

# BOK Financial Economic and Market Outlook

**Tulsa Estate Planning Forum**

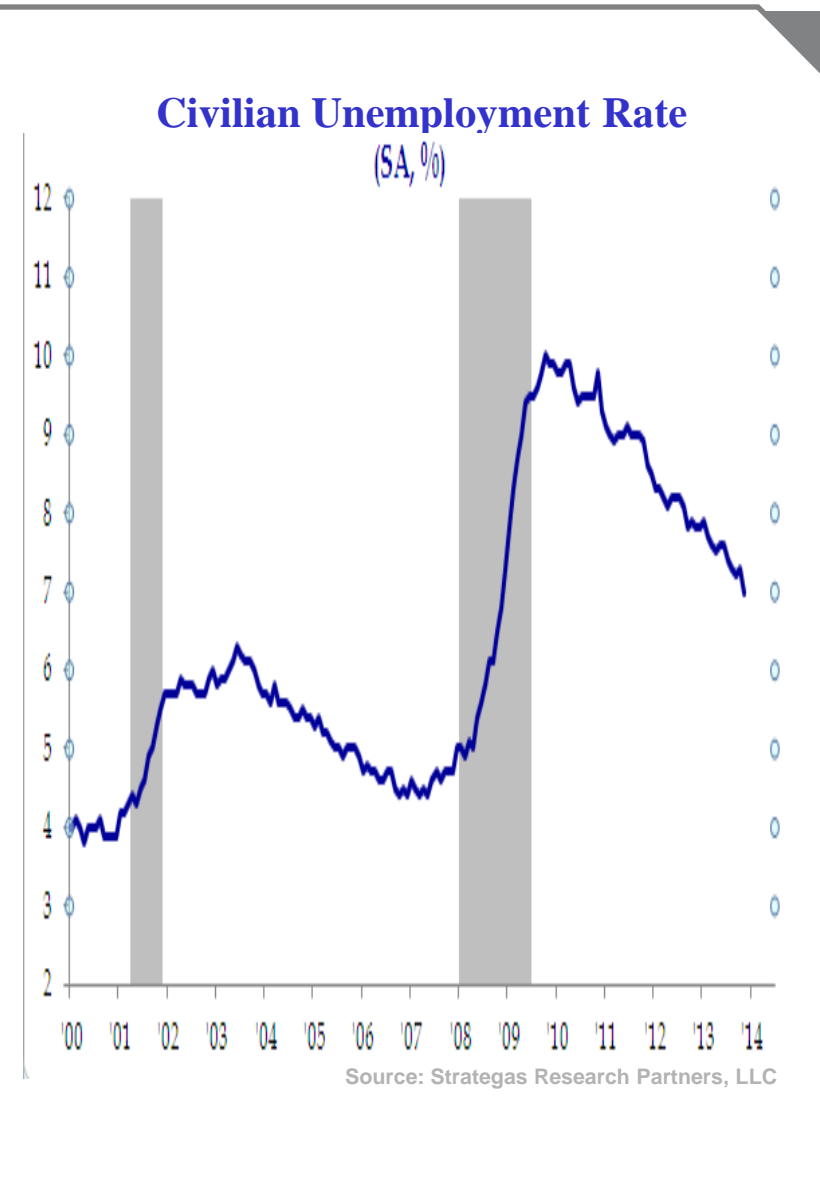
**Tuesday, January 14, 2013**

**Jim Huntzinger, Chief Investment Officer | BOK Financial Corporation**



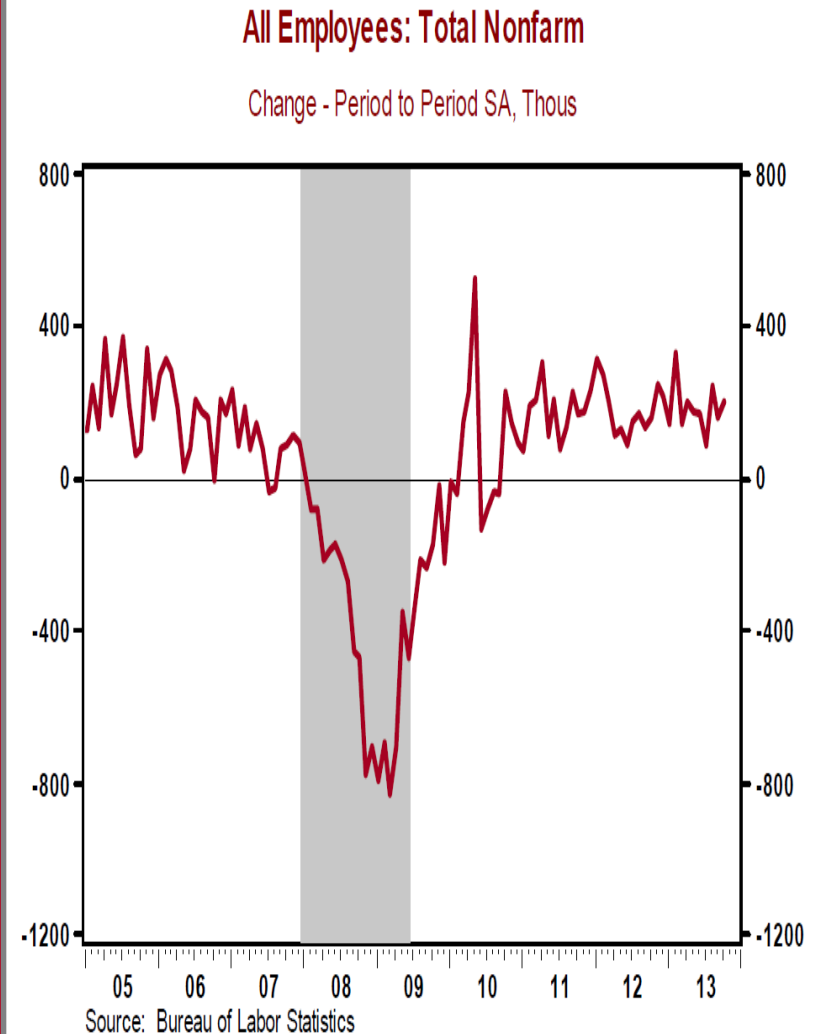
