

Economic and Market Outlook

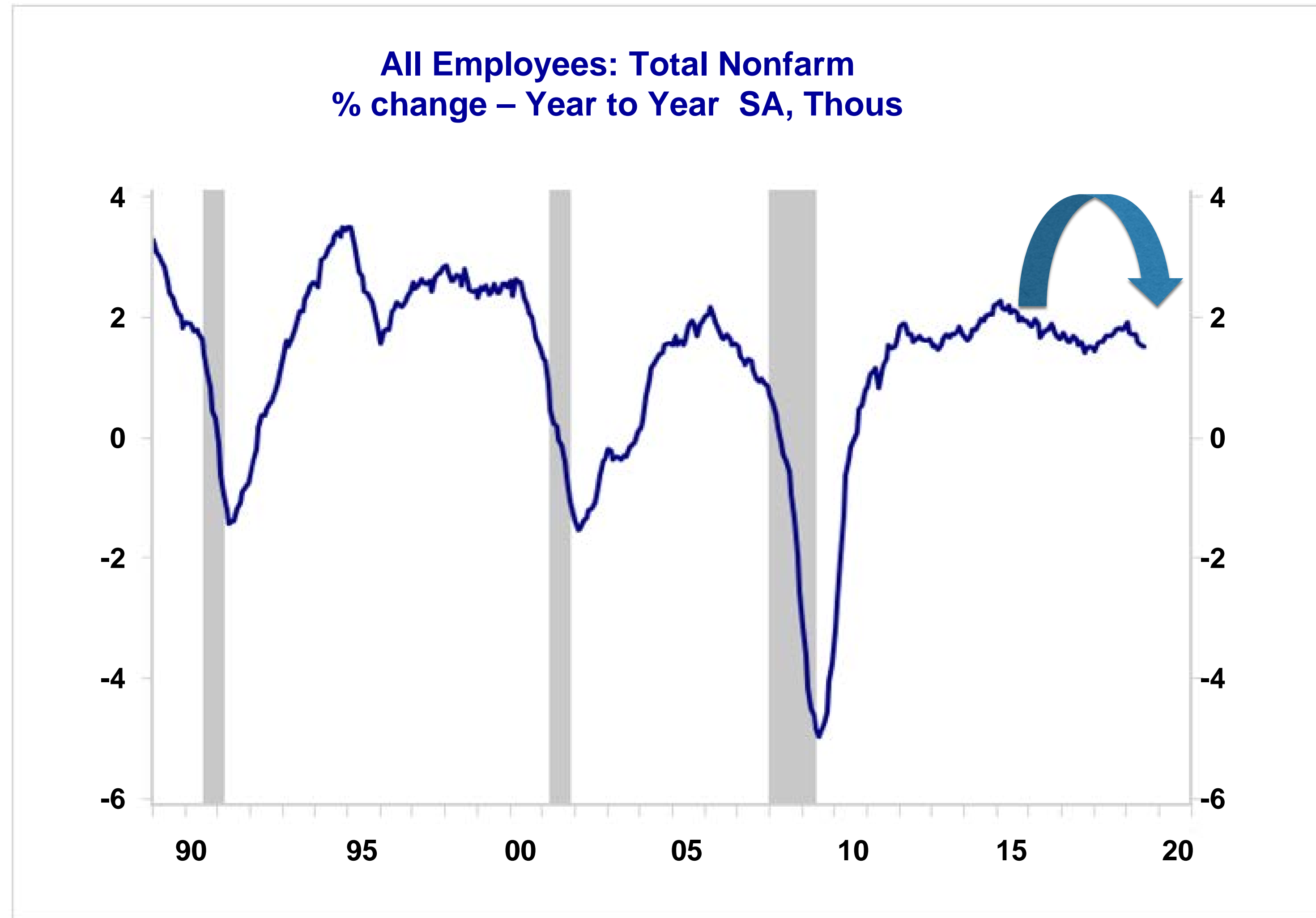
Greater Phoenix Chamber

Thursday, October 10, 2019

Jim Huntzinger, Chief Investment Officer | BOK Financial Corporation



