

Greater Phoenix Chamber's Economic Outlook 2019

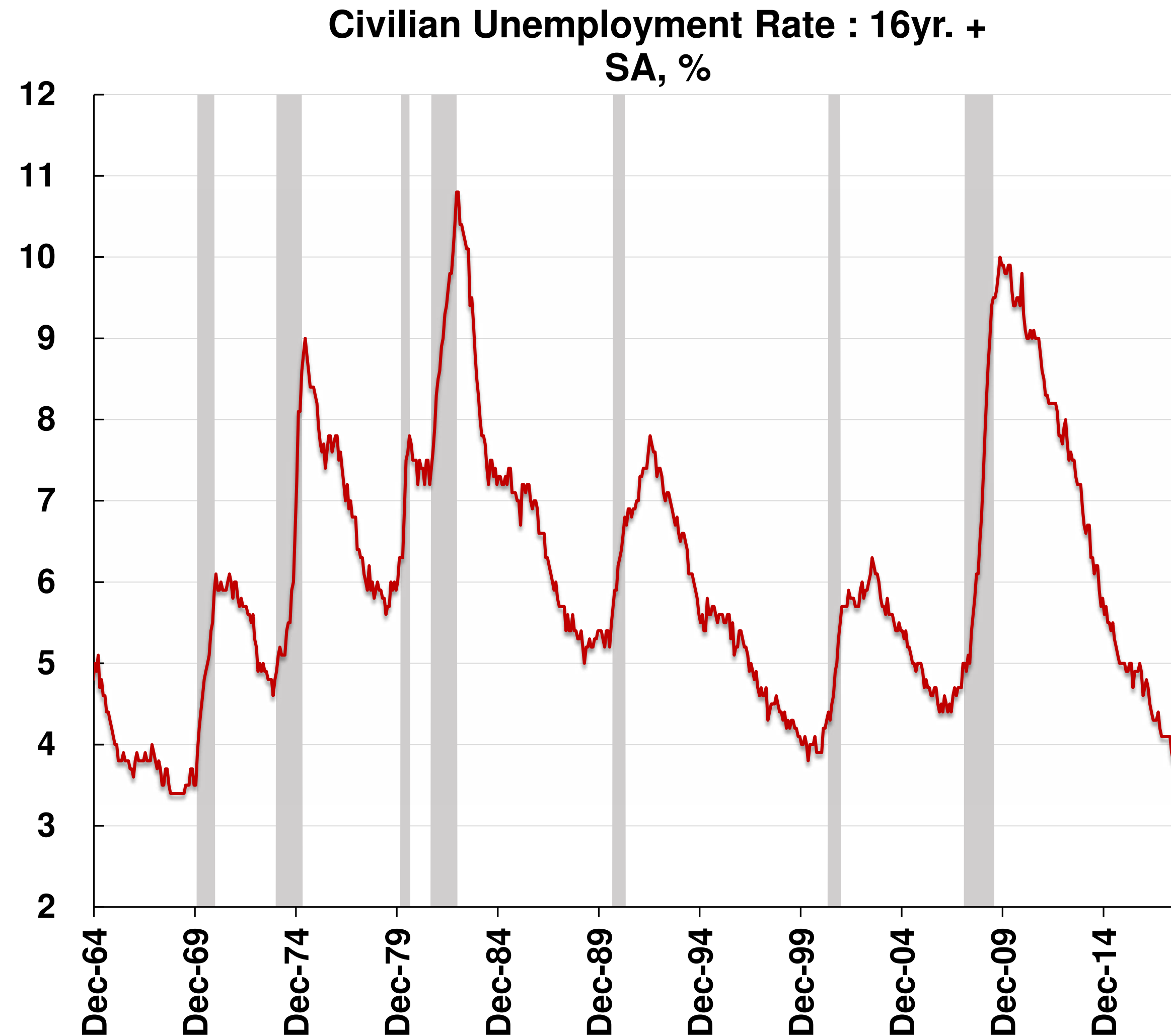
Tuesday, September 25, 2018

Jim Huntzinger, Chief Investment Officer | BOK Financial Corporation



September 2018

U.S. Unemployment Rate

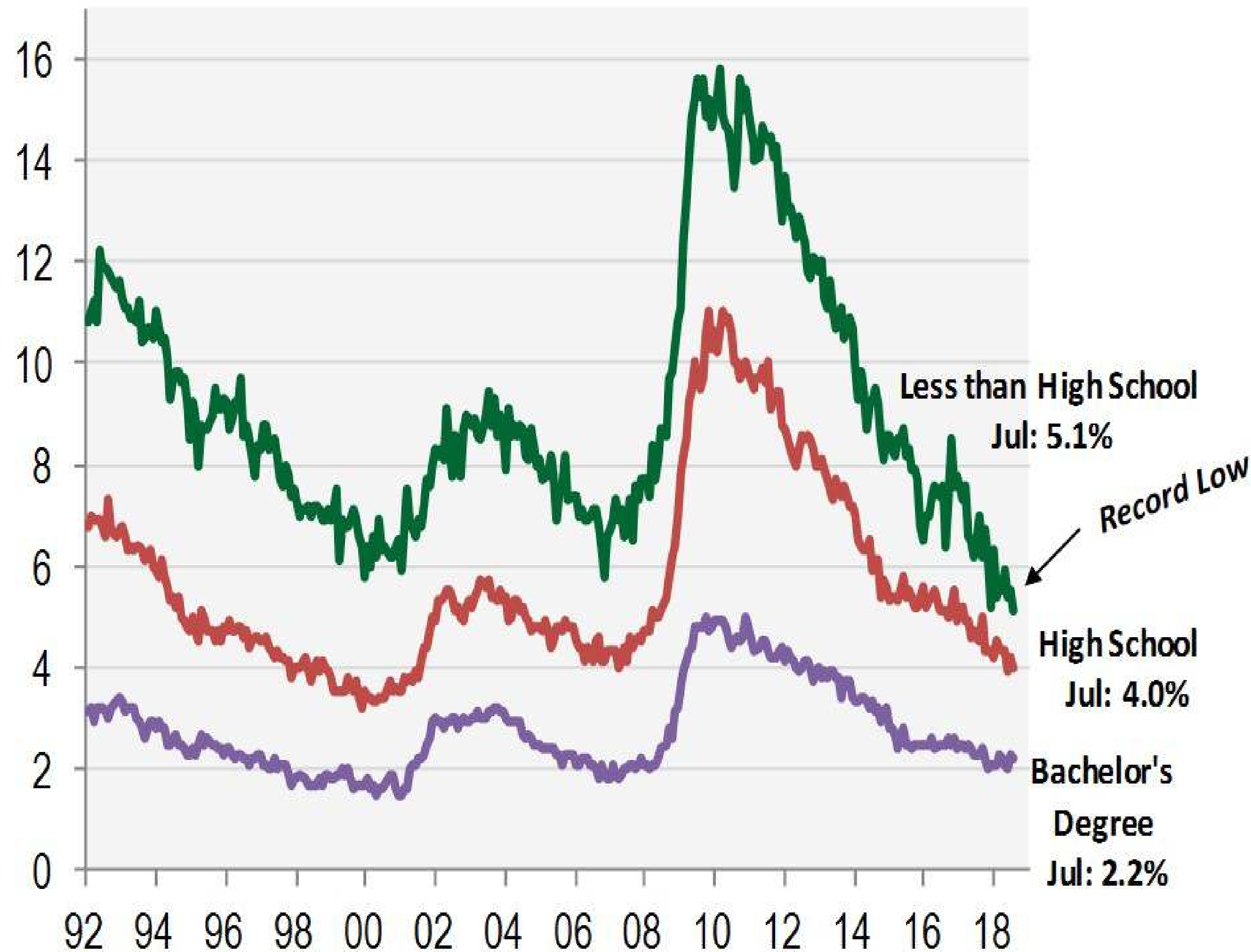


Source: Bureau of Labor Statistics / FactSet

- Unemployment rate 3.9%
- Nearing historical lows.



U.S. Unemployment Rate By Education

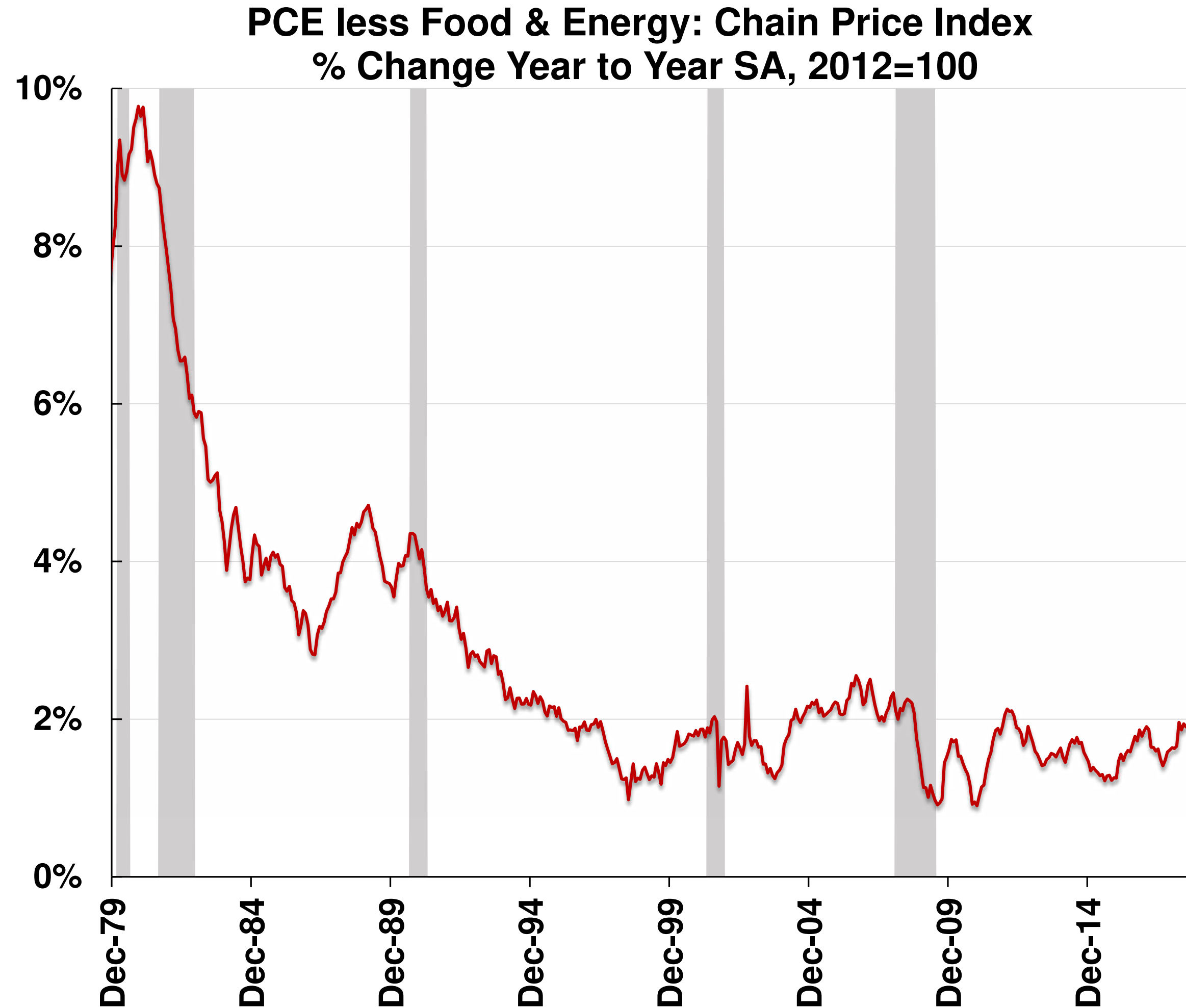


Source: Cornerstone Macro

- **Young Inmates Learn to Code.** The last mile coding program trains inmates in skills that are in high demand all over the country. *USA today July 31*
- **Employers Eager to Hire Try a New Policy:** No Experience Necessary. Employers say they are abandoning preferences for college degrees and specific skill sets to speed up hiring and broaden the pool of job candidates. *WSJ July 29*
- **Seasonal Hires are Becoming Permanent.** With employers scrambling for workers, they're increasingly viewing summer hires not as temporary laborers but as a tantalizing pool of potential employees. *USA Today July 29*