# The Case For Improving Economic Conditions

- Unemployment rate now at drops to 6.7%, a five year low.



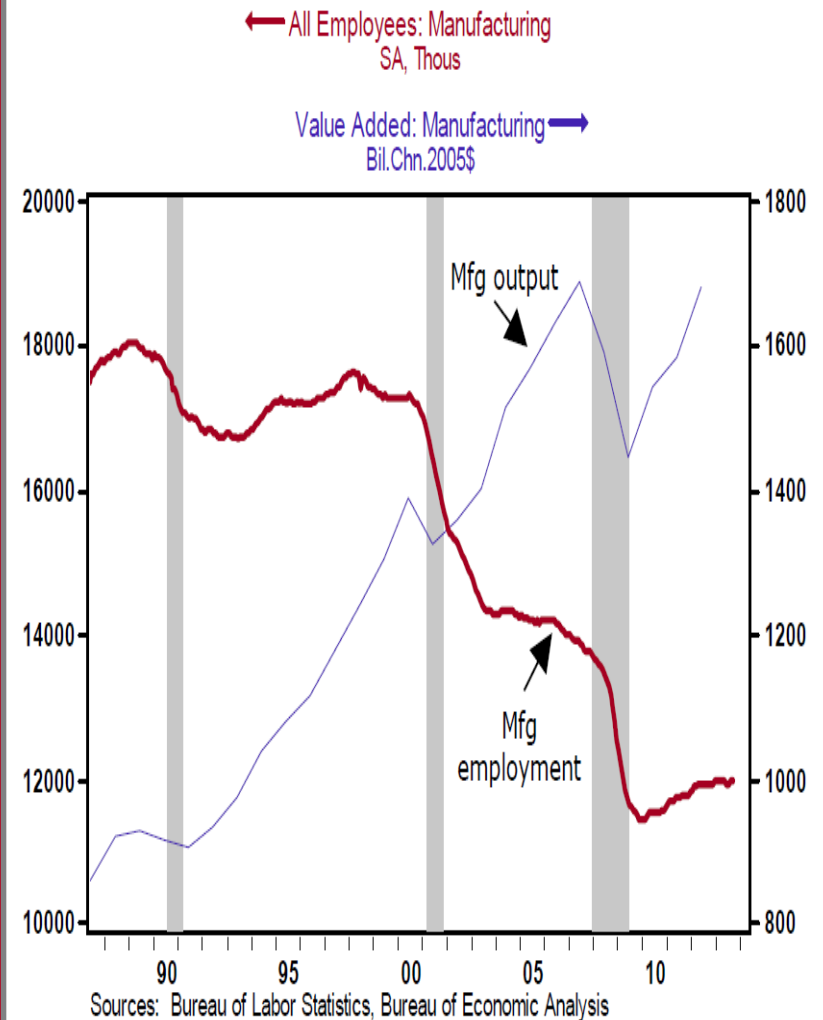
# The Case For Improving Economic Conditions

- Job growth steady, but modest.