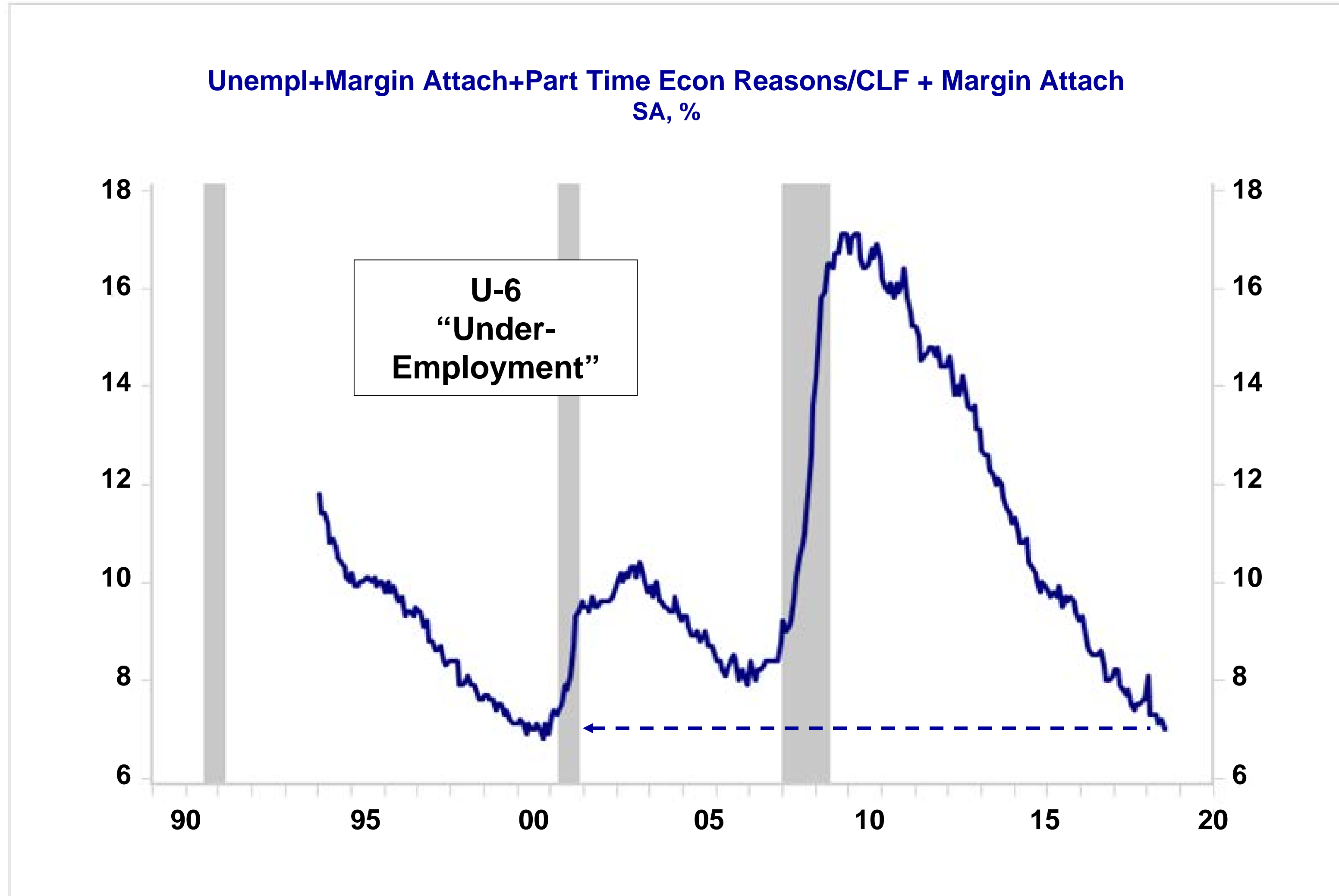
Non Farm Payrolls



Source: Bureau of Labor Statistics

- U.S. Unemployment okay now, but trending sideways. Not a bad outcome considering the massive rebound in jobs over the last decade.