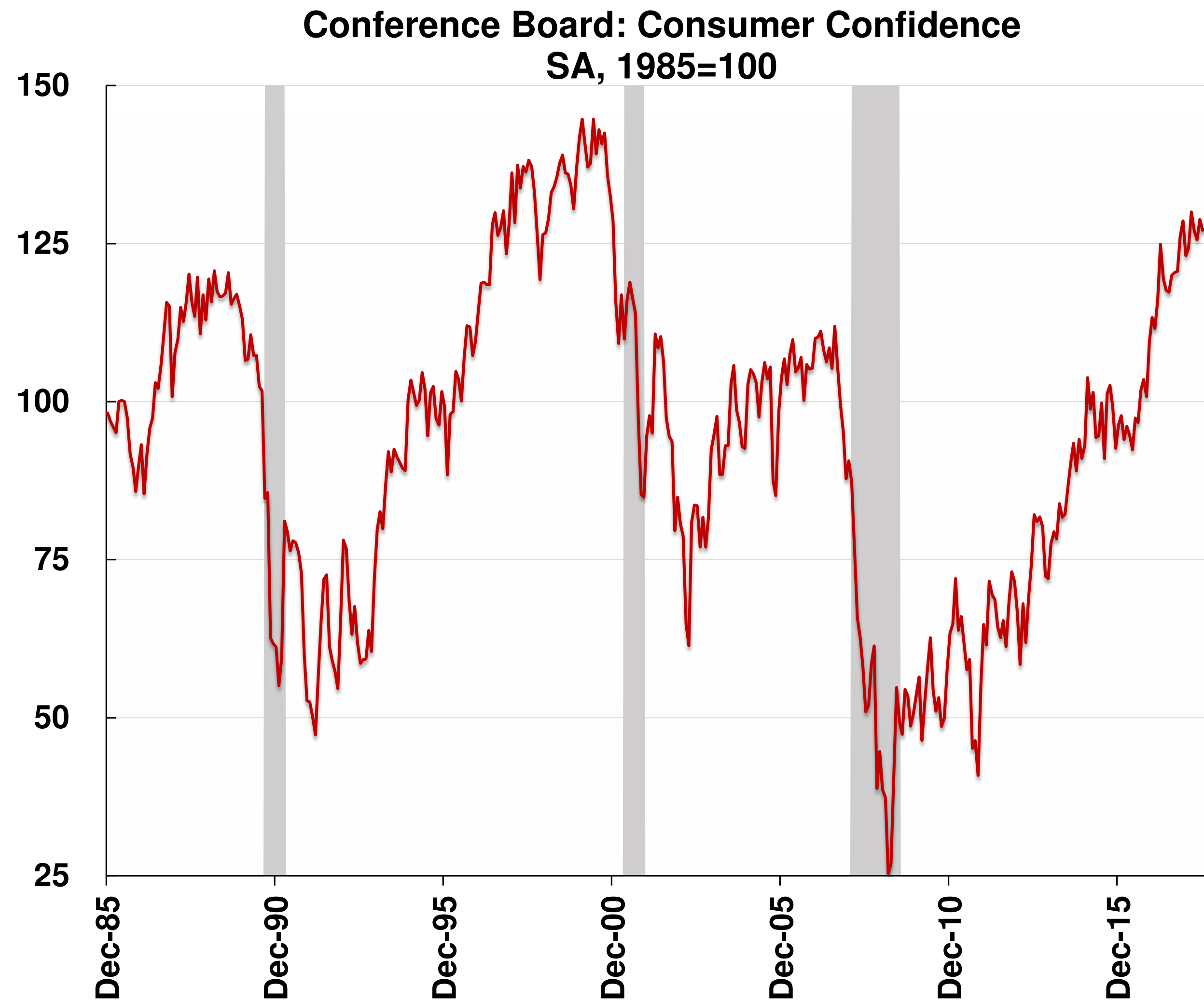
Personal Consumption Expenditures – Core



Source: Bureau of Economic Analysis / FactSet

- Inflation up...but not alarming.