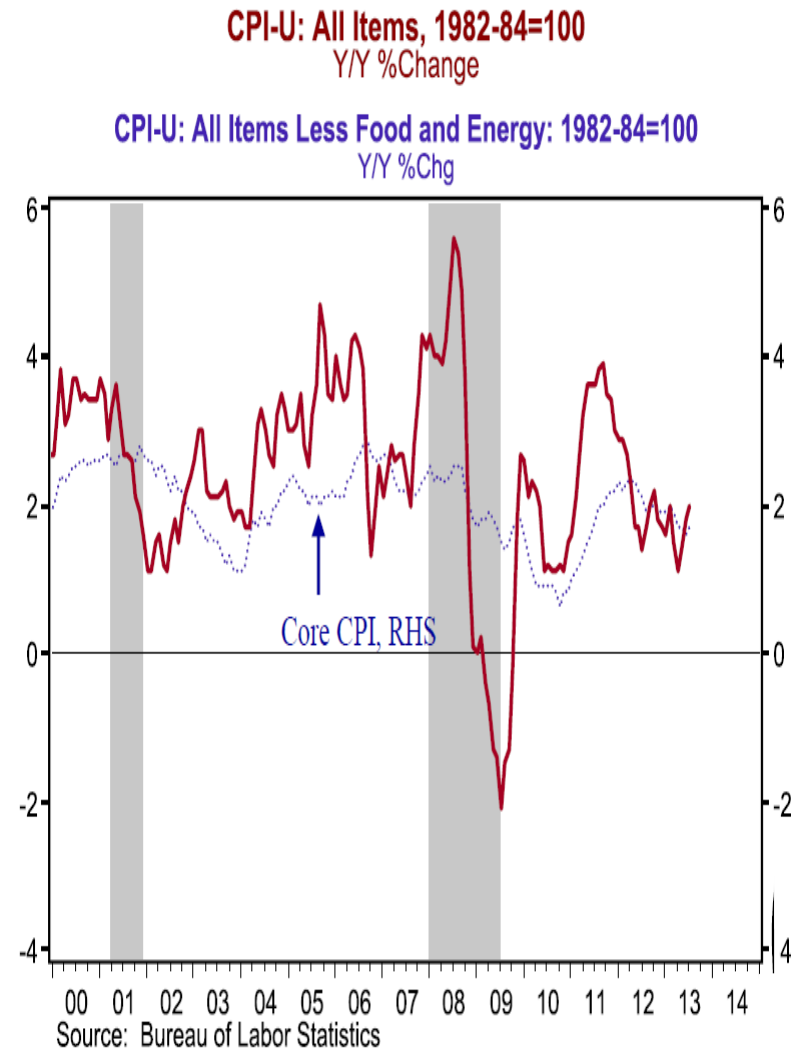
# The George Jetson Economy

- George Jetson's (only) job was to push a button. He was a "digital index operator" in a manufacturing company (making sprockets). Rather than employing individuals who push buttons, the recent trend has been to automate & fire George Jetson.
- The current push for U.S. energy independence & repatriated manufacturing is more likely a tech reindustrialization, rather than a mfg employment recovery.



