

Economic and Market Outlook

Association of Public Treasurers of the United States and Canada

54th Annual Conference, Oklahoma City, OK

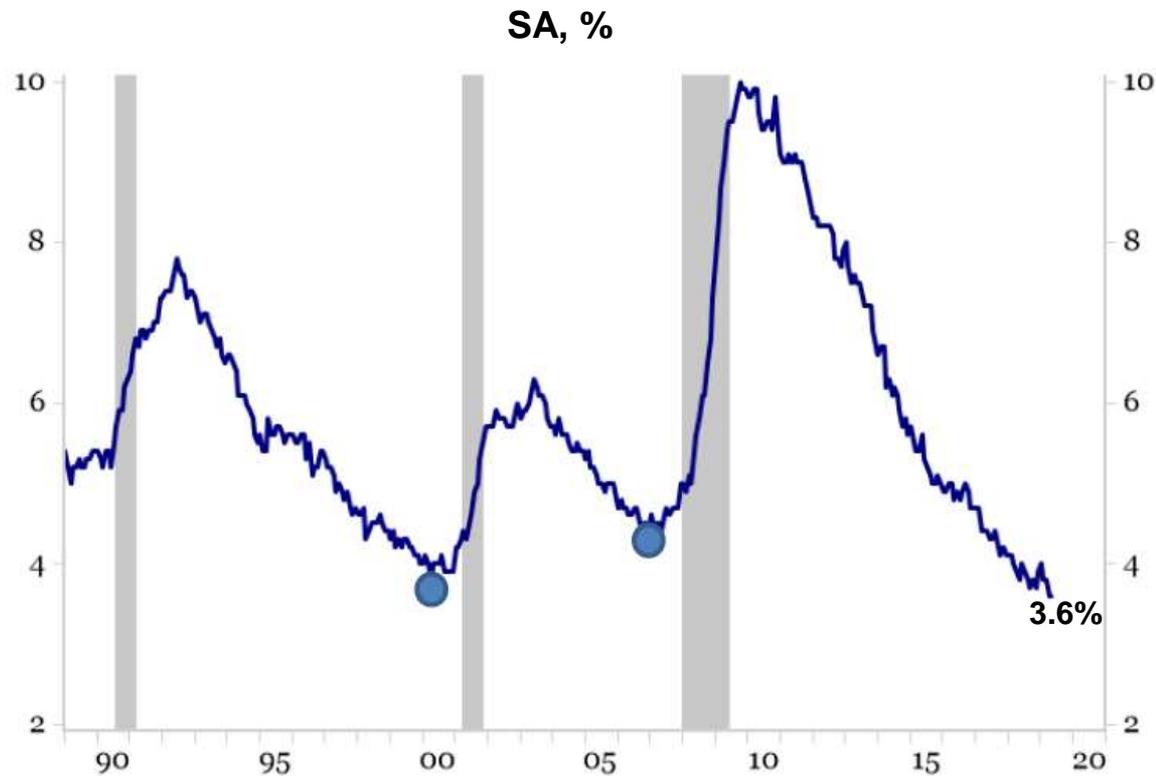
Monday, July 15, 2019

Jim Huntzinger, Chief Investment Officer | BOK Financial Corporation



U.S. Unemployment

Civilian Unemployment Rate: 16 yr +

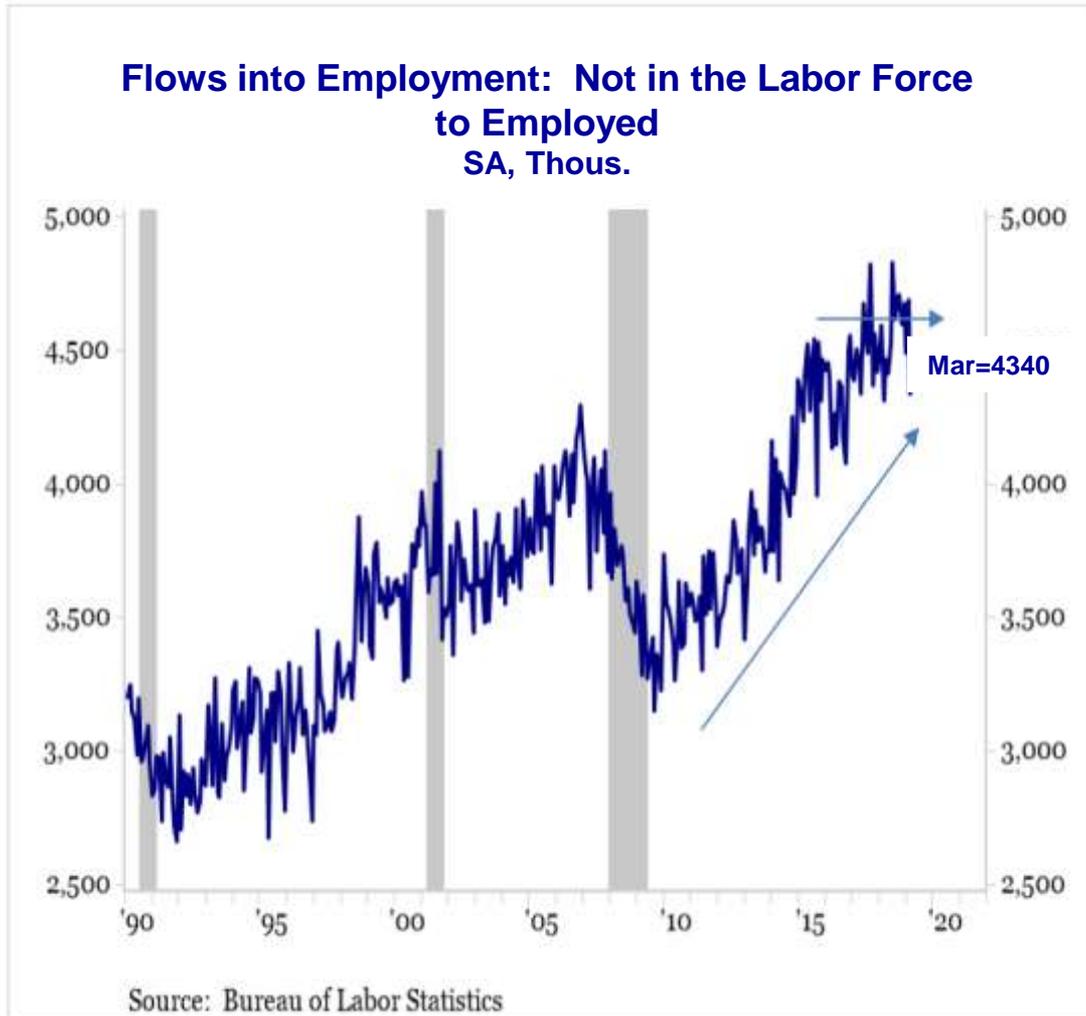


Src: Bureau of Labor Statistics

Unemployment at 50 year low.

U.S. unemployment remains low... but is a lagging economic indicator.

Labor Force Growth



- The good labor market keeps pulling people in.
- Where is the slack coming?
 - A). Seniors working much longer than at any period in history.
 - B). African American unemployment is at record lows.