Consumer Confidence

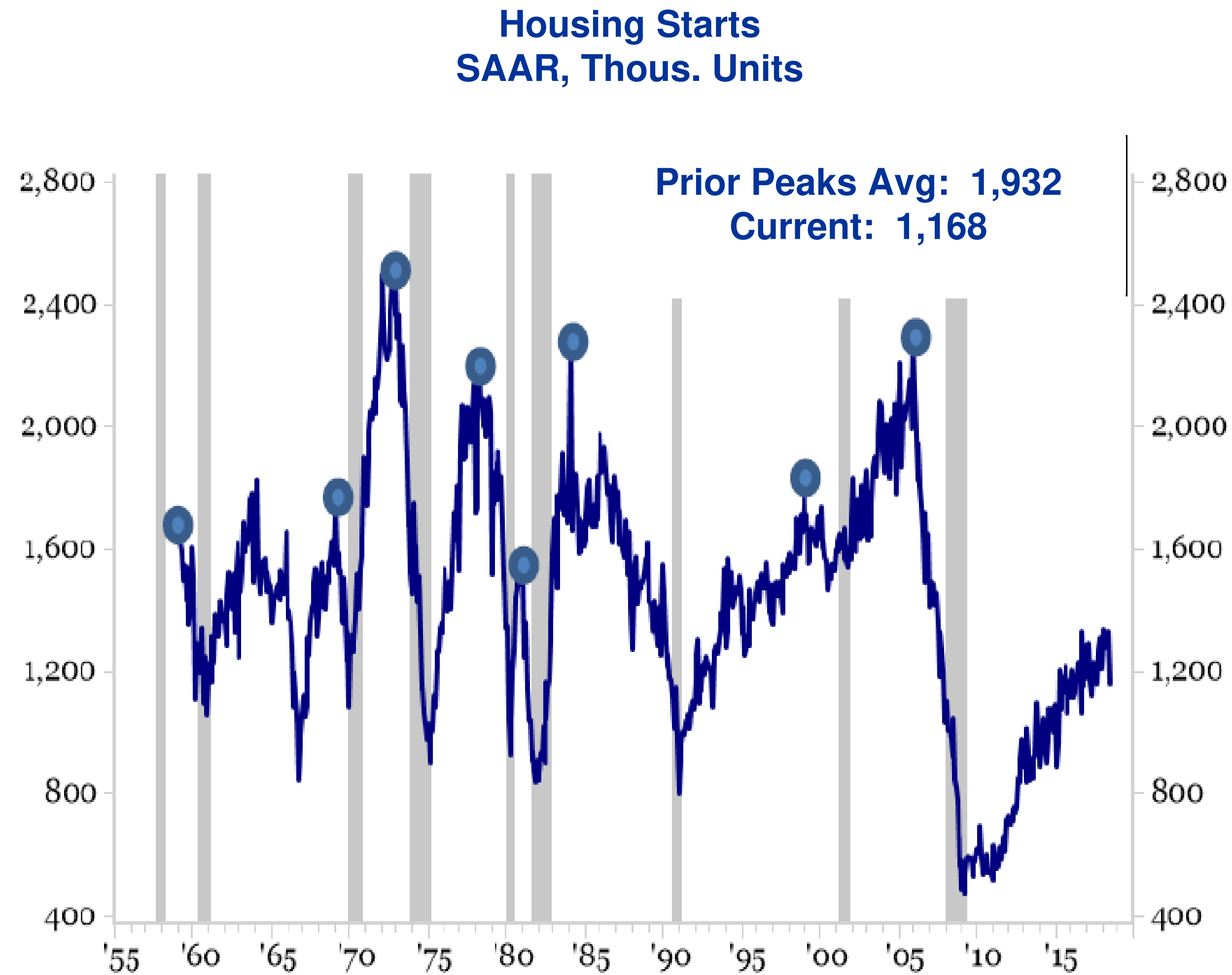


Source: The Conference Board / FactSet

- Confidence remains high.



Housing Starts



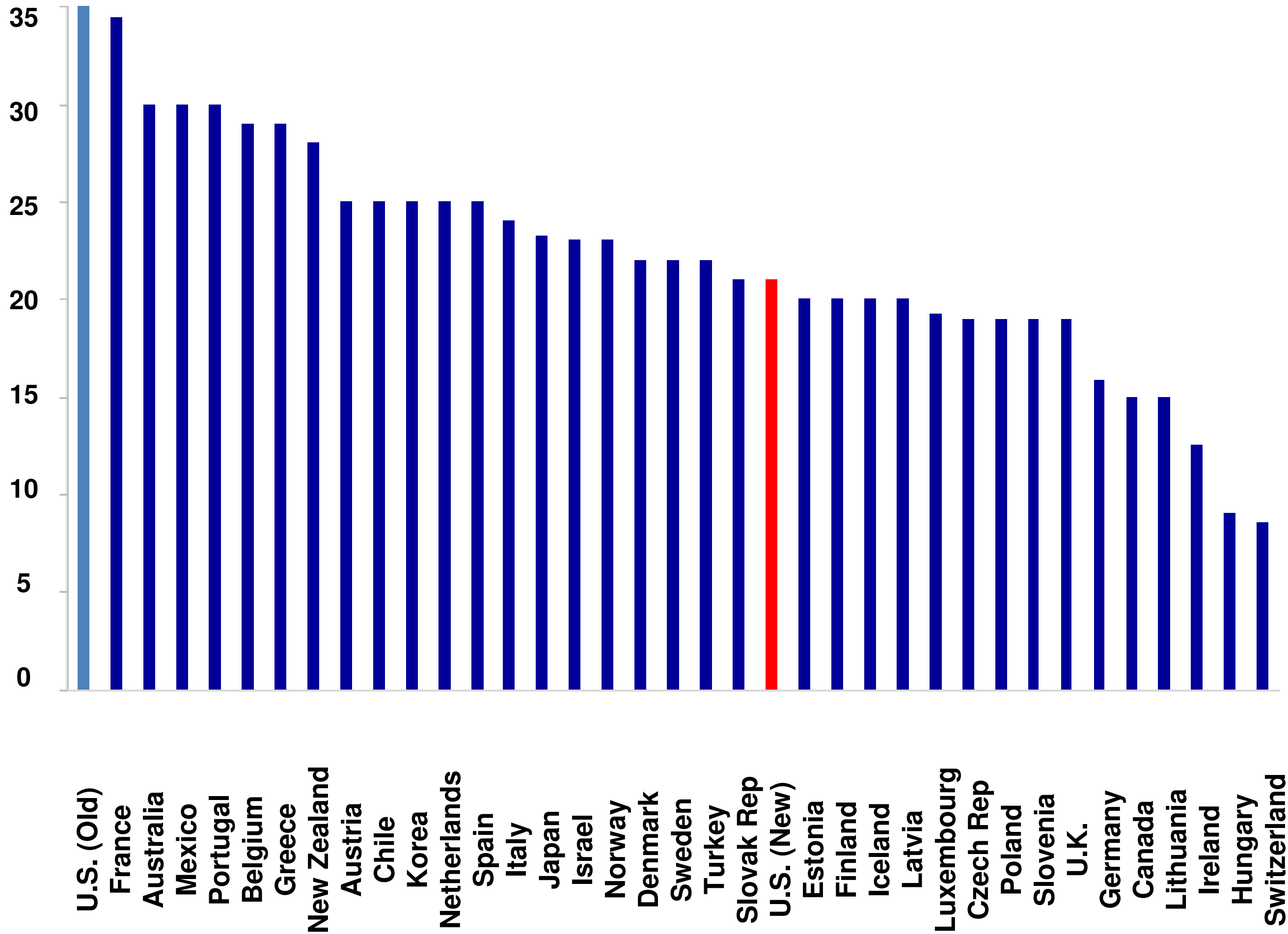
Source: Census Bureau

- Housing activity still far from its prior peaks.