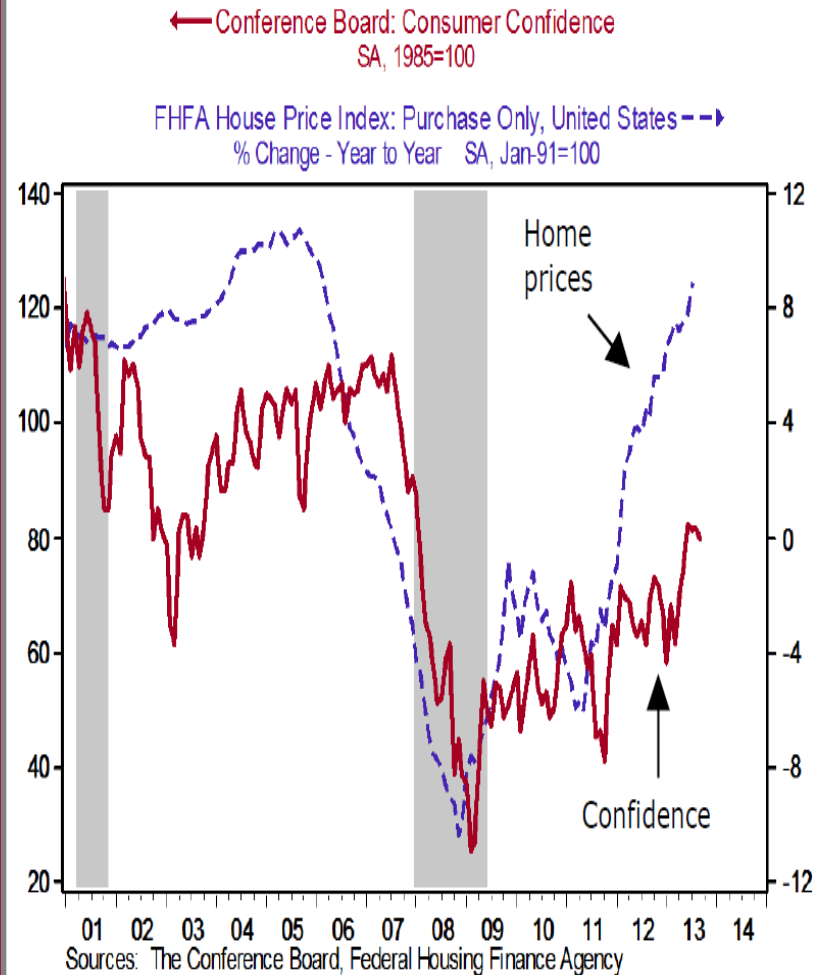
# Inflation: MIA

- Inflation pressures remain modest.



# Home Prices On The Rise

- While consumer confidence has been choppy in recent months, the continued rise in home prices is providing support going forward.

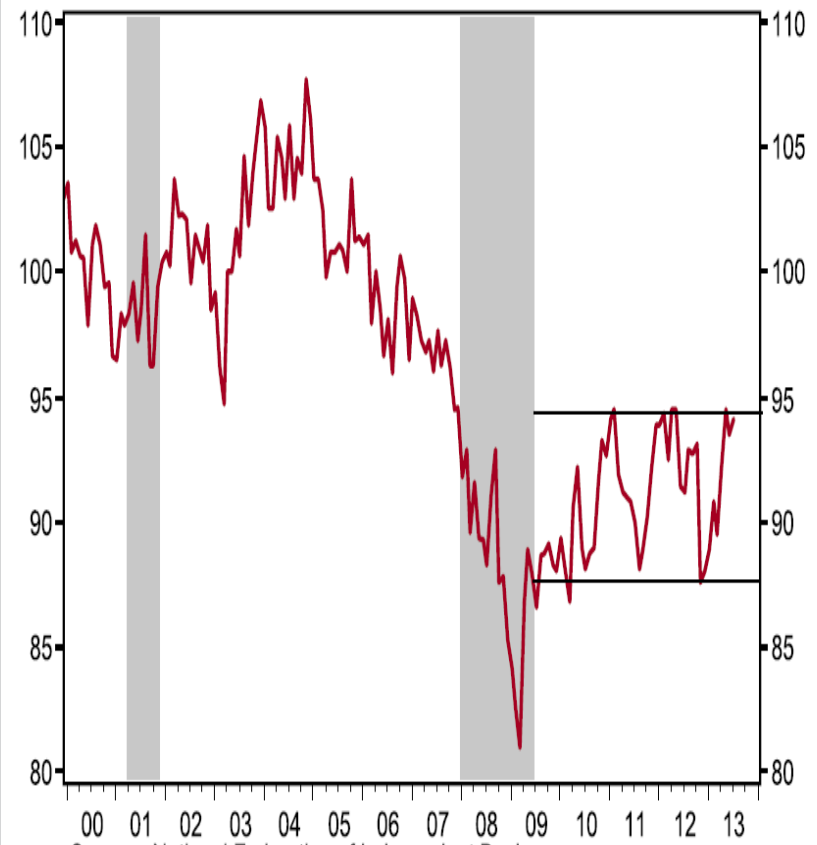


# Business Confidence

- Small business confidence improved, but now range bound.
- Government shutdown and debt ceiling debate will take at least a short term toll.