Consumer Confidence

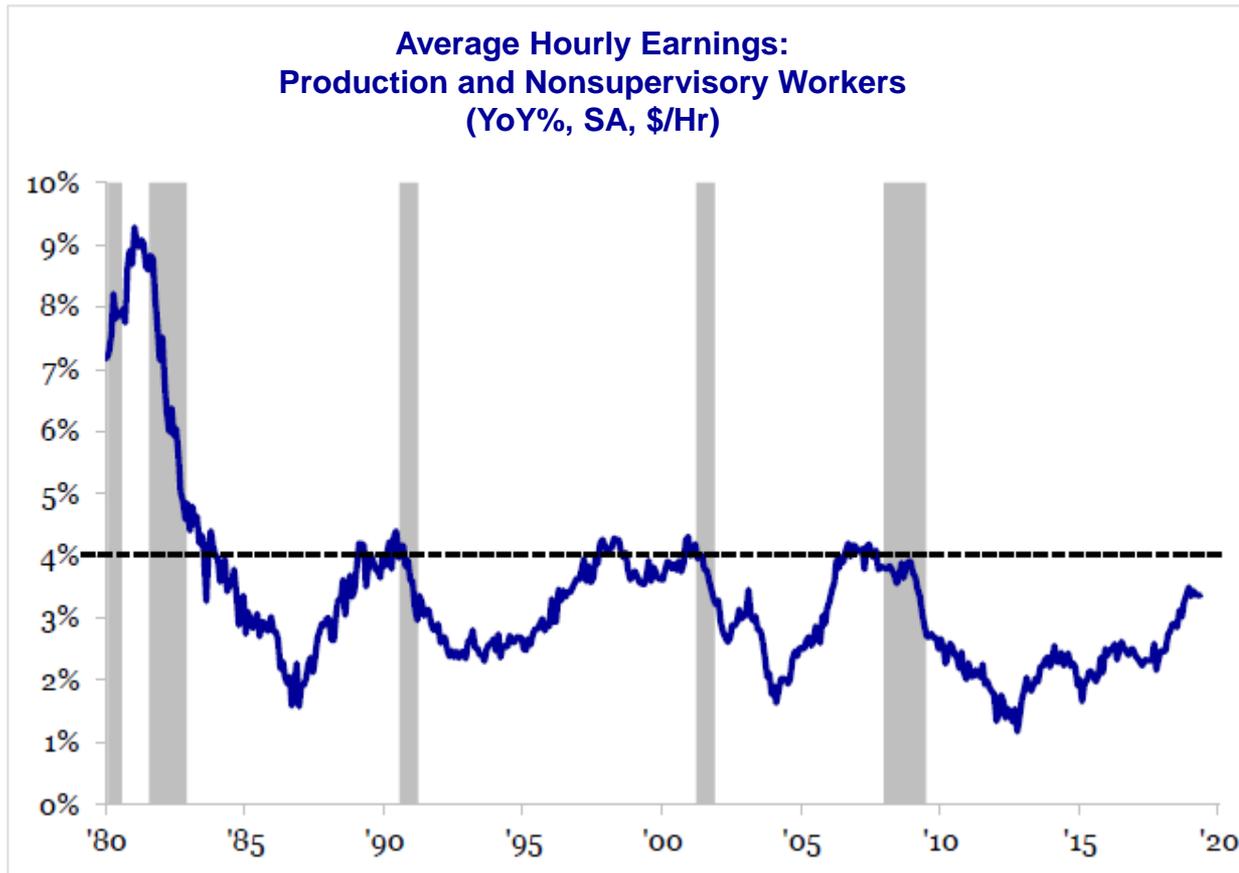
University of Michigan: Consumer Sentiment
NSA, Q1-66=100



Source: University of Michigan

- Consumer confidence remains elevated.

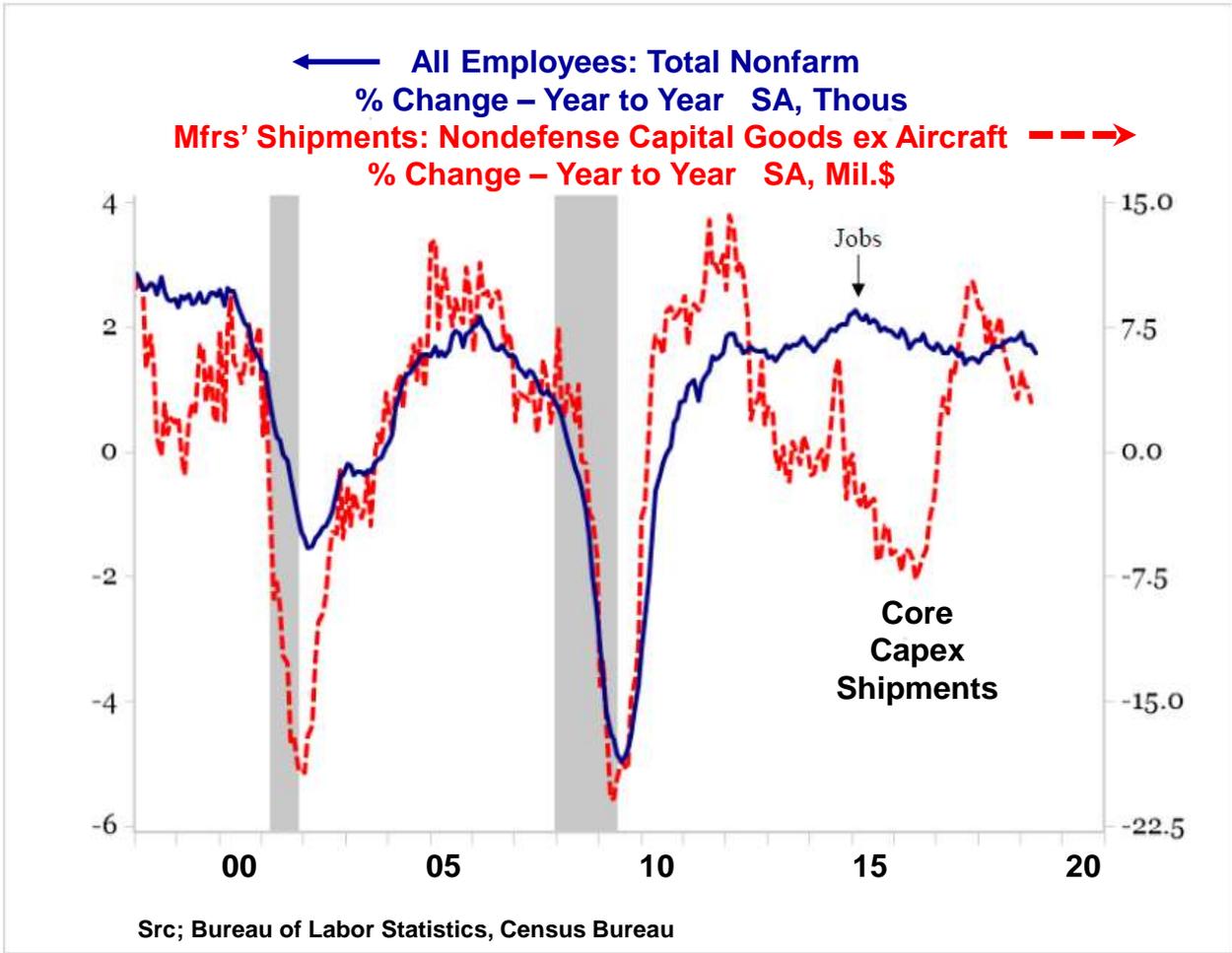
Average Hourly Earnings



- Wage growth remains moderate.