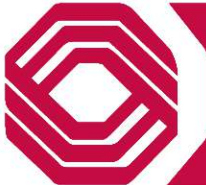


2018 Corporate Income Tax Rate

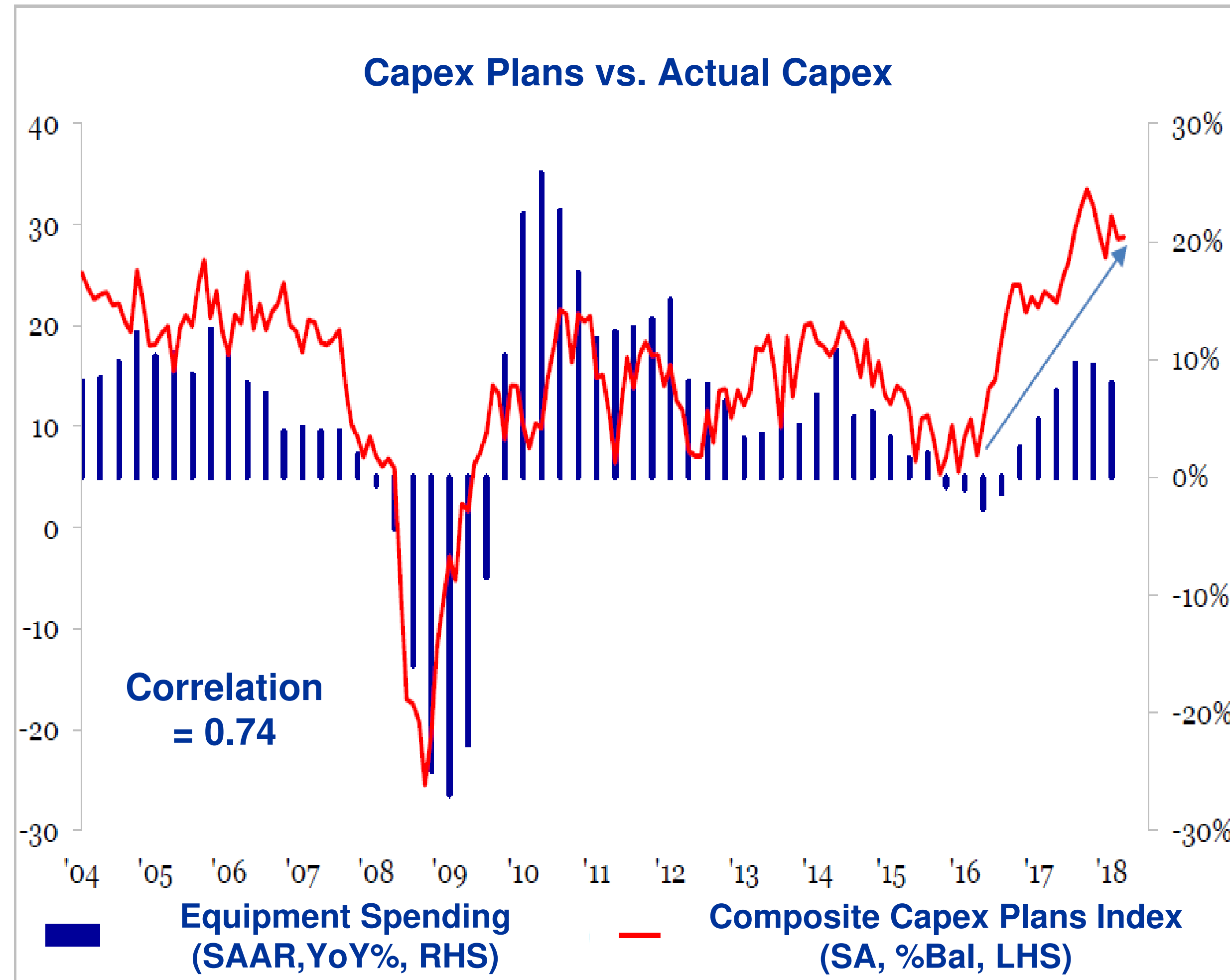
- The corporate tax cut made the U.S. much more competitive.