NFIB: Small Business Optimism Index

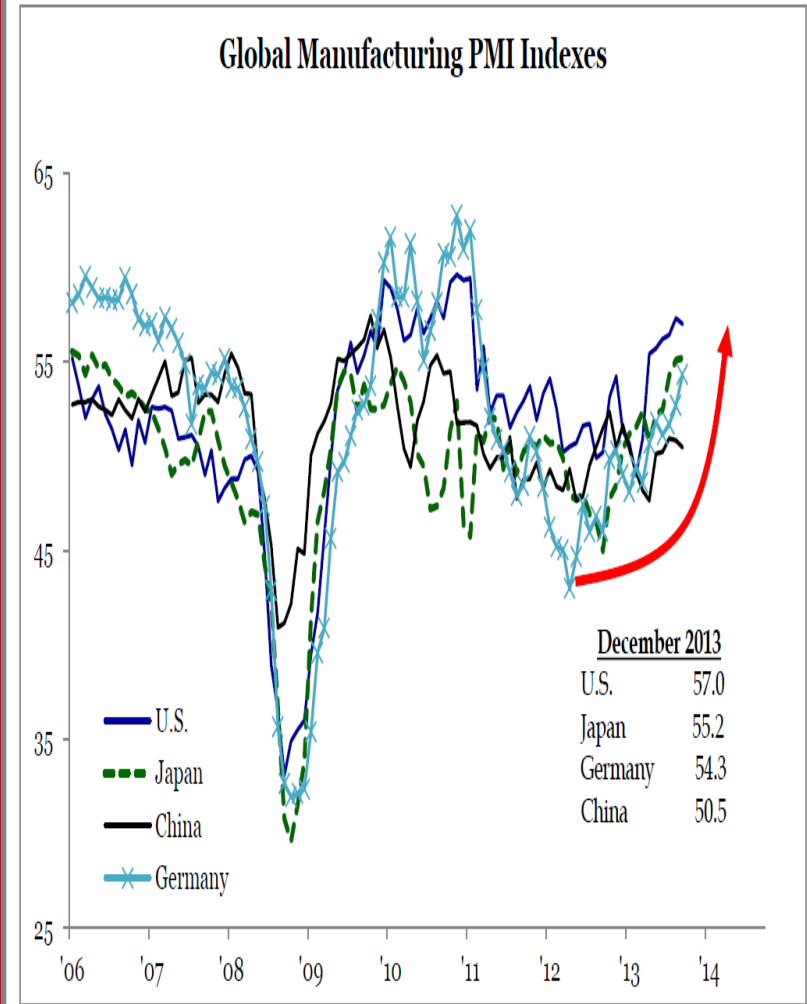
SA, 1986=100



Source: National Federation of Independent Business

# Synchronized Global Expansion

- Strongest economic theme, in the U.S. and around the world: Synchronized Global Expansion.



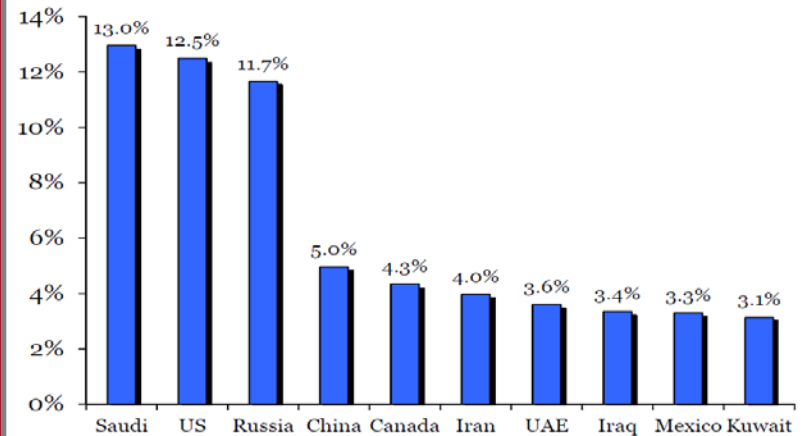
Source: Strategas Research Partners, LLC



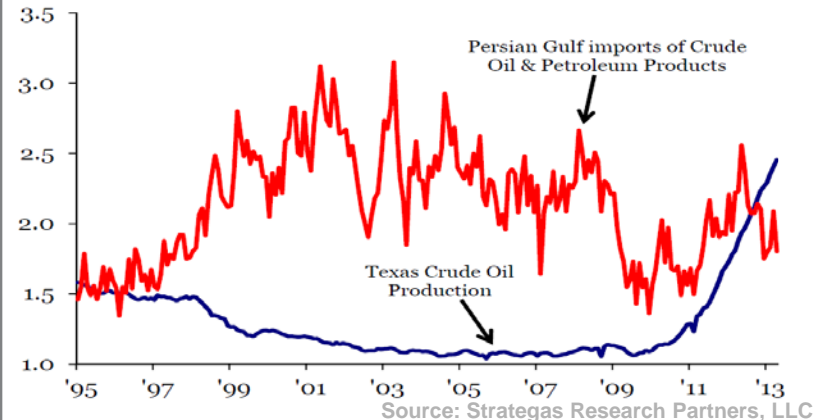
# U.S. Energy Production Is Surging & The U.S. Is Becoming Less Dependent On OPEC

- The U.S. is set to become the largest producer of crude oil.
- Texas is producing more crude oil than the U.S. is importing from the Middle East.