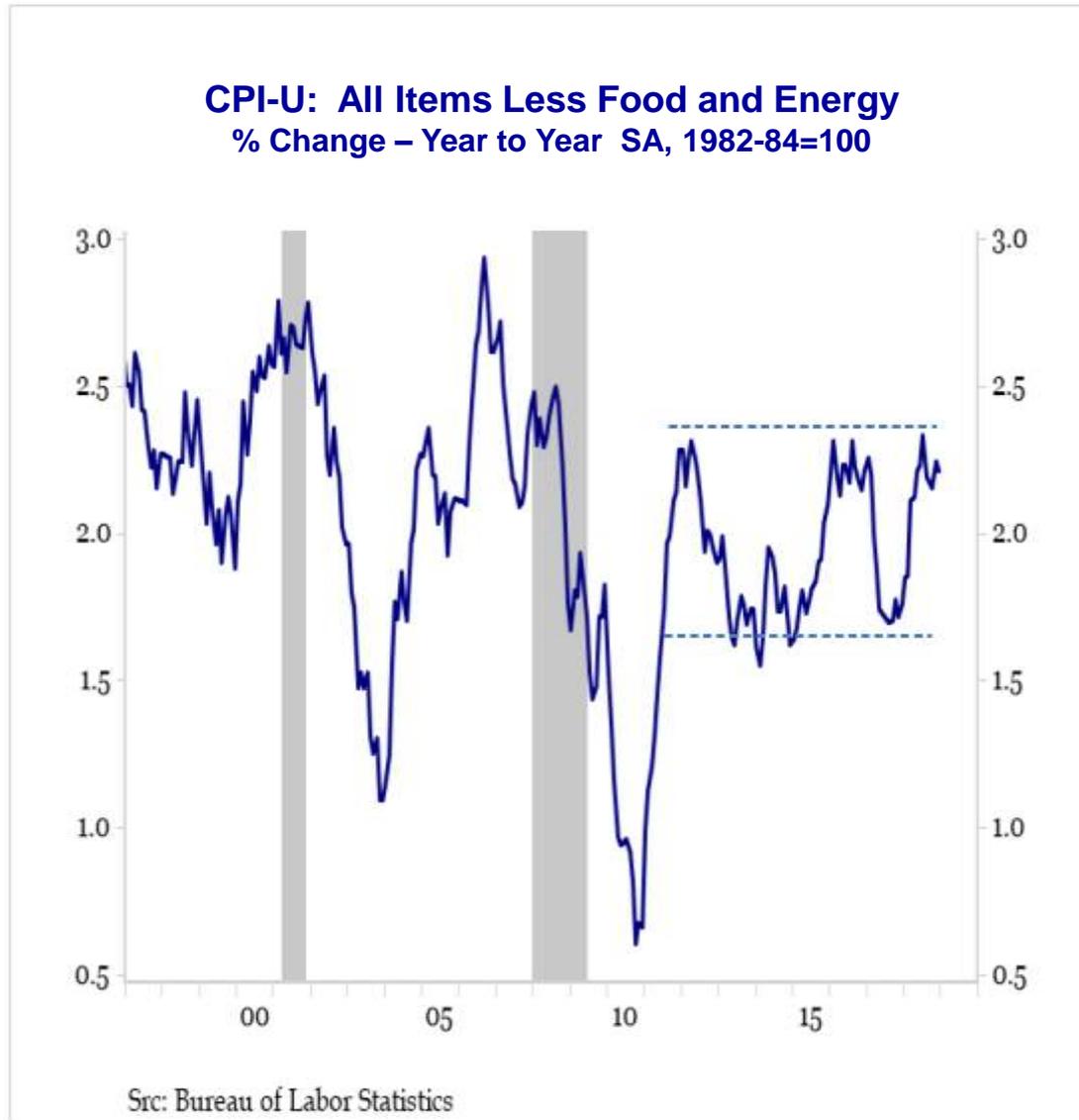
Jobs and Capex



- Slowing job growth consistent with a more impaired business spending environment.



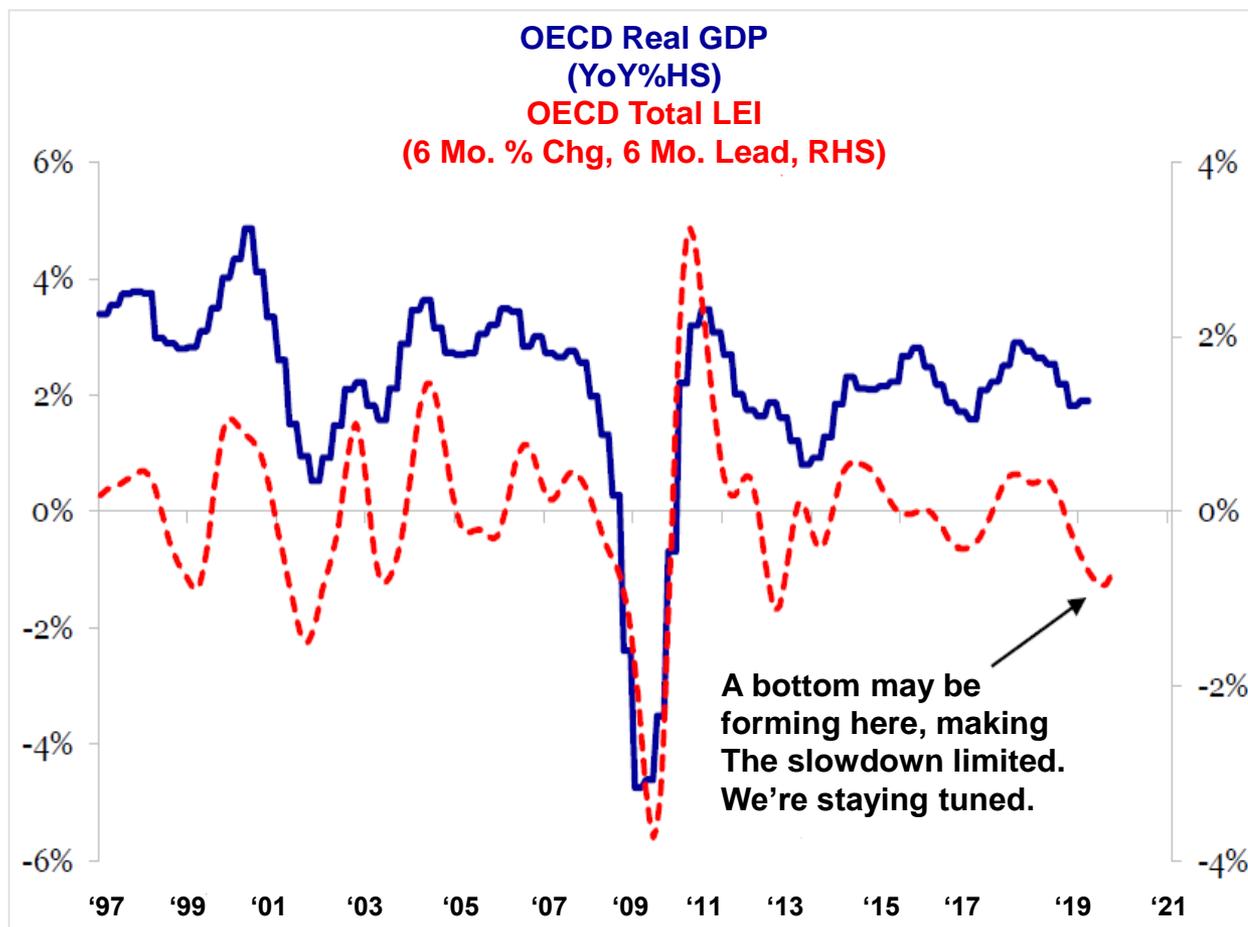
Core Inflation



- Core inflation +2.0% y/y.
- Not enough inflation to hurt the economy... and is now declining.