Source: OECD



Actual & Planned Capital Expenditures

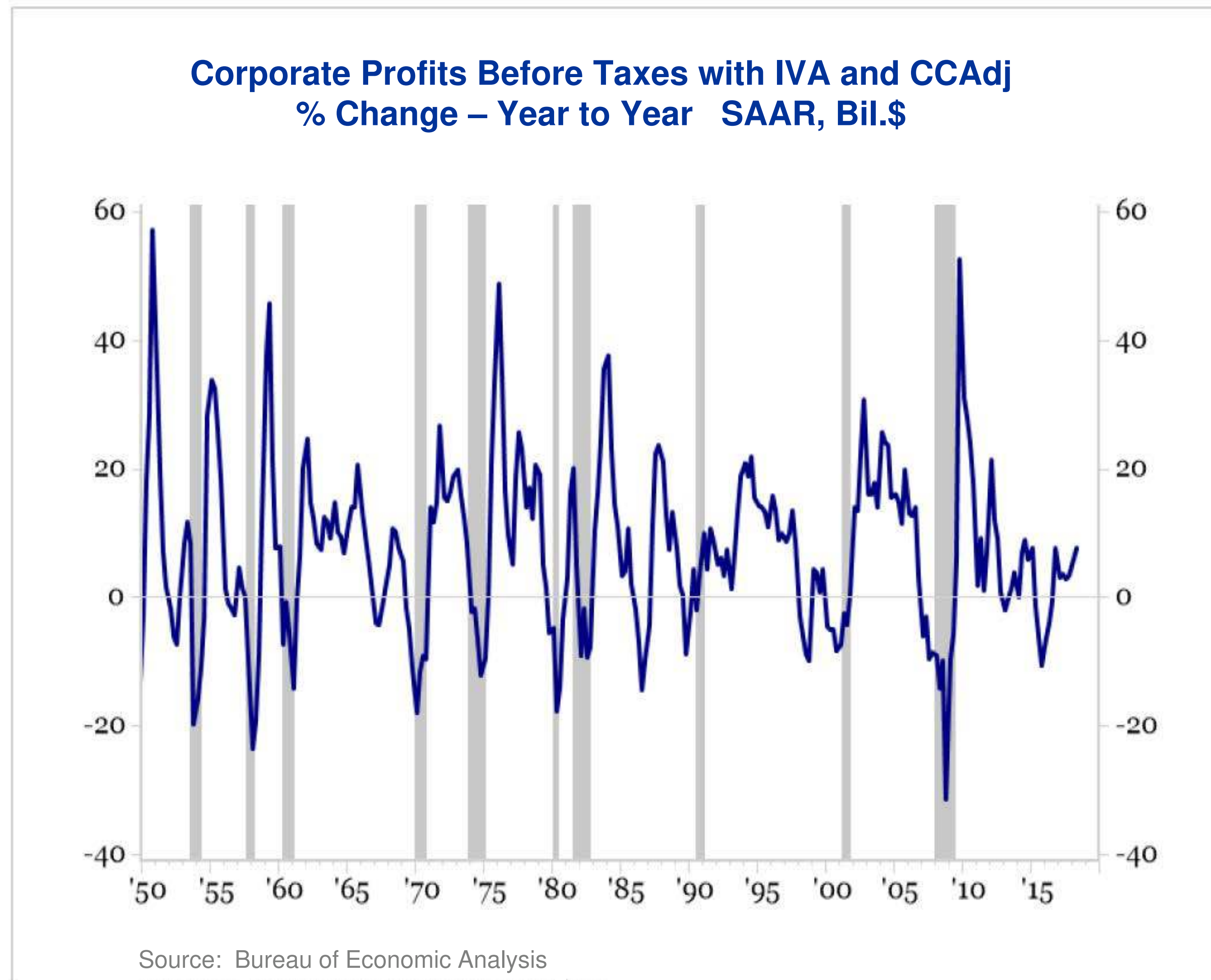


Source: Strategas Research Partners LLC

- With profits up, promising signs of capex persist.



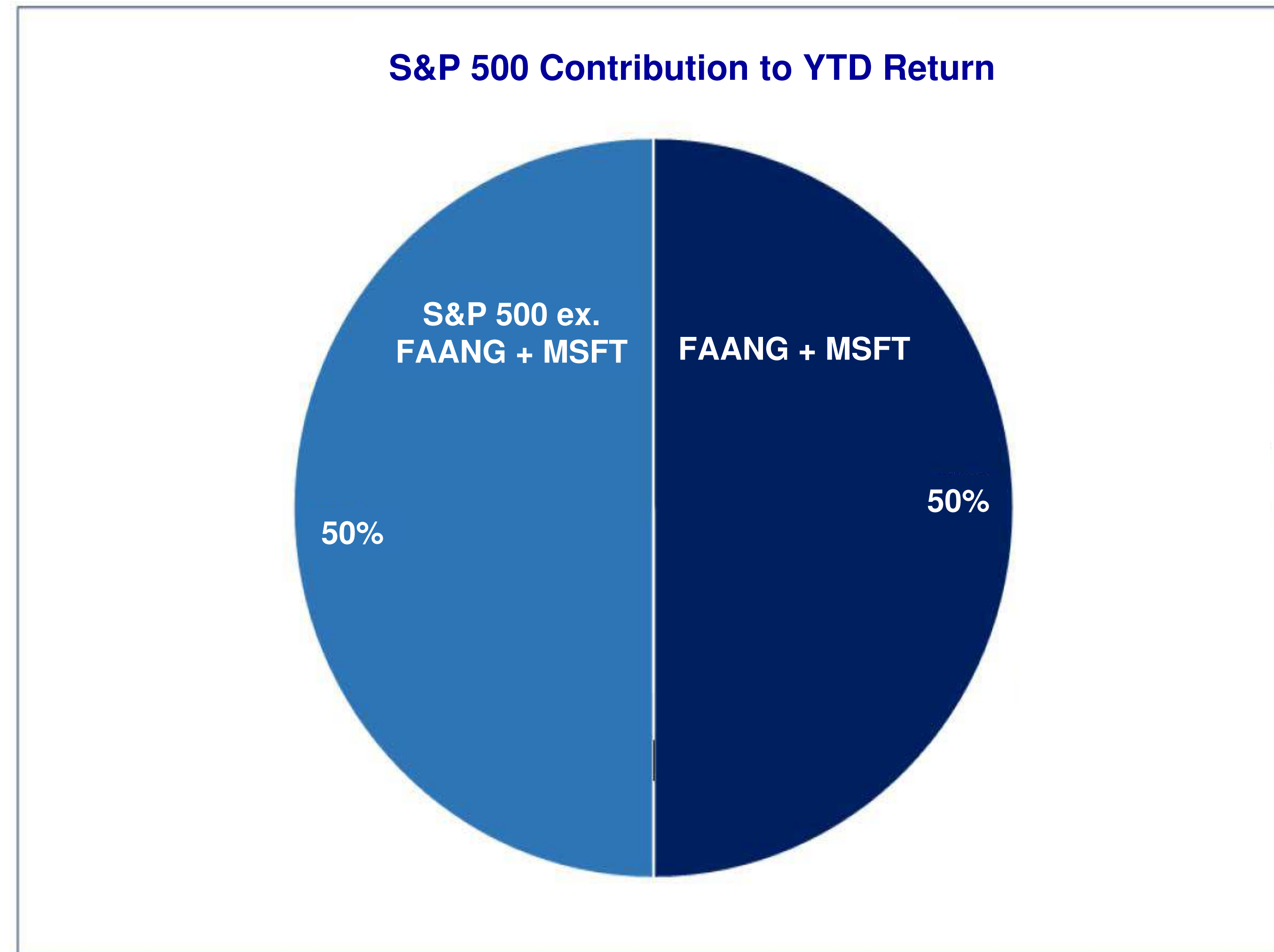
Corporate Profits & Recessions



- We've never had a recession with U.S. profits up.