**Country Oil Production  
As Pct Of World Oil Production  
(IEA, 2012)**

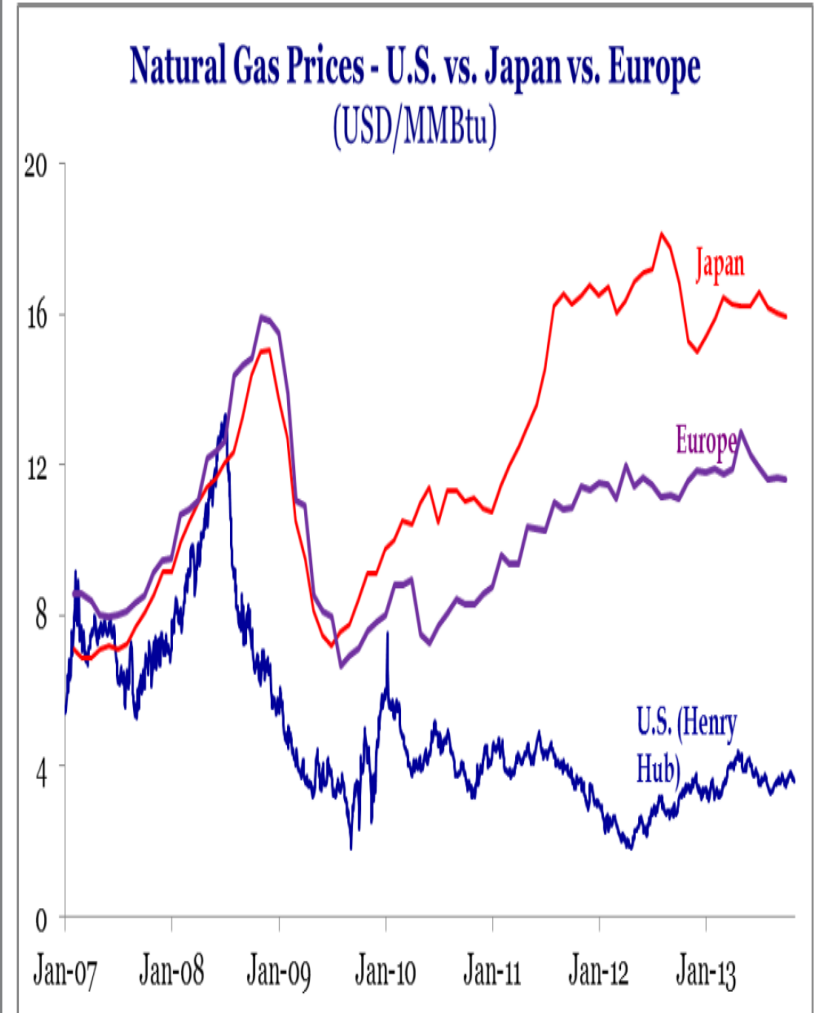


**Crude Oil Production:  
Texas vs. Persian Gulf Imports  
(EIA, Millions Of Barrels Per Day)**



# Natural Gas Prices Around The World

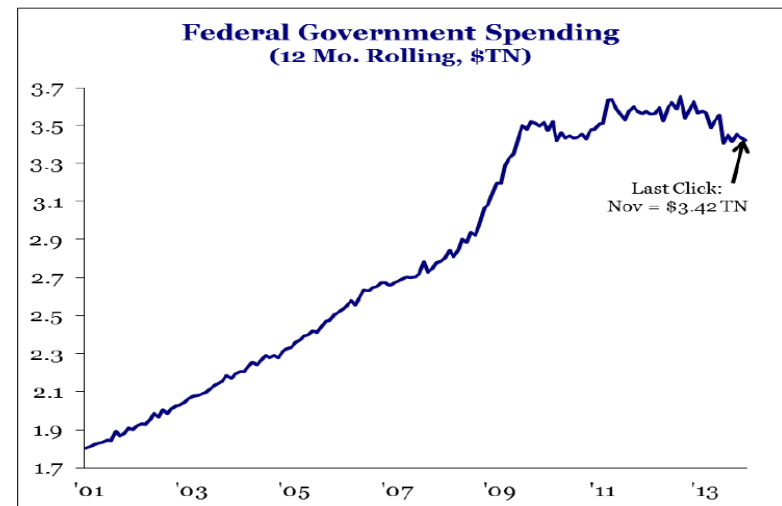
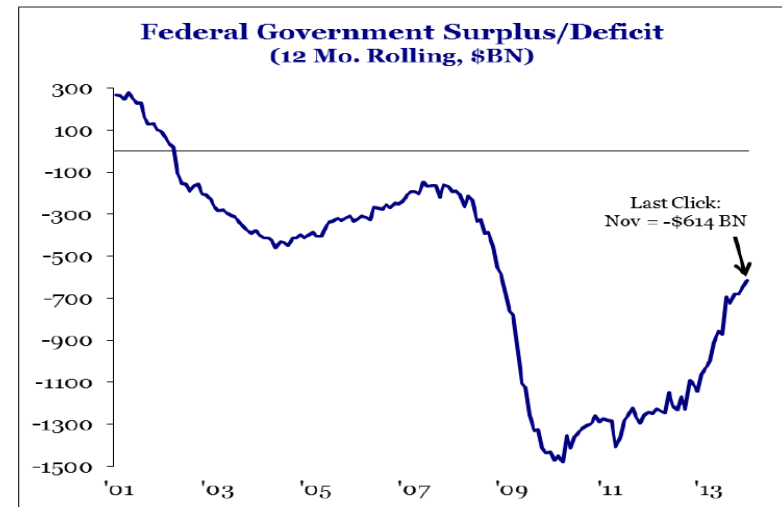
- U.S. has a significant cost advantage versus the rest of the world.