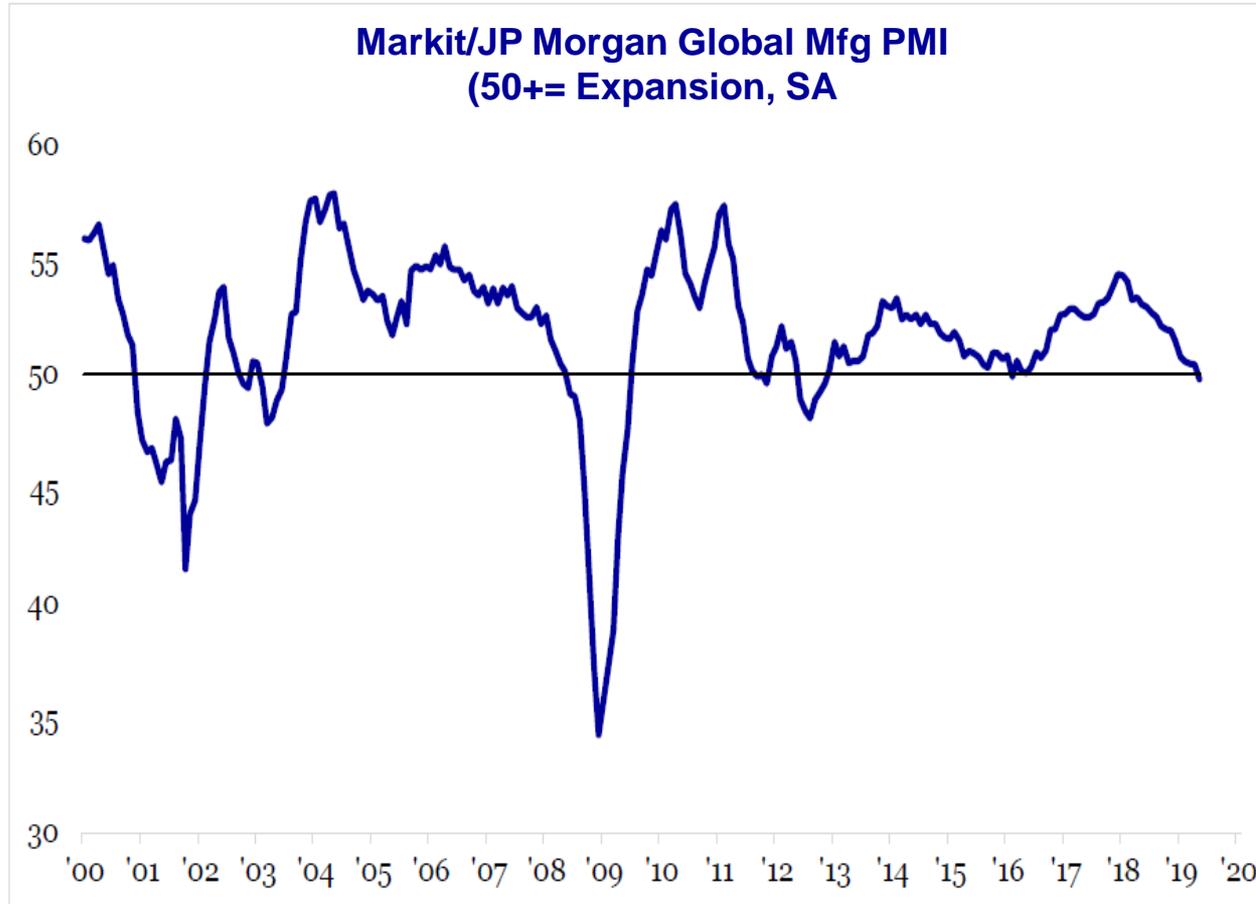


Developed Economies GDP & LEI



- Developed economies slowing.
- LEI's for China, Brazil, South Africa and Mexico improving.
- LEI's signaling global growth in 2019 will be softer than 2018...but not significantly slower.

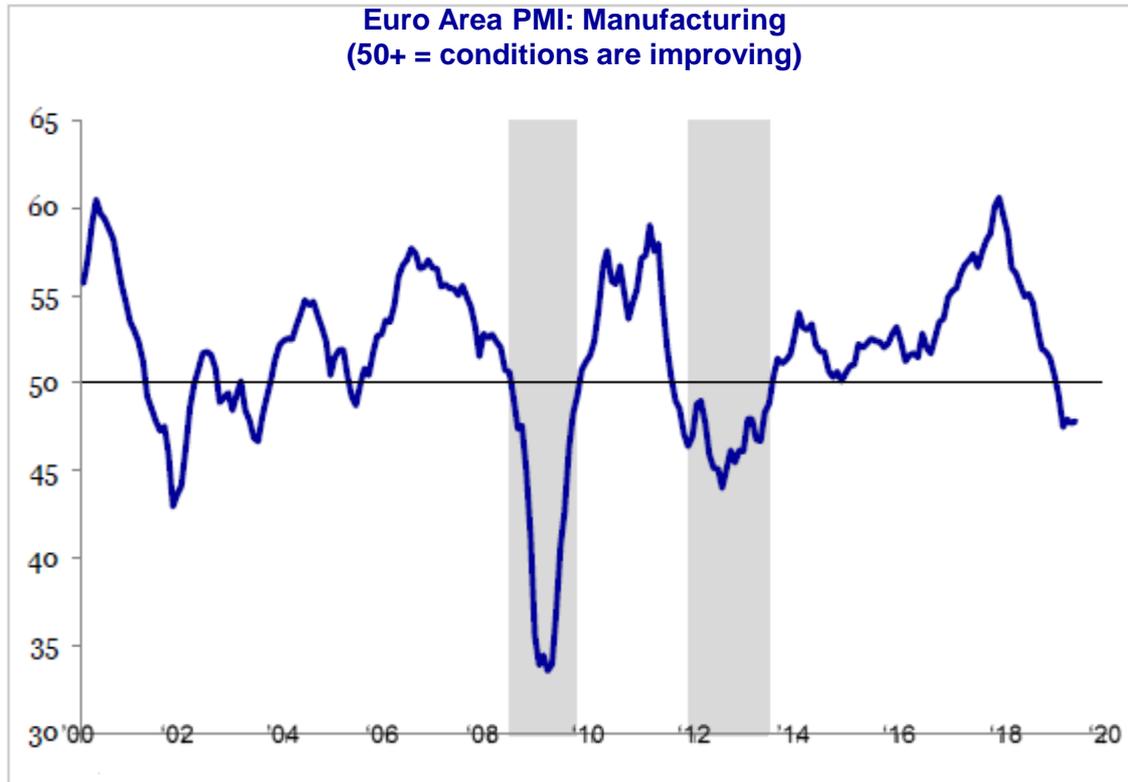
Global Manufacturing



- Weak global outlook for rest of 2019.