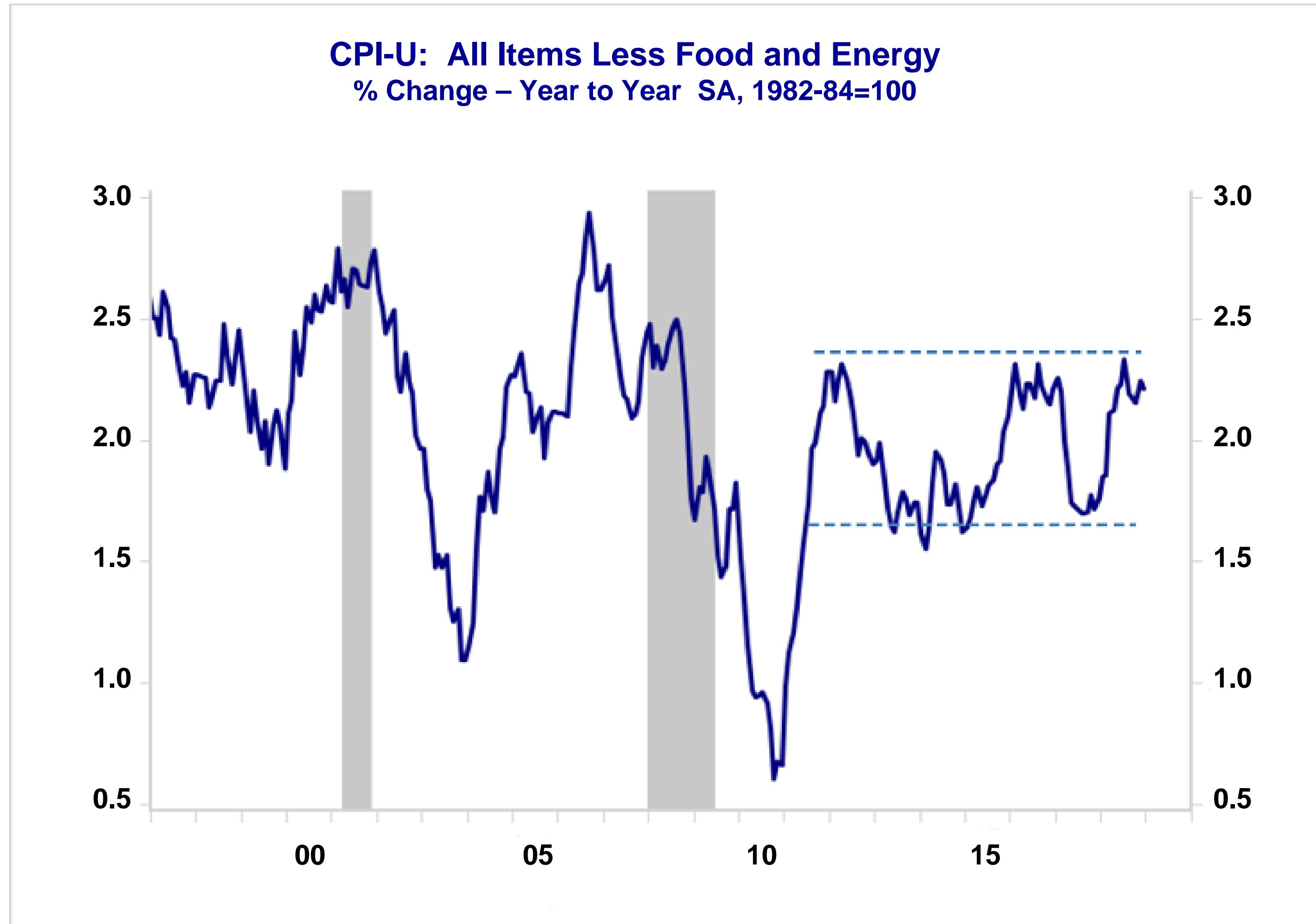
Real Unemployment Rate



- U-6 now down to 6.9%

Source: Bureau of Labor Statistics

Core Inflation