Source: Strategas Research Partners, LLC

# Fiscal Policy Is Transitioning From Austerity To The Recovery Stage

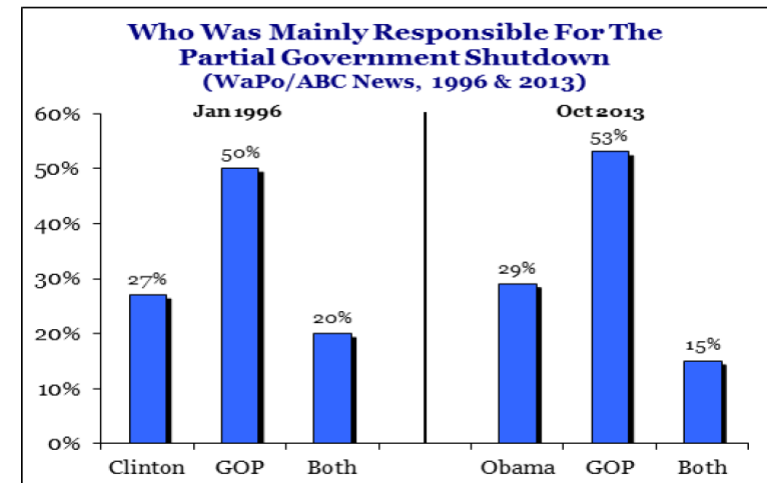
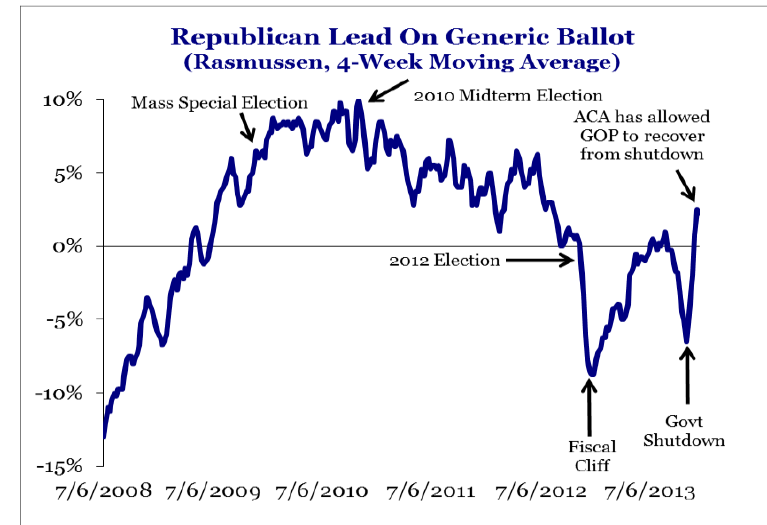
- Over the past four years the budget deficit has fallen \$863bn or 58 percent. Congress has imposed more than \$2.5 trillion of austerity, which some have complained restricted growth. Despite tepid growth during the austerity stage, multiples on the S&P 500 have been expanding. In short, while the austerity restricted growth near term, the resulting budget improvements has cleared the path for future growth.