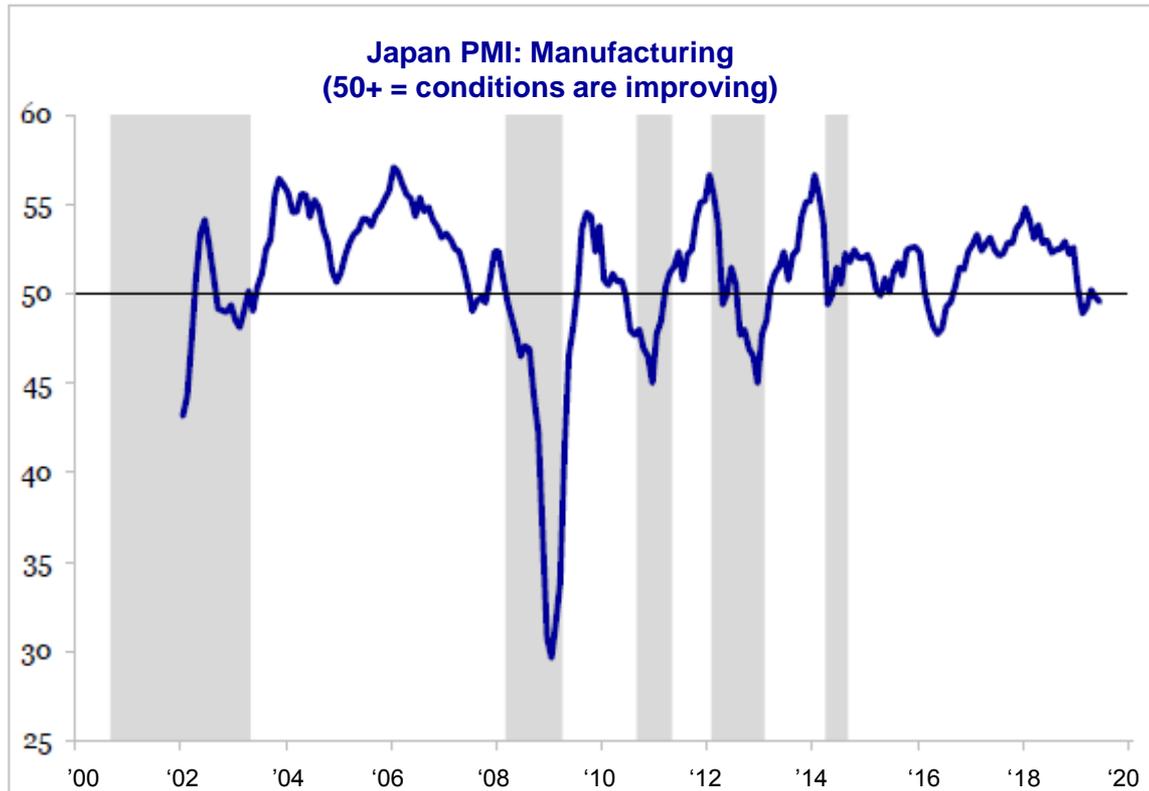


Global Manufacturing Slowdown Continues



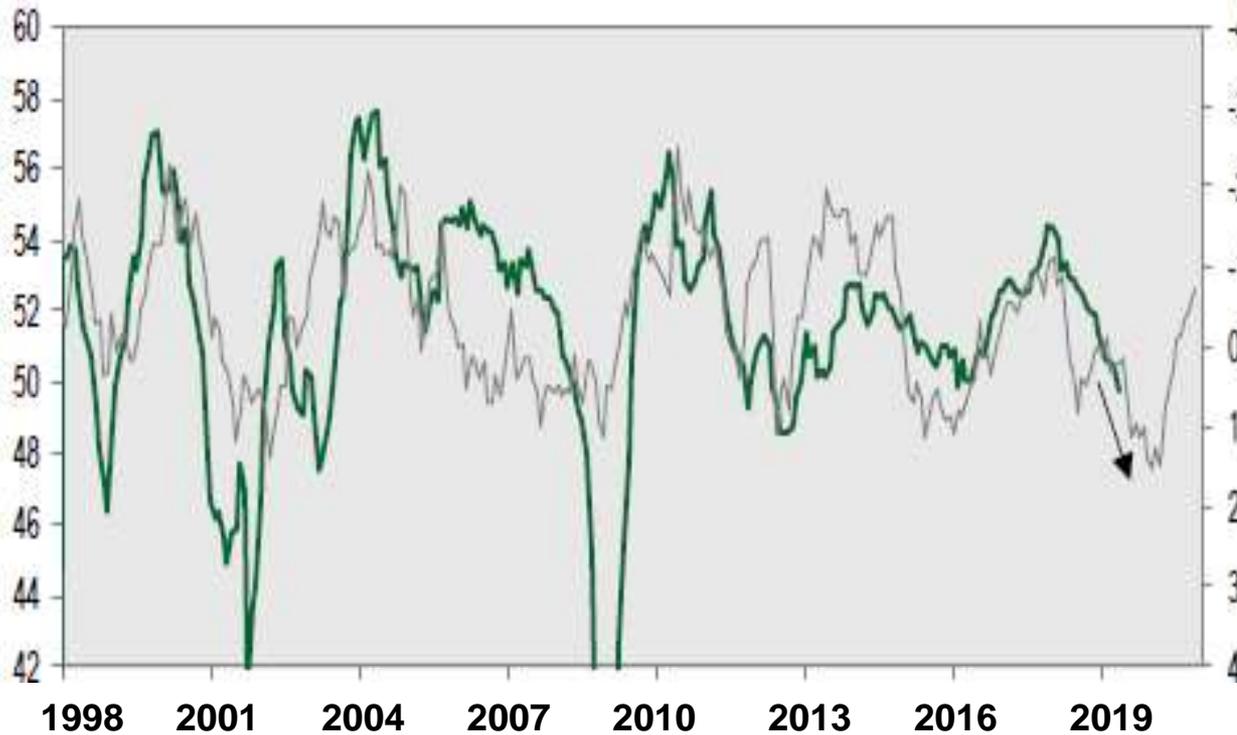
- Same is true in Europe.

Global Manufacturing Slowdown Continues



- Japanese manufacturing now contracting.

