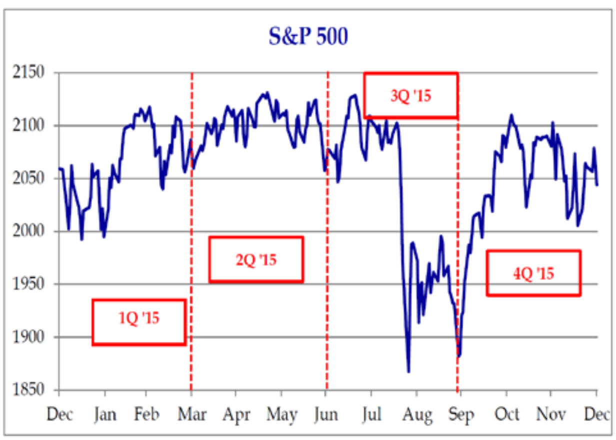
ECONOMIC & MARKET REVIEW

Fourth Quarter 2015

All domestic and international equity markets rebounded in the fourth quarter of 2015 from their poor performance in the third quarter of 2015. Interest rates rose, which caused some bond indices to have a negative return for the quarter. Materials was the best performing sector of the S&P 500 for the quarter, followed by Technology and Health Care.

Fourth Quarter and Year-to-Date 2015 Performance:

	4th Qtr.	**YTD**
S&P 500	*+7.04%*	*+1.38%*
Russell 2000	*+3.59%*	*-4.41%*
Barclays Agg.	*-0.57%*	*+0.55%*
MSCI EAFE	*+4.71%*	*-0.81%*
MSCI EM	*+0.66%*	*-14.92%*



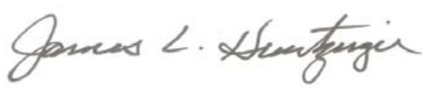
Source: Strategas Research Partners

Investment returns for 2015 were flat for large cap U.S. equities, bonds, and developed international markets. Total return was negative for small cap U.S. stocks and down double digits for emerging market equities. I have read that some are saying nothing worked in the markets in 2015. Nothing worked if your attitude is that the markets owe you a solid return year in and year out. That is not the case, now or historically. The U.S. bull market that has been in place since March of 2009 remains in place in my opinion, but nothing guarantees a smooth steady ride. While the point to point return of the S&P 500 was flat, there was considerable volatility throughout the year. One of the major themes in the U.S. for 2015 was how narrow the market became. In fact, the average return of the top 10 stocks in the S&P 500 was up about 25.9% while the average return for the remaining 490 stocks was -1.1%.

The Federal Reserve, at long last, raised short term rates .25% in the fourth quarter 2015. Not surprising, there are those who are already bemoaning this modest rise. The labor market was quite strong over 2015. While overall inflation rates are still low, the labor market has healed to a point where the cost of labor is moving up. The unemployment rate is likely to fall below 5.00% in 2016. For months now, small businesses have been reporting they are having trouble finding qualified people to fill job openings. This is good news for the economy, as we put more people to work. The fact is that the Fed is not going to tighten so much as to harm the economy. The Federal Reserve anticipates four additional rate hikes in 2016, I think two is more likely. We have been living in an era of the Central Bankers as king. I hope we are in the process of having the economy and markets regain their appropriate roles. That change will be gradual and uneven globally.

I expect GDP growth to be 2.0%-2.5% for 2016. Not spectacular but solid, much as it has been over the last seven years. European growth rates are slower but positive. The major difference in U.S. vs. foreign growth is that our Fed was more aggressive earlier than the European Central Bank. U.S. growth jumped sooner and has remained positive longer than Europe. That has been a major influence on the U.S. dollar relative to the Euro. My belief is the large and ongoing quantitative easing program in Europe will aid their economies as we go through 2016. That should mute, but probably not reverse, some of the upward pressure on the U.S. currency.

Finally, the U.S. economy is okay and continued growth in the 2.0%-2.5% range is likely. The market is very uneasy though, as the current price-to-earnings ratio is on the high side of normal. When the market is valued at a higher level over a longer time period, but economic growth is modest, there is a potential disconnect between the two. This condition argues for a diversified portfolio, with a component allocated to alternative managers that are not directionally biased. I think we will see modestly positive equity results in 2016 and interest rates that slowly move higher. Volatility will remain high, which will make this another uncomfortable year for investors.



Jim Huntzinger
Chief Investment Officer
BOK Financial Corporation
January 4, 2016

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 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 banking divisions Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, Bank of Arkansas, Bank of Arizona, Colorado State Bank and Trust, and Bank of Kansas City) and its subsidiaries BOK Financial Asset Management, Inc., and Cavanal Hill Investment Management, Inc. each an SEC registered investment adviser. BOKF offers additional investment services and products through its subsidiary BOSC, Inc., a broker/dealer, member FINRA/SIPC, an SEC registered investment adviser and The Milestone Group, also 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.

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.