Source: Strategas Research Partners, LLC

# Most Republicans Are Learning That Brinksmanship Is Not A Winning Political Strategy

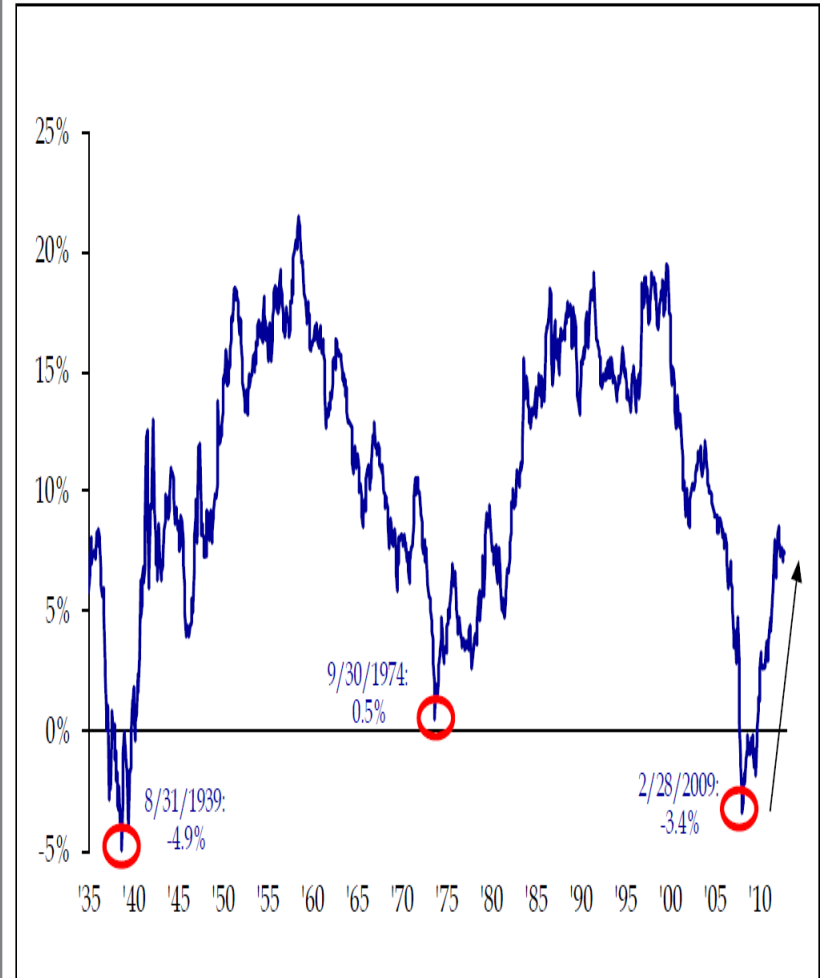
- Two key lessons can be gleaned from this chart: 1) brinksmanship on the fiscal cliff and the government shutdown severely hurt the Republican Party; and 2) ACA is hurting Democrats so why should Republicans get in the way with a new fight on the budget. **This keeps brinksmanship at a distance in 2014.**



Source: Strategas Research Partners, LLC

# S&P 500 Rolling 10-Year Returns

- The 5 year price performance for the S&P 500 at the end of 2012 was -3%...
- The 5 year price performance at the end of December 2013... +100%.



Source: Strategas Research Partners, LLC

# S&P 500 Performance After A Big Year

- Likely to see a decent, if unspectacular 2014.

Years With S&P 500 Performance Greater Than 25%

Year	Price Return	Following Year's Return	Year	Price Return	Following Year's Return
1928	38%	-12%	1980	26%	-10%
1933	44%	-5%	1985	26%	15%
1935	41%	28%	1989	27%	-7%
1936	28%	-39%	1991	26%	4%
1945	31%	-12%	1995	34%	20%
1954	45%	26%	1997	31%	27%
1955	26%	3%	1998	27%	20%
1958	38%	8%	2003	26%	9%
1975	32%	19%	2013 YTD	27%	?
<b>Average</b>	<b>32%</b>	<b>6%</b>			

Source: Strategas Research Partners, LLC

# Everything's Better But No One's Happy; Few Classic Signs Of A Market Top

- A dispassionate checklist of signs that should tell us when a top (rather than a correction) is near. Right now, few of the items can be checked-off the list in earnest. Stay tuned.

## Bull Market Top Checklist

2000    2007    Current

	2000	2007	Current
1. Blow-off top	✓	✓	X
2. Heavy inflows into equity market mutual funds	✓	✓	X
3. Big pick-up in M&A activity	✓	✓	X
4. IPO activity	✓	✓	X
5. Rising real interest rates	✓	✓	✓
6. Weakening upward earnings revisions	✓	✓	X
7. Erosion in number of stocks making new highs	✓	✓	X
8. Shift towards defensive leadership	✓	✓	X
9. Credit spreads moving in wrong direction	✓	✓	X

Source: Strategas Research Partners, LLC

# Economic And Market Outlook

## 2014 Themes

### Economy

- The strongest economic theme is a SYNCHRONIZED GLOBAL EXPANSION.
- Interest rate will continue to work higher.
- Political headwinds calm.
- GDP growth is expected to range between 2% - 3%.
- Budget deficit improves along with the improving economy.
- The Fed will remain extremely accommodating, while winding down the QE program.

### Market

- Cash returns remain at zero. Bonds peaked in summer of 2012, yield will moved higher, gradually, over time.
- There is a slow motion rotation going on from bonds to equities.
- Equity return expectation in the modest single digit... 6% - 9%.



# Economic And Market Outlook

## Biggest challenges of 2014:

- Economy—can the economy continue to grow...even accelerate with interest rates rising? Yes...
- Market—can the Fed nuance their exit from QE without upsetting the markets? Yes...

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