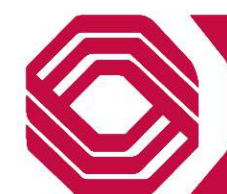


FAANG + Microsoft \approx 50% Of S&P Performance This Year...



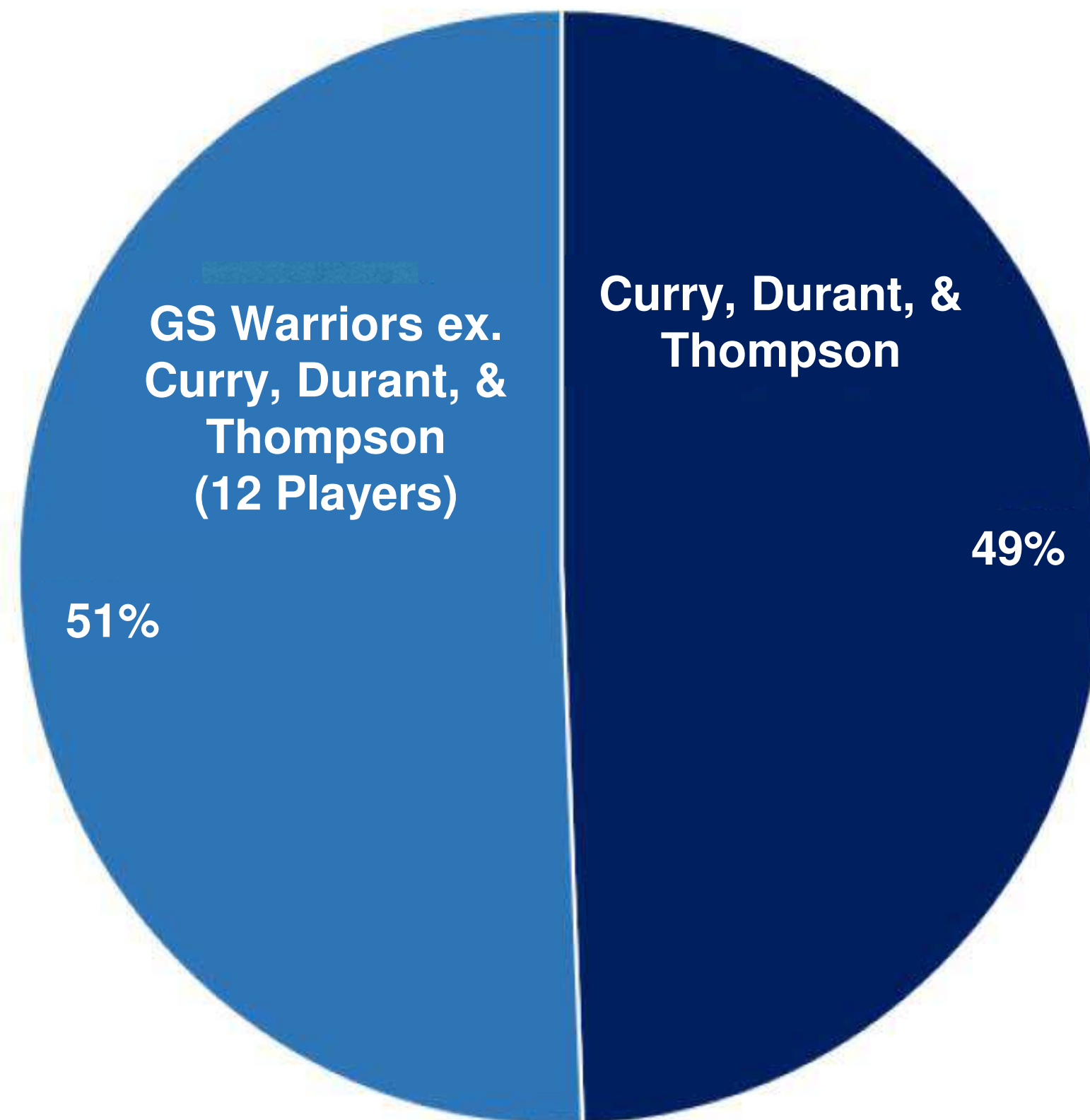
- This is the popular story right now...just a few stocks are responsible for half of the year's S&P gain. Historically, this really isn't that unusual however.

Source: Strategas Research Partners



...But Think About It From This Perspective

2017-18 Golden State Warriors Scoring Contribution



- There are 15 players on the Golden State Warriors. Three of them (Curry, Durant, and Thompson) scored roughly half of the team's points. The Warriors won the championship (again) in 2018. *Was this “narrow” leadership?*

Last Updated: 8/28/2018
Source: Strategas Research Partners



All Is Flux

The last shall be first, and the first last...

	<u>Current Revenues</u>
<i>Woolworths*</i>	<i>\$7.8 Billion</i>
<i>Sears Roebuck</i>	<i>\$15.3 Billion</i>
<i>Walmart</i>	<i>\$510.4 Billion</i>
<i>Amazon</i>	<i>\$208.1 Billion</i>

***When Woolworths went out of business in 1997, it renamed itself to Venator Group, focusing on sporting goods retail. Eventually the company changed its name again to exclusively specialize in sporting goods. What remains of the company is Foot Locker, which we used to derive the current revenue figure.**

Source: Cornerstone Marco



Everything Flows & Nothing Abides

The last shall be first, and the first last...

	<u>Current Market Cap</u>
<i>Woolworths*</i>	<i>\$5.7 Billion</i>
<i>Sears Roebuck</i>	<i>\$141 <u>Million</u></i>
<i>Walmart</i>	<i>\$281 Billion</i>
<i>Amazon</i>	<i>\$995 Billion</i>

***When Woolworths went out of business in 1997, it renamed itself to Venator Group, focusing on sporting goods retail. Eventually the company changed its name again to exclusively specialize in sporting goods. What remains of the company is Foot Locker, which we used to derive the current market cap figure.**

Source: Cornerstone Marco



Bezos Eclipses The Waltons

	Net Worth (Billions)		Net Worth (Billions)
<i>Jim Walton</i>	\$45.8	<i>Jeffrey Bezos</i>	\$167.7
<i>Rob Walton</i>	\$45.6		
<i>Alice Walton</i>	\$44.2		
<i>Lukas Walton</i>	\$15.9		
<i>Christy Walton</i>	\$7.2		
<i>Nancy Walton Laurie</i>	\$4.9		
<i>Ann Walton Kroenke</i>	\$4.0		
Walton Net Worth	\$167.6 Billion	Bezos Net Worth	\$167.7 Billion

Source: Cornerstone Marco
As of Period: September 2018



Employees, Jobs, Lot's & Lots of Jobs

Important employers of their day...

