



# Positioning the U.S. in a deglobalizing, AI-driven world

2026 BOK FINANCIAL ANNUAL MARKET OUTLOOK

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# Base case outlook

## Economic outlook

We expect a rebound in economic growth in 2026, with GDP near 2%, when adjusted for inflation. Recession risks are receding, supported by a stable job market, tax cuts boosting real incomes and increased investment in AI, datacenters, manufacturing capacity and infrastructure. Inflation will likely decrease, as rents continue to cool, energy prices remain low and the price increases from tariffs aren't repeated in 2026.

**Risks:** Higher unemployment, potential geopolitical events and higher tariffs.

## Policy

Most major policy shifts are complete. We expect one more Federal Reserve rate cut in early 2026, leaving interest rates near target levels. Fiscal policy remains expansionary, with tax cuts and investment incentives continuing to support growth.

**Risks:** Unexpected difficulty financing government debt and inflation rising in the long run.

## Financial markets

Bond returns will largely reflect coupon income as rate cuts are priced in. With credit spreads compressed to historically tight levels, further narrowing appears limited, reducing the potential for additional price appreciation. Equity gains likely will be driven by earnings growth, with domestic returns in the high single to low double digits. International equities probably will benefit from fading tariffs, a weaker U.S. dollar and improving global growth.

**Risks:** The unlikely event of a recession leading to material earnings declines and widening credit spreads.

# Where are we now?

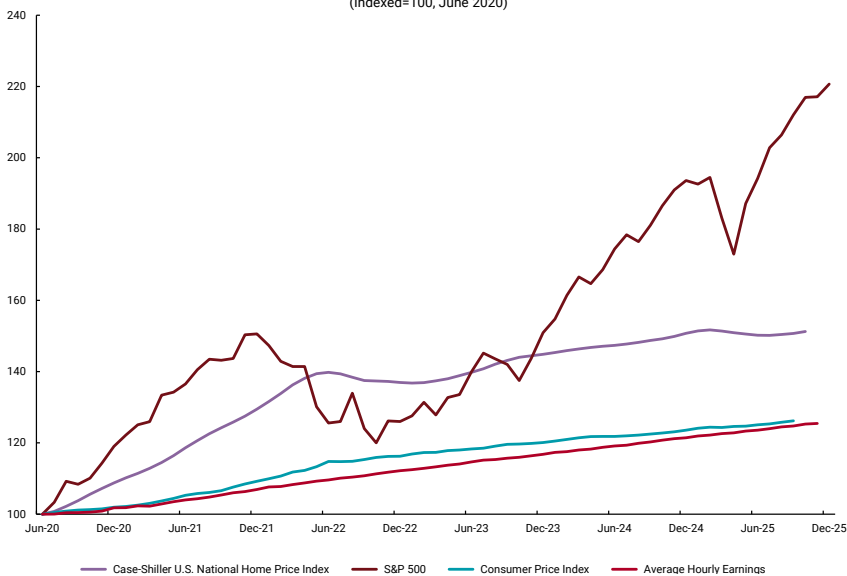
To say that 2025 has been eventful is an understatement. The year began with tariff announcements that, though anticipated, surprised many in the U.S.—and in the world overall—with their size and scope. As a result, financial markets went on a roller coaster ride, with domestic stocks approaching bear-market levels, though they fully recovered their tariff-induced losses and, as of this writing, were at or near record highs. Later in the year, news headlines were dominated by the longest government shutdown in U.S. history. Among other consequences, the shutdown resulted in a temporary dearth of government reports, forcing the Federal Reserve to make its October rate decision in a fog.

Now, as we enter 2026, U.S. economic growth is expected to continue and possibly even accelerate. Nevertheless, the backdrop is far from simple.

Inflation is still above the Fed's 2% target and aggregate price levels since 2020 are still outpacing wage gains. These higher prices have left many households feeling squeezed, particularly those in lower-income brackets.

## Inflation and Average Hourly Earnings

(Indexed=100, June 2020)



SOURCE: FEDERAL RESERVE BANK OF NEW YORK AND FEDERAL RESERVE BANK OF ST LOUIS.

DATA AS OF DEC. 1, 2025.





Meanwhile, the Fed has been gradually cutting rates, which should provide some relief to consumers and businesses struggling with debt. This pivot from restrictive monetary policy reflects the Fed's growing concern over labor market softening.

In the pages that follow, we'll explain our outlook for these and other aspects of the U.S. and world economy for 2026, including what's ahead for energy markets. We'll include deeper dives into these topics with the following articles:

- ["The resurgence of American manufacturing"](#)
- ["Is the US leading the dance of deglobalization?"](#)
- ["AI infrastructure may drive growth for decades"](#)
- ["The future of digital assets in financial services"](#)