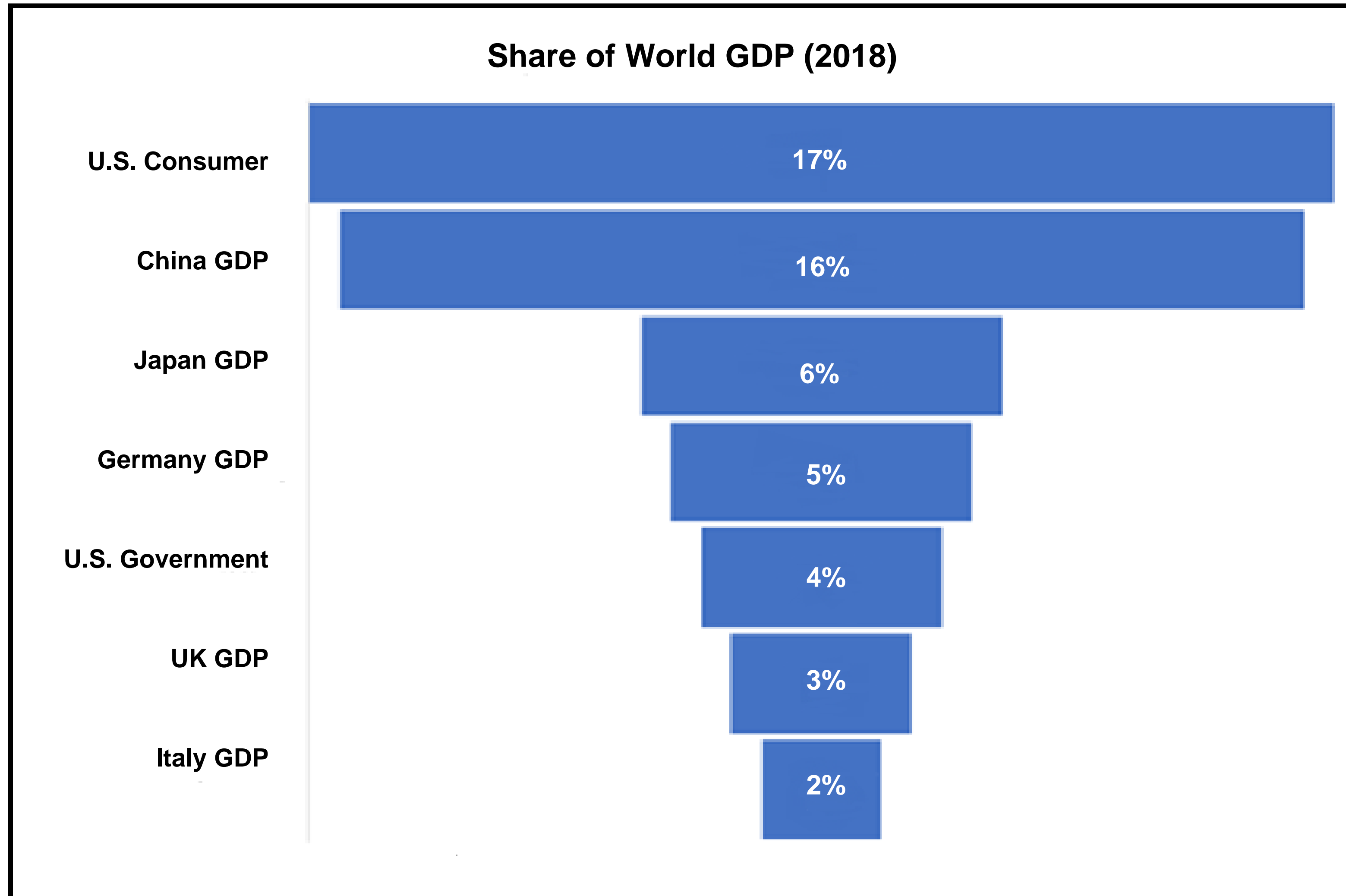


- Core inflation +2.4% y/y.
- Not enough inflation to hurt the economy... and is now declining.

