BOK Financial
U.S. Economic and Market Outlook

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Labor Market Tightening

- Unemployment down to 5.0%.
- Pool of available workers shrinking as job generation continues.

Civilian Unemployment Rate: 16 yr + (SA, %)

Source: Strategas Research Partners, LLC
Labor Market Tightening

- Job openings have jumped significantly.

Source: U.S. Bureau of Labor Statistics
Labor Market Tightening

- Indicators do not point to recession.
- Payroll growth has been slow but steady.
Labor Market Tightening

- Small businesses are finding qualified workers tough to come by.

NFIB: Businesses with Few or No Qualified Applicants for Job Openings (SA, %)

Source: National Federation of Independent Business
Industrial Production

- Industrial production positive…but U.S. dollar strength creating headwinds.
Vast Improvement In Debt Service

- U.S. consumer balance sheets are in good shape.
Household Formation

- Trend up in U.S. household formation suggests momentum developing…

Source: Strategas Research Partners, LLC
U.S. Gross Domestic Product

- U.S. growth may be subpar today, but recession is still not the base case.

- First quarter (GDP) + 0.6% and second quarter (GDP) + 3.9%. However…run rate is probably centered around + 2.0%.
Taking A Look At Seasonals

- Historically, third quarter the worst for equity market performance.

Source: Strategas Research Partners, LLC

S&P 500 Quarterly Performance (Since 1928)

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Long Term Rolling Returns

- 10 year rolling return at long term average.

Source: Strategas Research Partners, LLC
Corporate Profits

- Margins typically peak before market peaks.

Corporate Profits as % GDP

Source: Strategas Research Partners, LLC
China’s Slowing (But Stabilizing?) Economy

- Reflecting a weakening economy. Chinese retail sales appear to be stabilizing.
China’s slowing (But Stabilizing?) Economy

- Industrial production has been in decline for 5 years, but also seems to be stabilizing.

Source: Strategas Research Partners, LLC
Oil Prices And Recessions

- Typically, rising oil prices lead to recession...not falling prices.
U.S. crude production has begun to roll over, but...

Source: Strategas Research Partners, LLC
Rig Count & Production

- Inventories remain at elevated levels.

Source: Strategas Research Partners, LLC
Economic & Market Outlook  
2015-2016 Themes

Economy

- U.S. ...long slow, sustainable recovery.
- GDP not surging…but indicates stable growth.
- Central bank easing and QE is global, and will be ongoing.
- U.S. and Euro economies doing okay, despite Chinese weakness.
- Federal Reserve now ready for a slight increase in rates in December 2015.

Market

- Cash will remain near zero, bond yields on a slow track higher.
- U.S. equities still okay, despite the turmoil…but still priced on high side of normal.
- Fed cycle is changing, increasing volatility.
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