6.

Forecasting the economy and markets is always fraught with risk, this seems especially true at the moment.

Source: Bloomberg

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BOK FINANCIAL

Commentary (Sep. 29, 2023)

Domestic Equities

- U.S. stocks closed the third quarter with losses across most sectors. Large caps outperformed small caps and are still sitting on double-digit gains year-to-date. Growth underperformed value but remains up about 25% year-to-date, while value is up just over 2%.
- Energy was the top-performing sector for the quarter, as oil prices rose about 30%. Communication services also held on to positive returns and is the highest returning sector year-to-date. Utilities and real estate were the worst-performing sectors for the quarter. Tech, which had outperformed in the first half of the year, lagged the broad market.
- Investors are coming to terms with the idea that the Federal Reserve may need to keep rates high well into 2024. High rates may pose a threat to long-duration tech assets, which have soared back to high valuations this year.

Bonds

- The U.S. Treasury yield curve bear-steepened on stronger-than-expected economic data and hawkish comments from Federal President Neel Kashkari. Although yields retreated Friday on weaker-than-expected Core PCE inflation, the entire yield curve finished the week above 4.5%.
- Mortgage rates made new highs, with the national average for a 15-year fixed-rate mortgage ending the week shy of 7%.
- Following the uptick in equity market volatility, credit spreads widened across both high-yield and investment-grade credit.
- The Bank of Japan made an unscheduled bond purchase on Friday after long-term Japanese Government Bond yields made new multi-year highs. Longer-term bond yields across the eurozone also spiked higher but finished the week off recent highs after CPI data for the region came in weaker than expected for August.

International Equities

- Global stock markets remain volatile as investors continue to assess the direction of inflation and interest rates and the health of the global economy while navigating the currency market's erratic moves. Both developed and emerging markets fell for the quarter. Energy within the energy sector performed well while technology stocks struggled.
- Foreign developed markets tumbled for the second straight week with most markets across Europe and Pacific regions absorbing losses. European markets received good news as annual inflation in the eurozone cooled to its lowest level since October 2021, falling to 4.3% in September.
- Stocks across emerging markets also fell for the week, with broad weakness seen across Latin America and Asia. Emerging market risk sentiment remains fragile due to higher bond yields, a jump in oil prices and growing troubles in China's indebted property sector.

Economics

- The Bureau of Economic Analysis (BEA) reported personal income increased by $87.6 billion in August, an increase of 0.4% at a seasonally adjusted annualized rate (SAAR) from the prior month. Most of the increase was due to higher wages and salaries. Consumer spending rose by a similar amount, increasing by $86 billion. Spending rose in both services and goods. Within goods, the spending increase was exclusively in nondurable goods, as durable goods declined in the month. The personal savings rate declined to 3.9%.
- The BEA also reported the personal consumer expenditures (PCE) inflation rate was 0.1% in August, considerably lower than the prior month's reading of 0.6%. Durable and nondurable goods declined while services grew slightly during the month.
- The September jobs report will be released on Friday.

Weekly Market Update

For Week Ending September 29, 2023

Markets

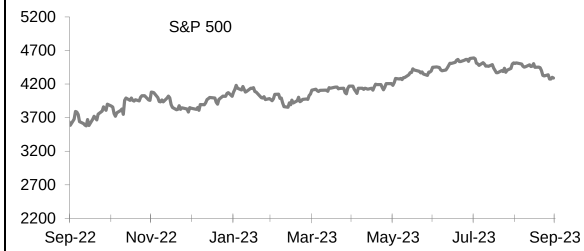
Capital Markets	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Dow Jones Industrial Avg	33,507.50	-1.3%	2.7%	19.2%
S&P 500 Index	4,288.05	-0.7%	13.1%	21.6%
NASDAQ	13,219.32	0.1%	27.1%	26.1%
S&P 400 Midcap Index	2,502.12	0.3%	4.3%	15.5%
S&P 600 Smallcap Index	1,151.26	0.5%	0.8%	10.1%
MSCI EAFE	7,049.34	-1.4%	7.1%	25.6%
MSCI Emerging Markets	494.90	-1.2%	1.8%	11.7%
Bloomberg US Agg	2,024.02	-1.0%	-1.2%	0.6%
Bloomberg Municipal 5 Yr	464.62	-1.0%	-0.9%	2.2%
Bloomberg US Corporate	2,968.65	-1.2%	0.0%	3.6%
Bloomberg Glb Agg ex US Hdg	536.08	-0.3%	2.8%	3.0%
Bloomberg High Yield	2,314.15	-0.4%	5.9%	10.3%
MSCI US REIT Index	1,859.30	-1.6%	-2.9%	1.9%
Bloomberg Commodity Index	237.42	-1.2%	-3.4%	-1.3%