Source: Bureau of Labor Statistics

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World GDP

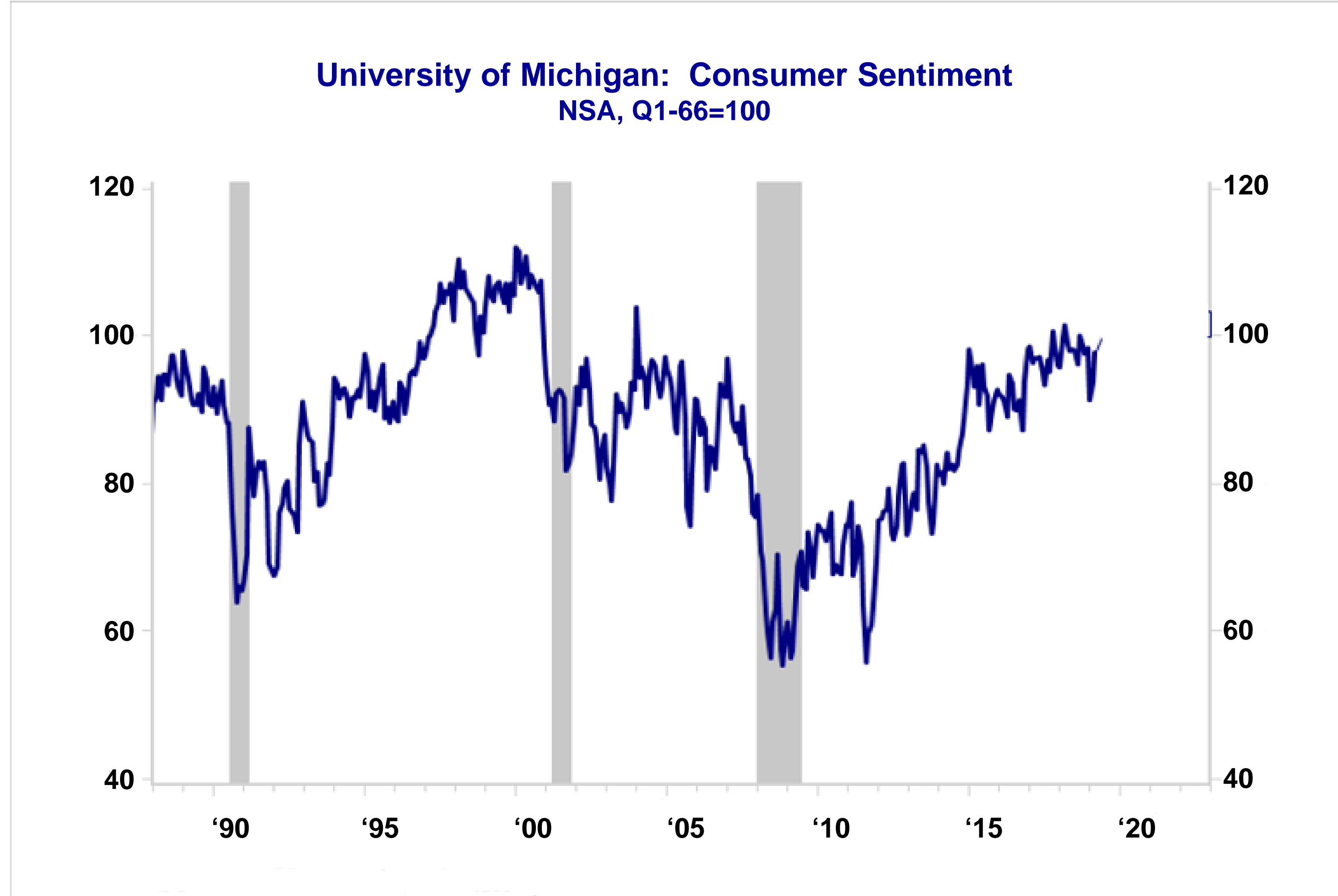


- U.S. Consumer a **World Class** heavy weight

Source: C.J. Lawrence-Strategas

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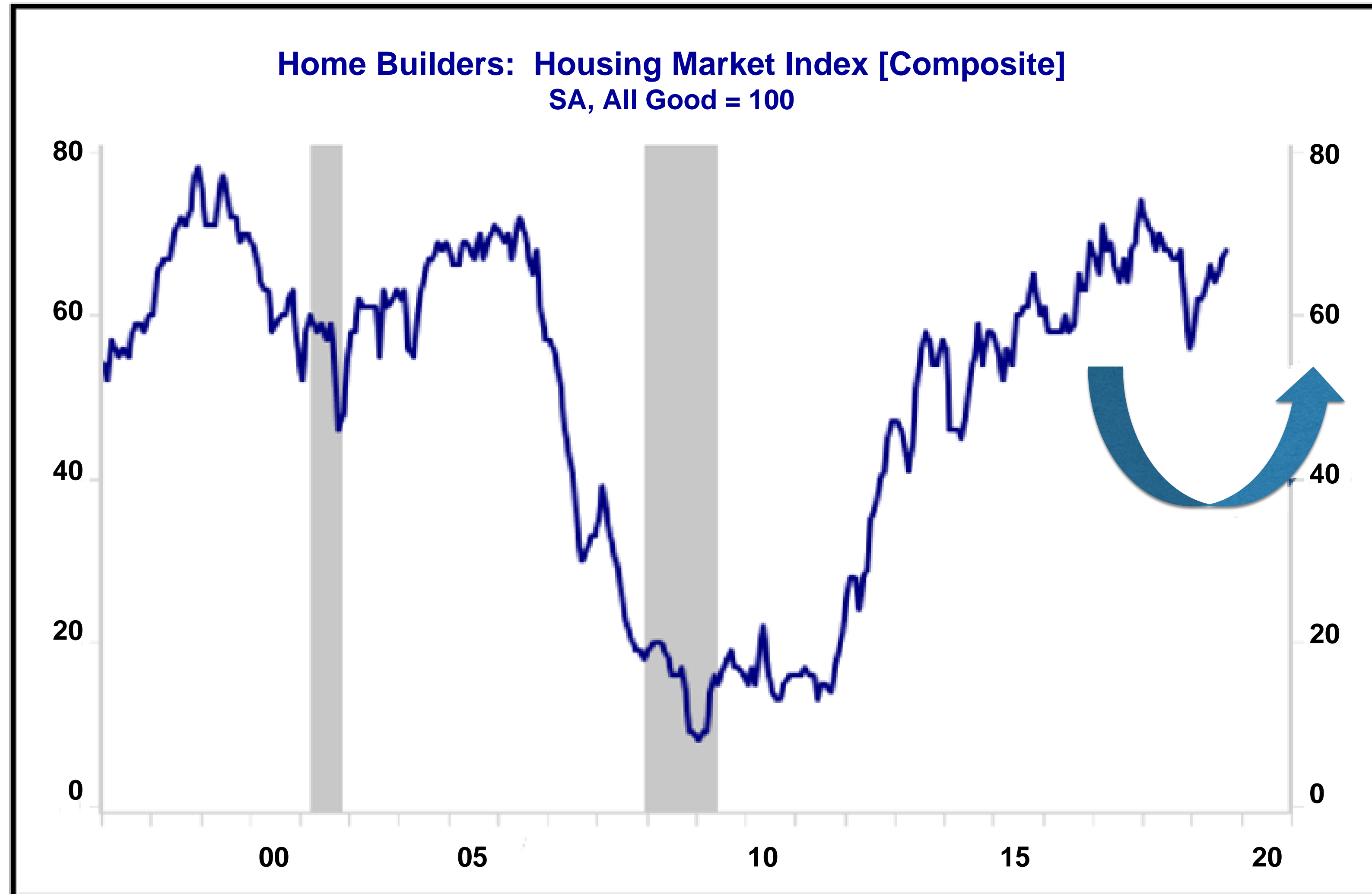
Consumer Confidence



- Consumer confidence remains elevated...despite the trade turmoil and increased volatility.