Purchasing Managers Index & 10 Year Yield

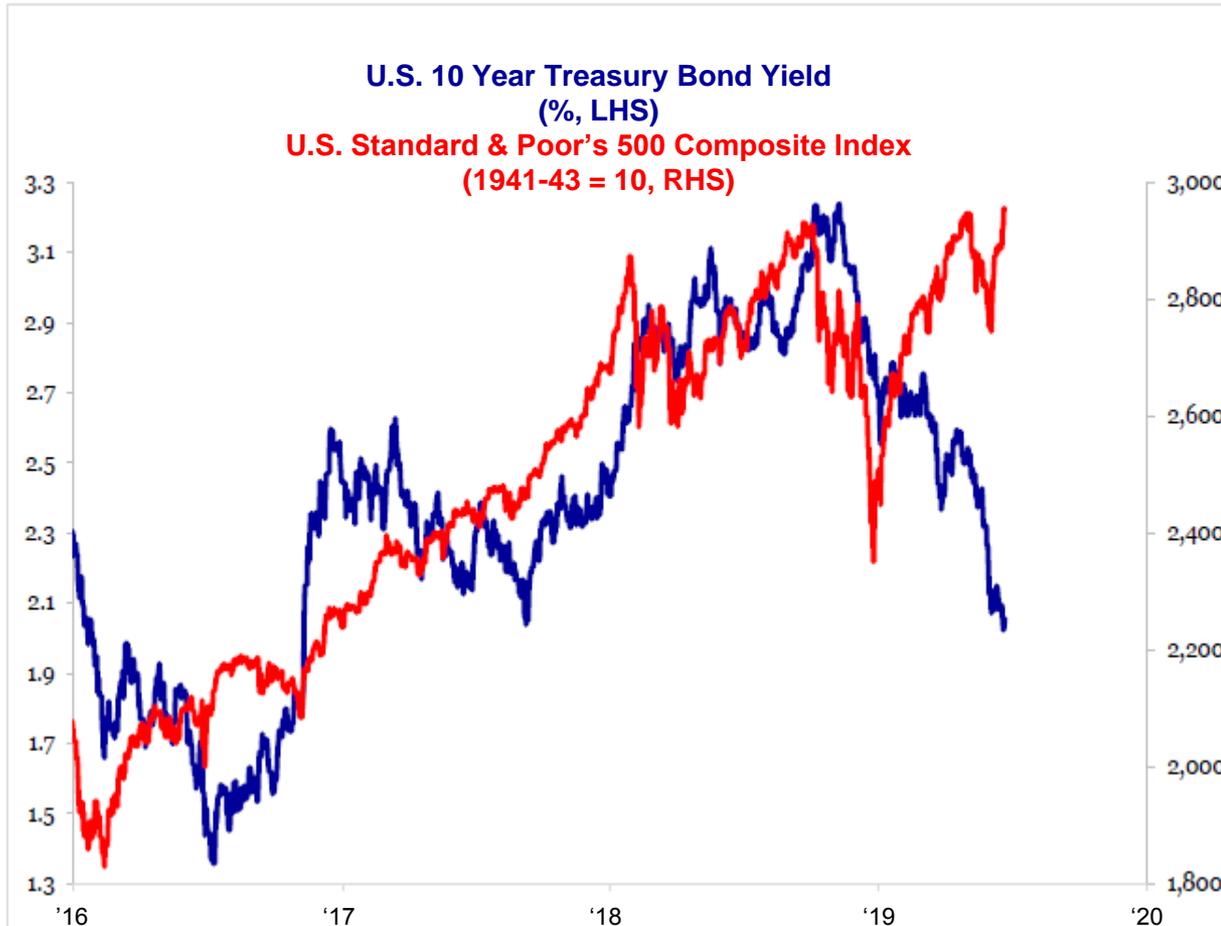


- Global PMI's are likely to continue falling throughout 2019.

— Global PMI (L)
— 10-Year Yield (Inverted, 2-Year Chg, Adv 18m, R)

Cornerstone Macro

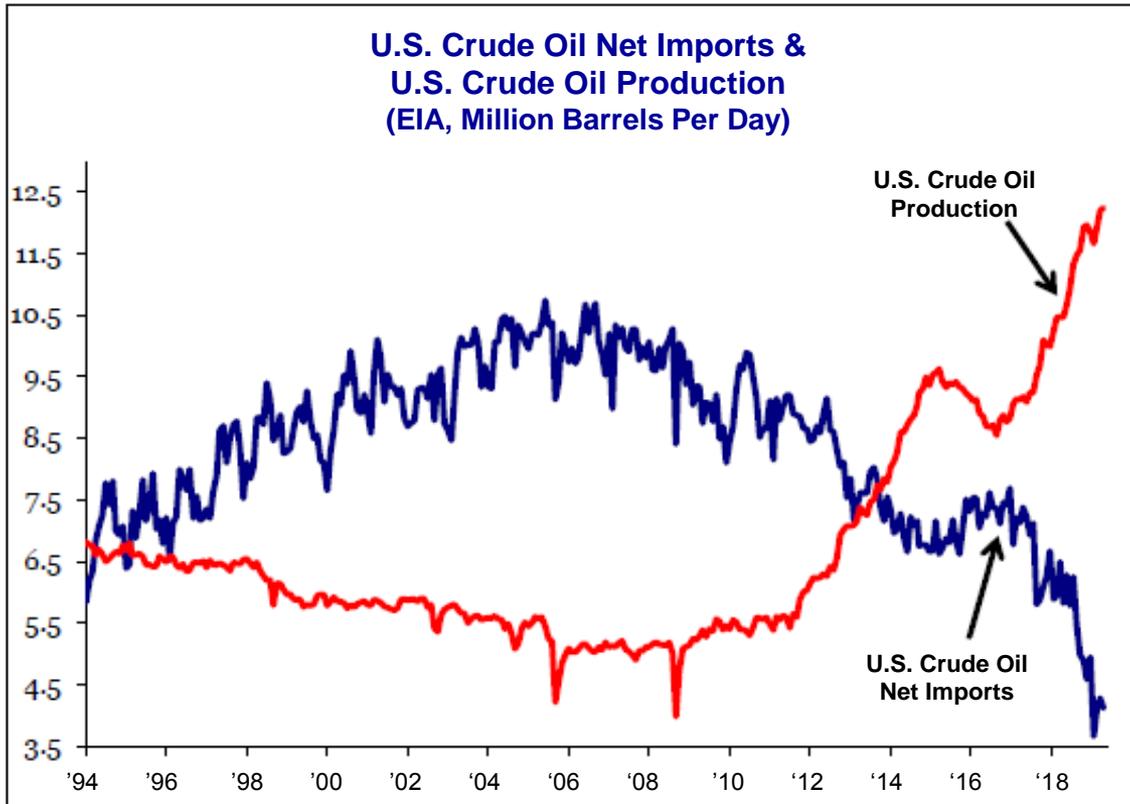
Bonds and Equities Diverging



- Bond *and* Equity rallies post-June FOMC meeting.

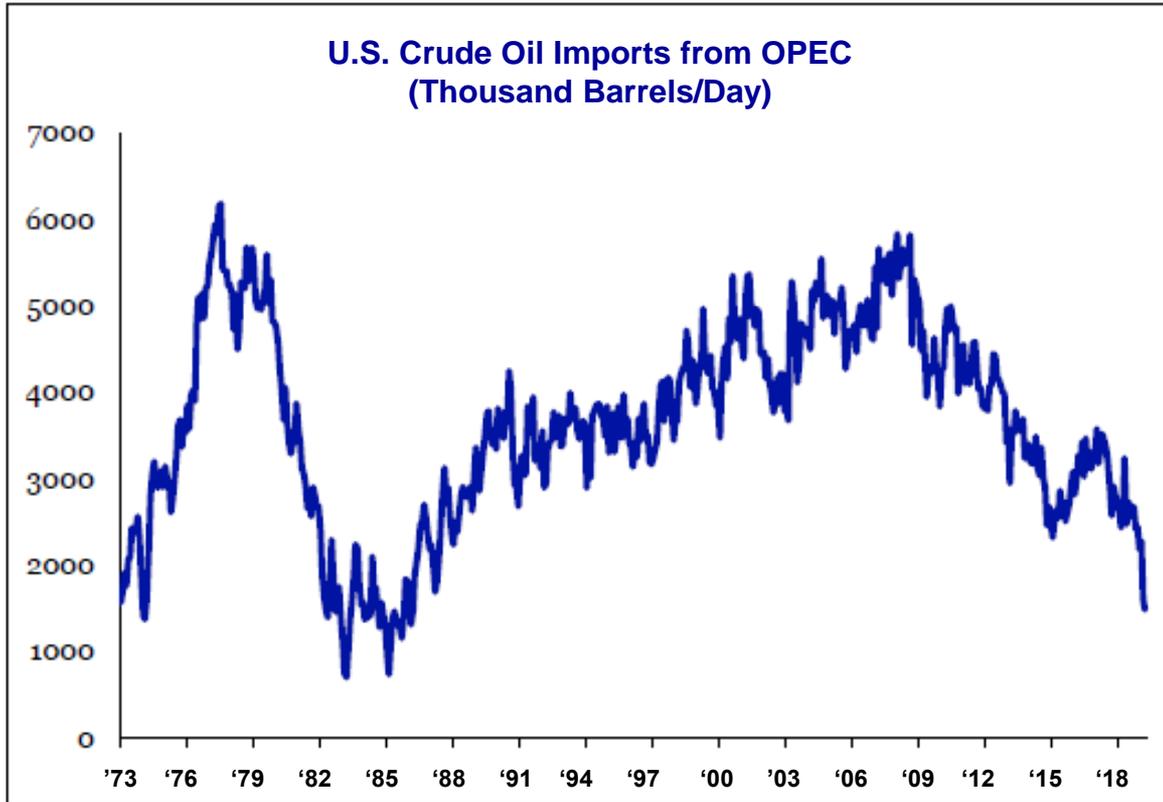


Oil Imports and Production



- U.S. oil production has surged while US oil imports from OPEC are now at a 30-year low.