	<u>Year of Peak Head Count</u>	<u>Peak Head Count</u>	<u>U.S. Population</u>	<u>Percent of Population</u>
<i>Woolworths</i>	<i>Circa 1955</i>	<i>~98,000</i>	<i>150,697,361</i>	<i>0.065%</i>
<i>Sears Roebuck</i>	<i>Circa 1980</i>	<i>~375,000</i>	<i>226,545,805</i>	<i>0.166%</i>
<i>Walmart</i>	<i>2018</i>	<i>~2,300,000</i>	<i>308,745,538</i>	<i>0.745%</i>
<i>Amazon</i>	<i>2018</i>	<i>~566,000</i>	<i>308,745,538</i>	<i>0.183%</i>

Source: Cornerstone Marco



That's A Lot Of Stuff

Lots of products...

	<u>Number of Products Offered</u>
<i>Walmart</i>	<i>17 Million</i>
<i>Amazon</i>	<i>480 Million</i>

Source: Cornerstone Marco



Whatcha Got There?

- **Some of the weirdest things available at Walmart right now:**

Pickle-flavored ice pops, jelly bean flavored low fat milk, lucky lottery prayer candles, hot dog flavored potato chips, scented duct tape, an official Major League Baseball casket with your favorite team logo... and a trailer park Santa gingerbread house kit.

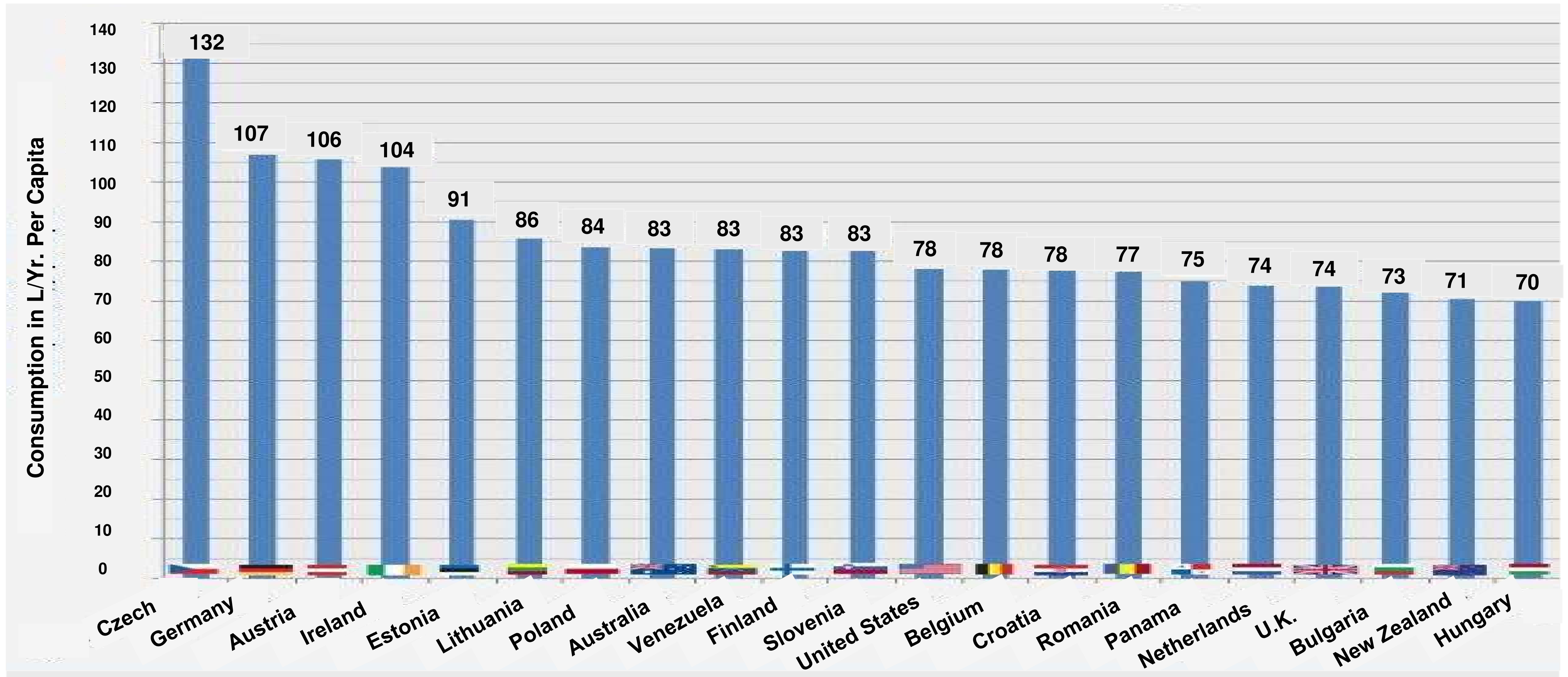
- **Some the weirdest things available on Amazon right now:**

Animal acne cream, a pair of live Madagascar hissing cockroaches, a “chambong” (think champagne flute meets beer bong), and a five pound mass of replica fat.

Source: Cornerstone Marco



Worldwide Per Capita Beer Consumption



Source: Kirin's Food & Lifestyle



Key Themes

- U.S. growth significantly improved. First Quarter GDP +2.2%, Second Quarter +4.2%.
- U.S. wages are modestly accelerating.
- The Fed has committed itself to consistent rate hikes, too much?
 - 2018 – 4
 - 2019 – 3
 - 2020 – 1
- S&P earnings new high. Second Quarter earnings +23% Y/Y.
- 2018 will be a year the economy does considerably better than equities.
- Trade issues getting worse with China...No early or easy resolution.



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