Source: University of Michigan

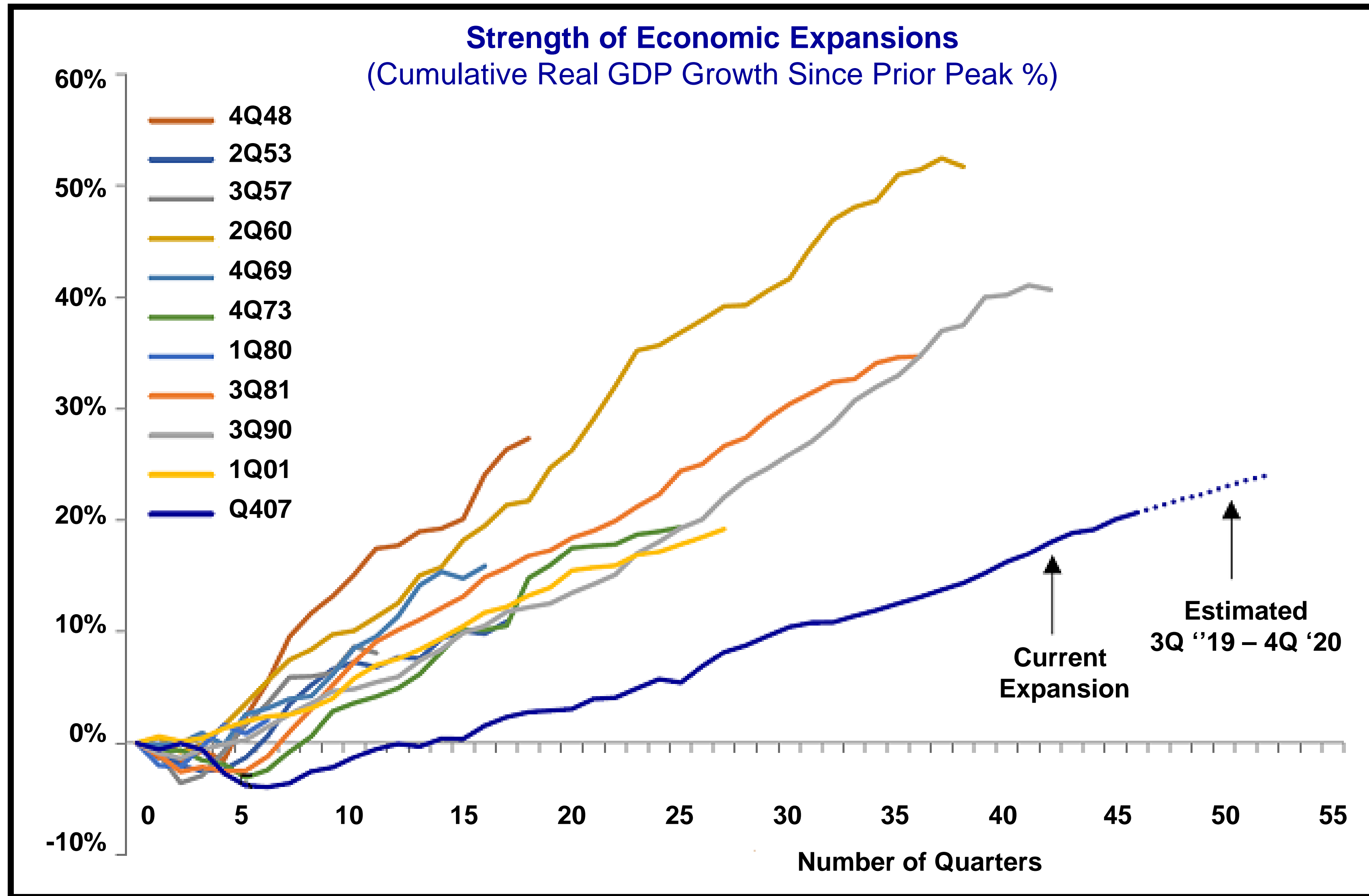
Home Builders Index



- U.S. Housing continues to look interesting

Source: National Association of Home Builders

U.S. Expansions Since 1948

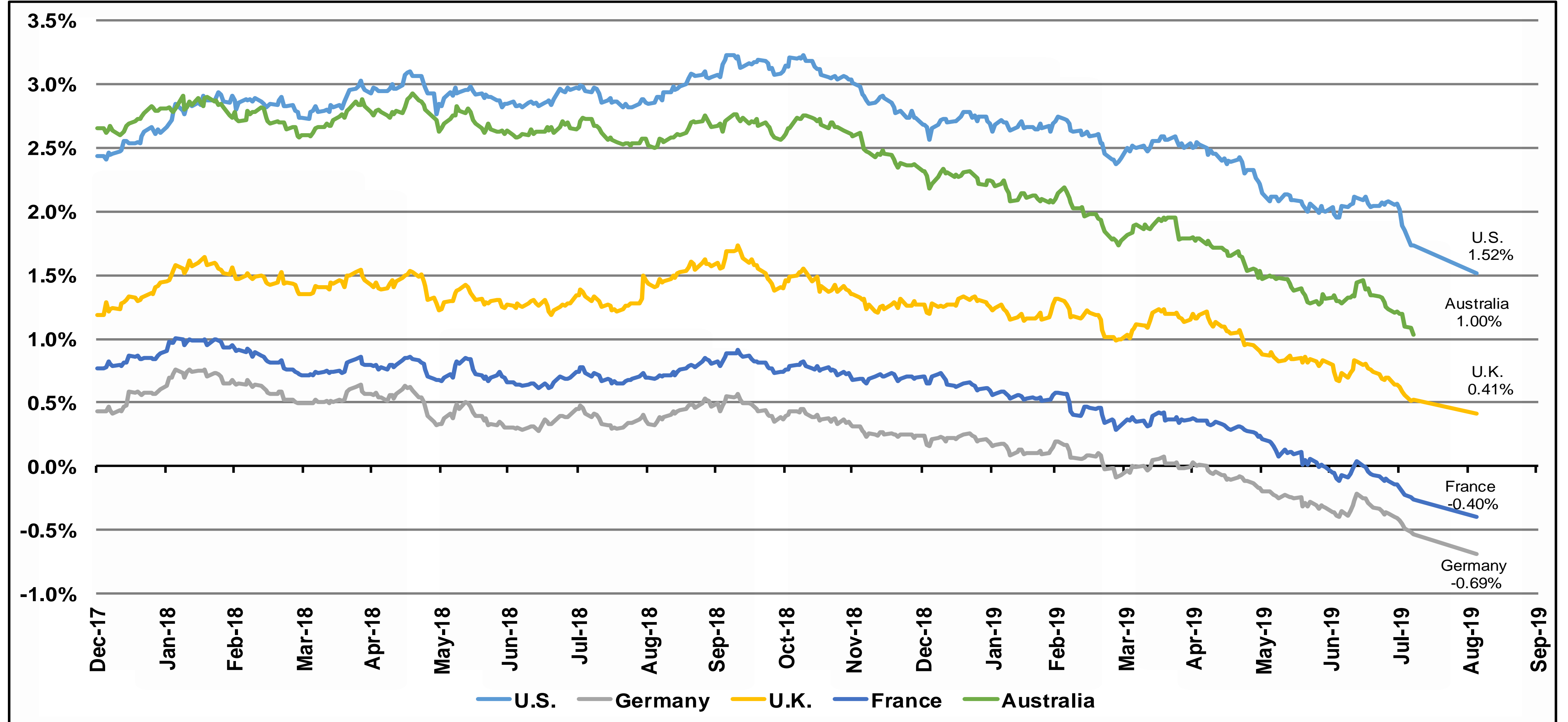


- It's now the **longest** and **slowest** U.S. expansion ever.