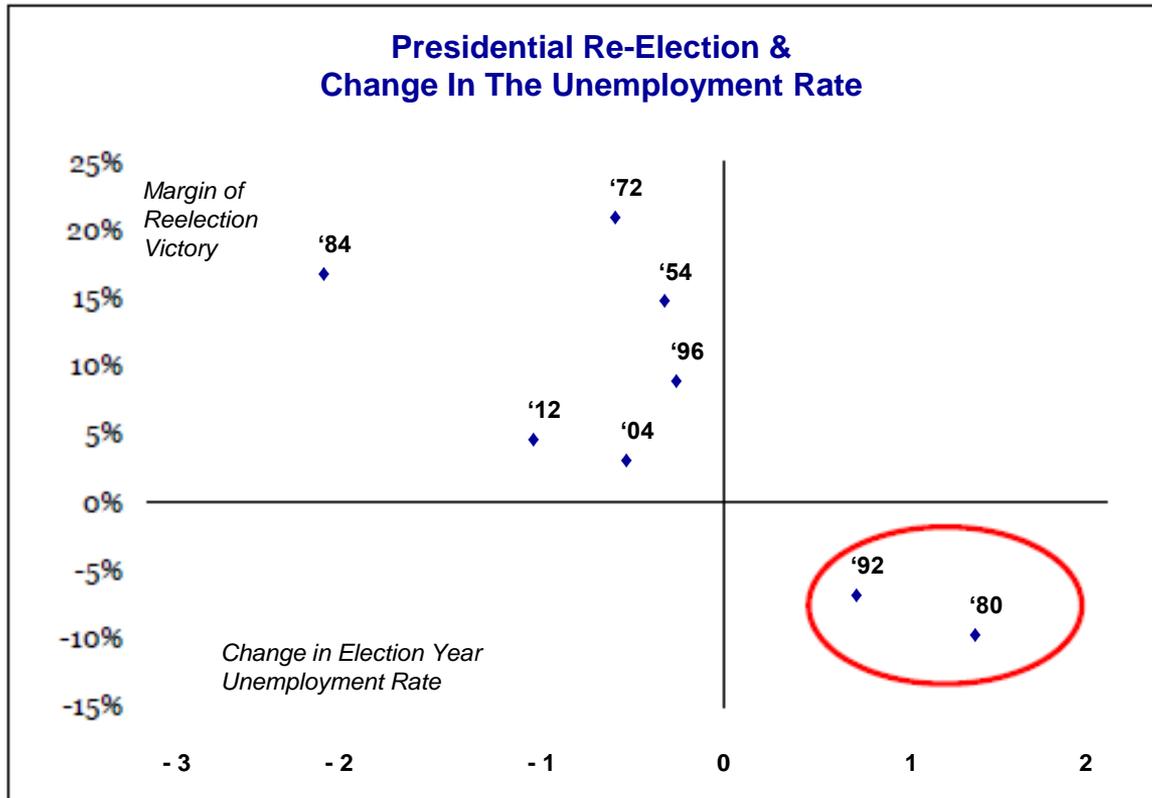
Oil Imports from OPEC



- U.S. production has led to a significant decline in imports.



Polls are unreliable... What then?



- Two Presidents have lost reelection since WWII; the only two with rising unemployment rates... Jimmy Carter and George H.W. Bush.



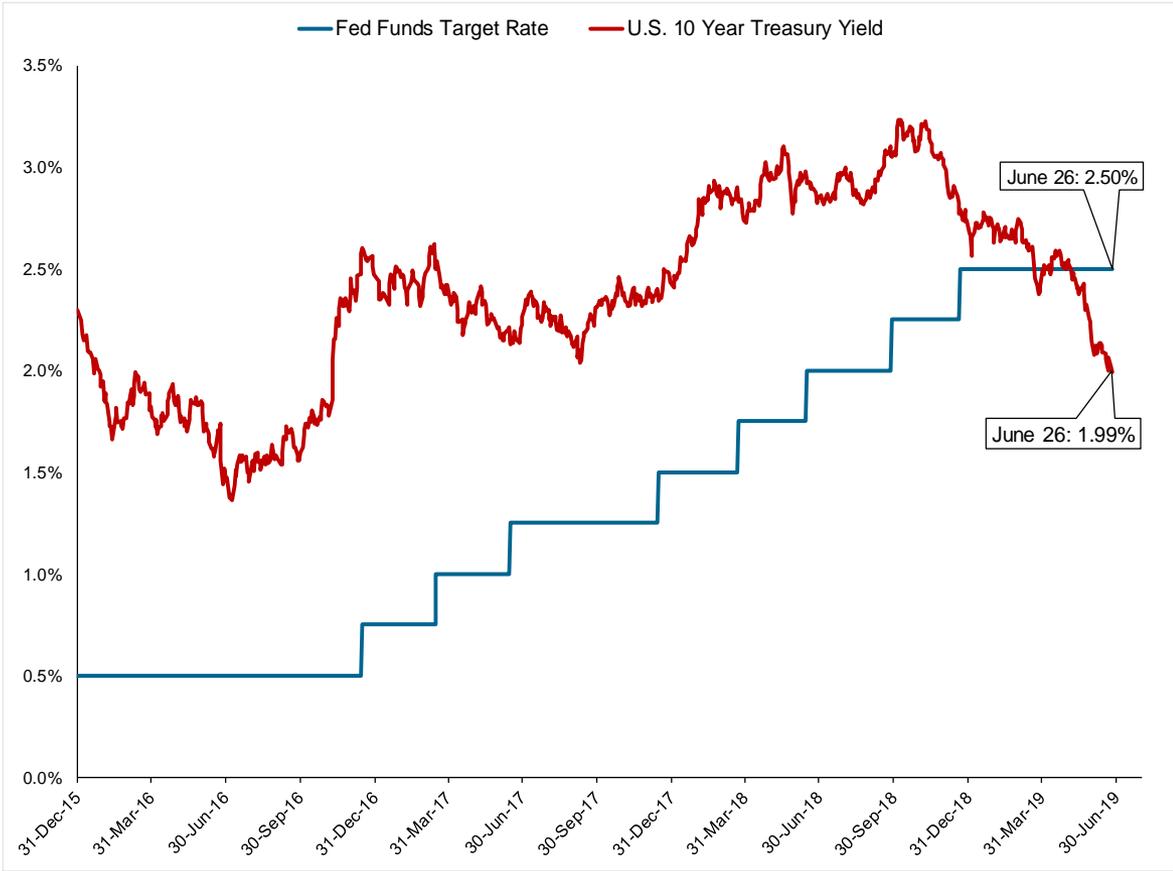
Polls are unreliable... What then?