Key Rates	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	5.50%	5.50%	4.50%	3.25%
3-Month Treasury	5.45%	5.47%	4.34%	3.28%
1-Year Treasury	5.45%	5.45%	4.69%	3.92%
2-Year Treasury	5.04%	5.11%	4.43%	4.19%
5-Year Treasury	4.61%	4.56%	4.00%	4.02%
7-Year Treasury	4.61%	4.52%	3.97%	3.92%
10-Year Treasury	4.57%	4.43%	3.87%	3.79%
30-Year Treasury	4.70%	4.52%	3.96%	3.72%
Consumer Rates				
30-Year Mortgage	7.74%	7.64%	6.66%	5.83%
Prime Rate	9.25%	9.25%	8.25%	7.00%
SOFR	5.31%	5.30%	4.77%	2.96%
Commodities				
Gold	1,848.63	1,925.23	1,824.02	1,660.54
Crude Oil (WTI)	90.79	90.03	80.26	71.52
Gasoline	3.82	3.85	3.21	3.80
Natural Gas	2.93	2.88	4.48	5.16
Copper	3.74	3.70	3.81	3.36

Index Characteristics	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Dow Jones Industrial Avg	18.23	19.25	4.35	2.13
S&P 500	19.40	19.51	4.08	1.66
S&P 500 Value	16.89	17.25	2.69	2.16
S&P 500 Growth	22.10	22.00	7.19	1.26
NASDAQ	28.43	31.99	5.35	0.86
S&P Midcap 400	14.93	13.64	2.15	2.16
S&P Smallcap 600	14.55	12.88	1.65	1.91
MSCI EAFE	13.13	12.19	1.62	3.42
MSCI Emerging Markets	13.31	10.00	1.47	3.04

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-4.61	-4.52	-4.44
Mid	-5.40	-4.98	-4.59
Small	-6.07	-5.65	-5.23

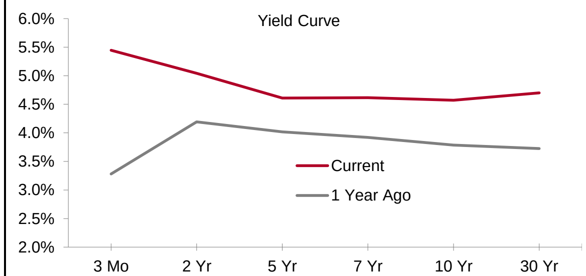
> 10% / 0% - 10% / <0%

*S&P Indices

Year to Date*

	Value	Core	Growth
Large	7.54	13.06	18.10
Mid	1.53	4.27	6.83
Small	-0.85	0.81	2.38

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	-0.05	-0.83	-6.99
Corp	-0.02	-2.94	-5.05
HY	-0.10	-0.86	-1.85

> 10% / 0% - 10% / <0%

*Bloomberg Indices.

Year to Date*

	Short	Interm.	Long
Govt	1.69	0.32	-8.50
Corp	2.30	-0.07	-2.71
HY	7.29	5.93	3.46

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.7%	8.3%
CPI Core Inflation	4.3%	6.3%
Personal Consumption Exp (PCE) Core	3.9%	5.2%
Jobs		
Unemployment Rate (U3)	3.8%	3.7%
Broader Unemployment Rate (U6)	7.1%	7.0%
JOLT Survey (in millions)	8.83	11.38
Jobless Claims (000's)	204	182
Change in Non-Farm Payroll (000's)	187	352
Average Hourly Earnings (Y/Y % Change)	4.3%	5.4%
Consumer & Spending		
Consumer Confidence (Conf Board)	103.0	107.8
Consumer Spending ($ Bil)	18,727	17,692
Consumer Credit ($ Bil)	4,985	4,751
Retail Sales ($ Bil)	698	681
Housing		
Housing Starts (000's)	1,283	1,505
Case-Shiller Home Price Index	310.16	307.14
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	22,225	21,708
Quarter over Quarter Change	2.1%	-0.6%
Year Over Year Change	2.4%	1.9%
ISM Manufacturing	47.60	52.90
Capacity Utilization	79.67	80.71
Markit US Composite PMI	50.10	49.50
U.S. General		
Leading Economic Indicators	105.4	114.1
Trade Weighted Dollar Index	122.0	126.1
EUR / USD	1.06	0.98
JPY / USD	149.37	144.46
CAD / USD	0.74	0.73
AUD / USD	0.64	0.65

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	-2.81%	40.43%
Information Technology	-5.74%	34.72%
Consumer Discretionary	-5.11%	26.67%
Energy	3.31%	6.03%
Inustrials	-5.97%	4.50%
Material	-4.61%	2.61%
Financials	-3.33%	-1.65%
Health Care	-4.16%	-4.09%
Consumer Staples	-4.77%	-4.76%
Real Estate	-7.60%	-5.45%
Utilities	-6.94%	-14.41%

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