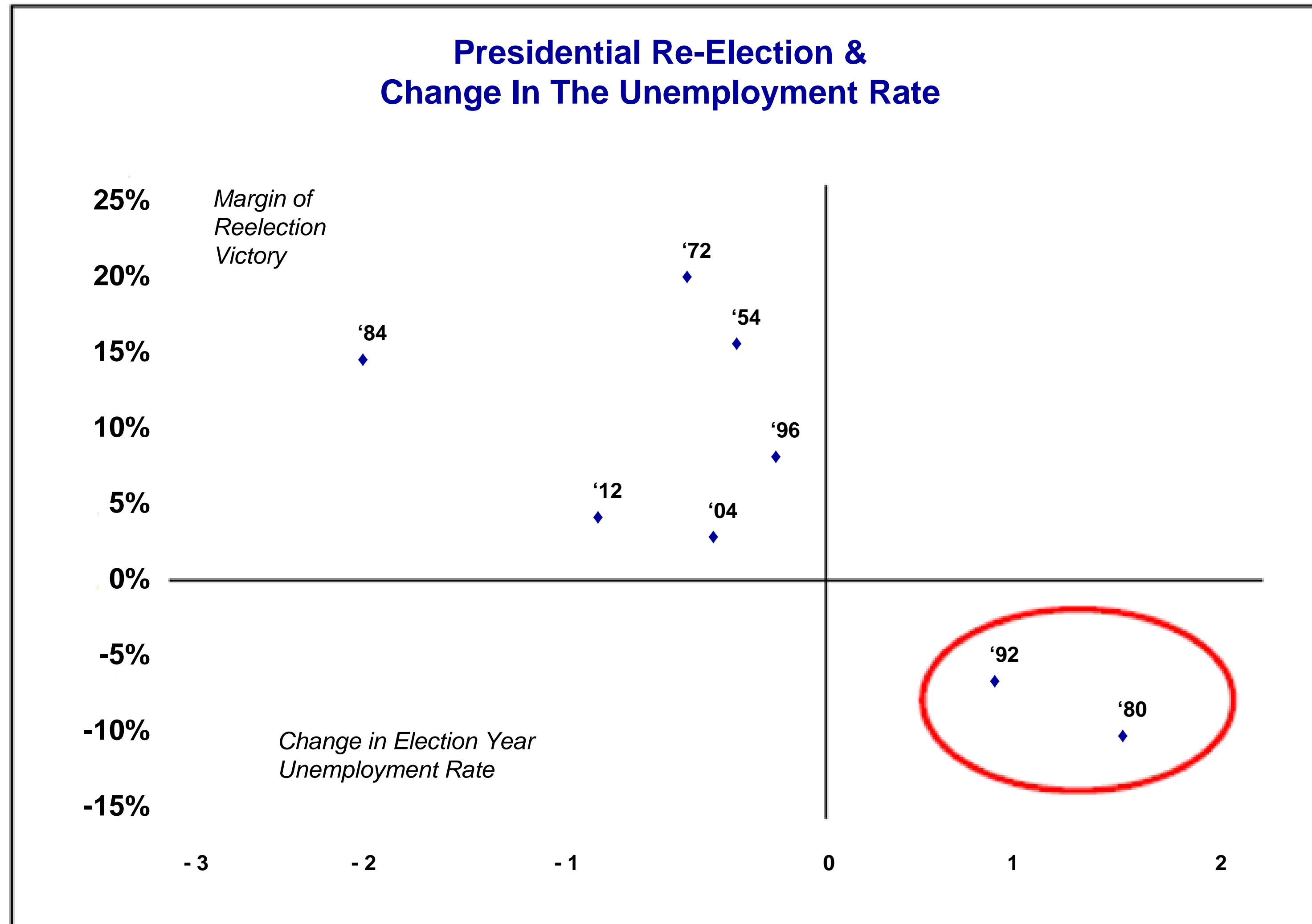
Source: Strategas

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Global Interest Rates



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.

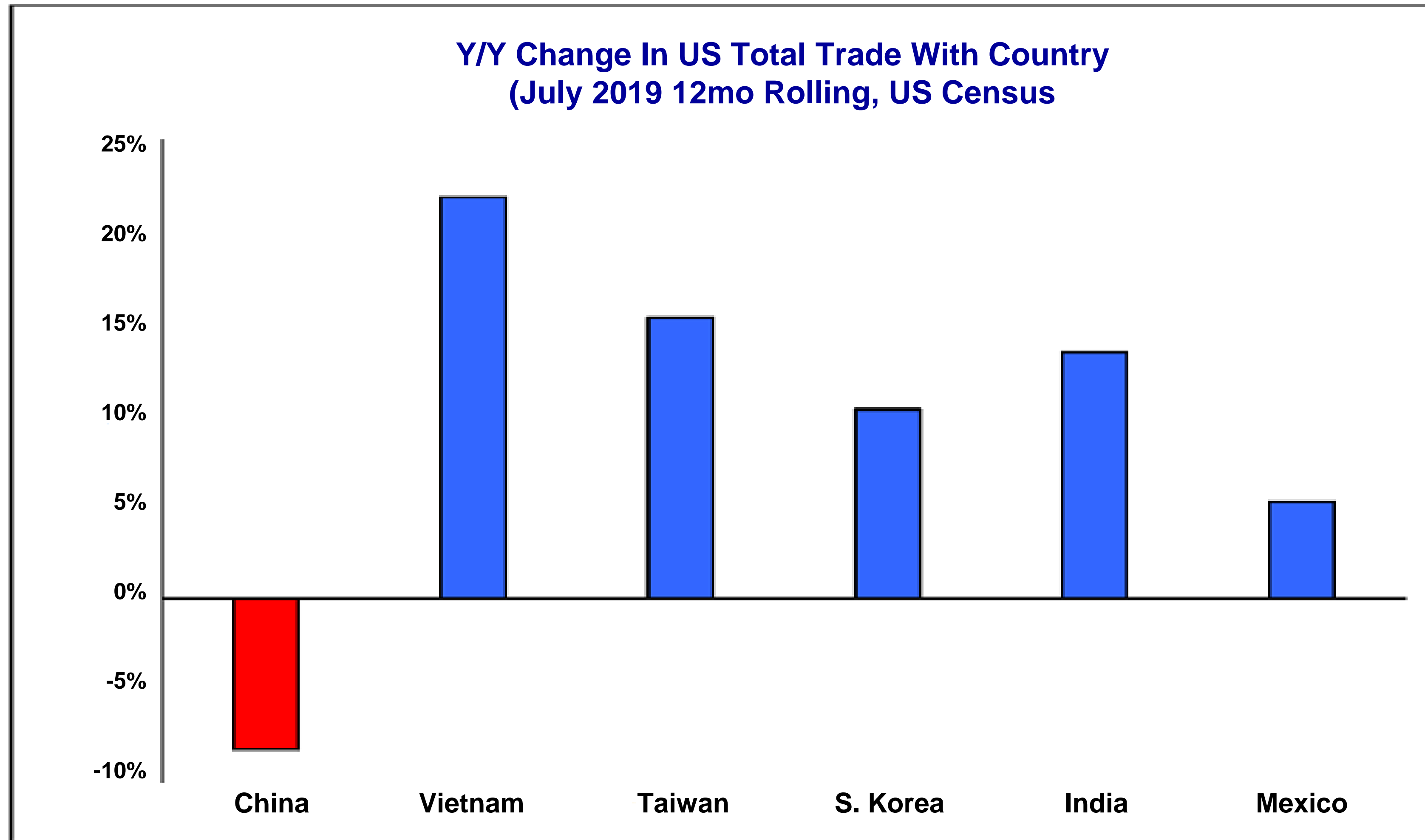
Polls are unreliable... What then?