S&P 500 Performance 3 Months Prior To Presidential Election			
Year	S&P 500 Price Returns	Incumbent Party	
'28	14.91%	Won	✓
'32	-2.56%	Lost	✓
'36	7.92%	Won	✓
'40	8.56%	Won	✓
'44	2.29%	Won	✓
'48	5.36%	Won	✓
'52	-3.26%	Lost	✗
'56	-2.58%	Won	✓
'60	-0.74%	Lost	✓
'64	2.63%	Won	✗
'68	6.45%	Lost	✓
'72	6.91%	Won	✓
'76	-0.09%	Lost	✗
'80	6.73%	Lost	✓
'84	4.80%	Won	✓
'88	1.91%	Won	✓
'92	-1.22%	Lost	✓
'96	8.17%	Won	✓
'00	-3.21%	Lost	✓
'04	2.16%	Won	✓
'08	-19.48%	Lost	✓
'12	2.45%	Won	✓
'16	-1.90%	Lost	✓

- Stocks have predicted the presidential election winner 87 percent of the time.
- In the 3 months prior to a presidential election, if the S&P 500 has positive returns, it has been indicative that the incumbent party will win in 20 of the past 23 presidential elections.



Inverted Yield Curve

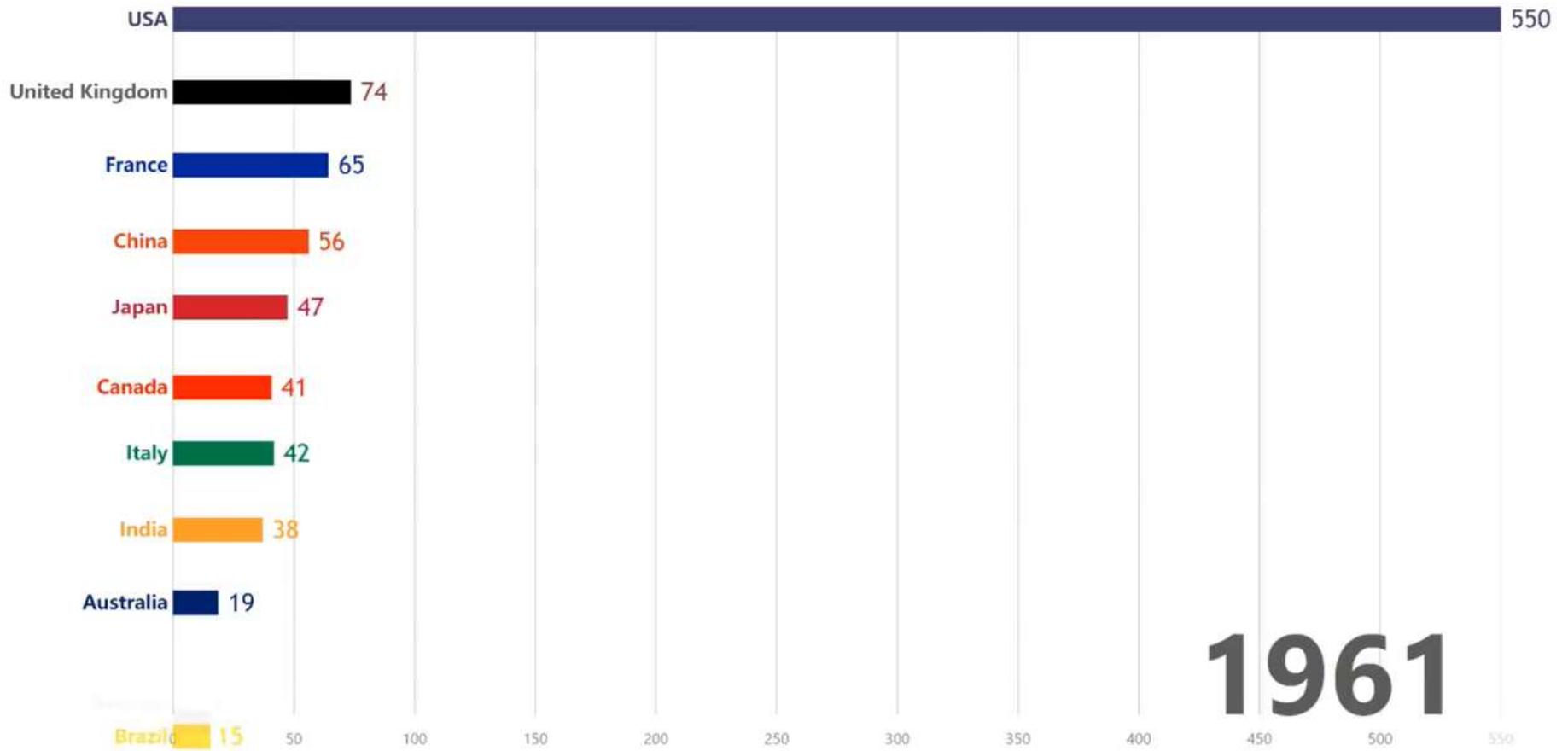


- Inverted yield curve a warning sign.

	<u>Policy Rates</u>
U.S.	2.50%
Canada	1.75%
Australia	1.25%
U.K.	0.75%
Japan	-0.10%
Europe	-0.40%



World GDP by Country in Billions USD



Source: Levy Institute



Key Themes

- Macro backdrop eroding some. Evidence: rates, commodities and inflation.
- U.S. economy back to muddle through.
- Don't discount positive impact of significant job creation.
- China trade issues offer bifurcated outcomes.
- Recession not likely.
 - Unemployment claims at 50 year low.
 - Consumer spending solid.
 - First quarter GDP 3.1%.
 - Average of 180,000 jobs created every month for last year.
- Rates, while low could drop even more.
- Earnings decline would be problematic for U.S. equity market.
- Cautious... but no camo and C-rations.



DISCLOSURES

The information provided in this was prepared by Jim Huntzinger, Chief Investment Officer of BOK Financial Corporation. The information provided herein is intended to be informative and not intended to be advice relative to any investment or portfolio offered through BOK Financial Corporation (NASDAQ:BOKF). The views expressed in this commentary reflect the opinion of the author based on data available as of the date this report was written and is subject to change without notice. This commentary is not a complete analysis of any sector, industry or security. Individual investors should consult with their financial advisor before implementing changes in their portfolio based on opinions expressed. The information provided in this commentary is not a solicitation for the investment management services of any BOKF subsidiary.

© BOK Financial. Services provided by BOKF, NA. Member FDIC. BOK Financial's banking subsidiary, BOKF, NA, is among the top 25 nationally chartered U.S.-based commercial banks based on assets as of June 30, 2016, according to the U.S. Federal Reserve.

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 subsidiaries BOK Financial Asset Management, Inc. and Cavanal Hill Investment Management, Inc., The Milestone Group, and CoBiz Wealth, LLC, each an SEC registered investment adviser. BOKF offers additional investment services and products through its subsidiary, BOK Financial Securities, a broker/dealer, member FINRA/SIPC, and an SEC registered investment adviser.

Investments are not insured by the FDIC and are not guaranteed by BOKF, NA or any of its affiliates. Investments are subject to risks, including the possible loss of the principal amount invested.

All data presented is as of last quarter, unless otherwise noted.

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. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report.