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.



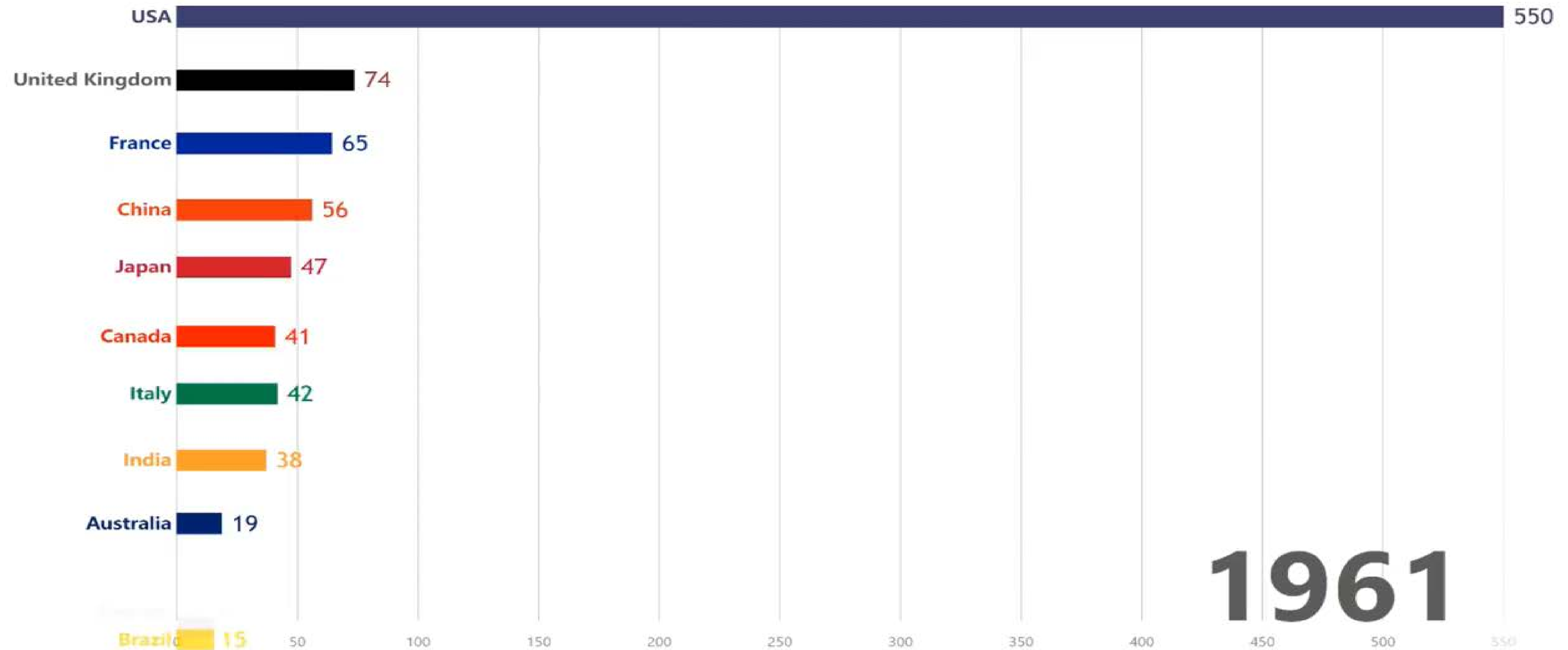
Year over Year Changes in Trade



Source: Strategas

- China is feeling the economic pressure from the increase in tariffs.

World GDP by Country in Billions USD



Source: Levy Institute

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Key Themes

U.S. Slowdown: The end is in sight

- Headwinds from higher rates and tariffs will dissipate into 2020.
- Consumption at risk in 4Q / 1Q, but manufacturing drag is ending.

“The only function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith

U.S. Business Cycle: A pause that refreshes

- Recession base case pushed out to 2022 at earliest.

China: 100 and counting

- China’s 100 stimulus moves are already off setting the blow from the trade war.

Global Growth: Flat is the new up

- A slight global pickup is likely, with a trade truce, lower global short rates and lagged effects of China stimulus.
- Steady 2020 growth is a positive...given depressed market expectations.



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