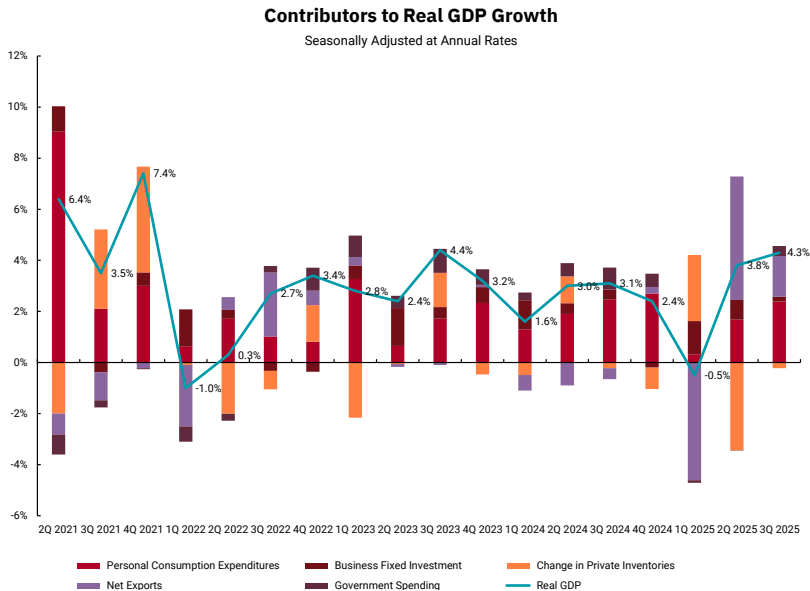
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# 01

## U.S. outlook

After a slower finish to 2025, we expect the U.S. economy to return to a modest but positive growth trajectory in 2026—with gross domestic product (GDP) tracking close to a 2%, when adjusted for inflation. The backdrop for this growth will be one of stabilizing inflation, improving labor-market dynamics and a government policy that is supportive of growth through already-enacted measures rather than major new initiatives. In this environment, the U.S. economy's growth looks durable, though not exuberant—more of a steady handoff from policy tailwinds to private-sector momentum.



## Growth and the consumer

Consumer spending should hold firm as the year progresses, helped by better job gains and rising incomes, even when adjusted for inflation. Upper-income consumers continue to exhibit a strong “wealth effect,” with record household net worth supporting discretionary spending. At the same time, lower- and middle-income households stand to benefit from targeted tax relief embedded in the One Big Beautiful Bill Act (OBBBA).

Notably, the elimination of taxes on tips and overtime pay puts more cash directly into take-home earnings for service and hourly workers, while tax reductions for seniors reliant on Social Security will help ease budget constraints for a group with relatively steady

spending patterns. The increase in the State and Local Tax (SALT) deduction should further boost disposable income for households in higher-tax states, supporting regional consumption and housing-related spending.

Meanwhile, inflation should continue to trend lower, largely due to cooling rents and relatively contained energy prices. Importantly, the tariff-related price pressures that affected certain goods categories in prior periods are not expected to recur in 2026, reducing the risk of one-off spikes. With inflation drifting toward target, inflation-adjusted wage gains are more likely to be sustained, which also would help consumers.



## Policy as a tailwind, not a catalyst

Most of the significant policy moves are already in place, and 2026 will be about execution. Monetary policy is expected to deliver one rate cut of 25 basis points (0.25%) in early 2026, nudging short-term rates marginally lower and trimming borrowing costs at the margin. Importantly, interest rates are now close to levels broadly consistent with sustainable growth and cooling inflation, suggesting less policy-induced volatility and more predictable financial conditions.

On the fiscal side, the biggest boost will likely come from tax incentives that make it cheaper for businesses to invest, especially rules allowing them to immediately deduct the full cost of new equipment and projects. We anticipate continued CapEx in artificial intelligence (AI), data centers and power infrastructure, where demand is structurally strong and supply build-out is multi-year in nature.

Additionally, larger tax refunds in the first quarter should provide a temporary lift to consumer spending as retroactive 2025 cuts flow through filings, given withholding schedules were not reduced last year. The reopening of the federal government after the fourth-quarter 2025 shutdown probably will create some early-year normalization in federal payrolls and procurement, offering a modest first-quarter tailwind.



## Impact to financial markets

Fixed-income markets already have rate cuts priced in, so we expect bond returns to be driven primarily by coupon income rather than price appreciation. Credit spreads have compressed toward historic lows over recent years, leaving limited scope for additional tightening.

In equities, earnings growth is likely to be the principal driver of performance. A backdrop of modestly improving GDP and employment should support high single-digit to low double-digit earnings growth for domestic equities, even as multiples remain range-bound. International equities may benefit from fading tariff effects, a somewhat weaker U.S. dollar and better global GDP prospects.

## Risks remain but outlook remains positive overall

While we expect the U.S. economy to grow in 2026, there are risks that could push inflation higher or slow growth. These include rising housing or energy costs, or weaker productivity gains than expected. On the policy side, the success of investment incentives depends on businesses feeling confident, supply chains running smoothly and projects getting approved—especially in power infrastructure.

Still, overall our outlook remains positive: the job market is strong, policies are more predictable and spending on technology and infrastructure is supported by long-term trends rather than short-term cycles.





## A DEEPER LOOK AT U.S. MANUFACTURING

# The resurgence of American manufacturing

Tax breaks, tariffs and national security concerns are driving a new era of industrial investment

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For decades, American manufacturing was on the decline as globalization pushed production overseas, hollowing out the Rust Belt and pushing American workers everywhere towards white-collar jobs. Now, however, American manufacturing may be on the path to a comeback, driven by a convergence of corporate and political considerations.

The push towards onshoring the manufacturing of key goods—such as semiconductors, pharmaceuticals and medical equipment, as well as defense-related equipment and technologies—stems from lessons learned during the pandemic, as well as the desire to secure U.S. economic growth and security amid [deglobalization](#), BOK Financial® experts said.

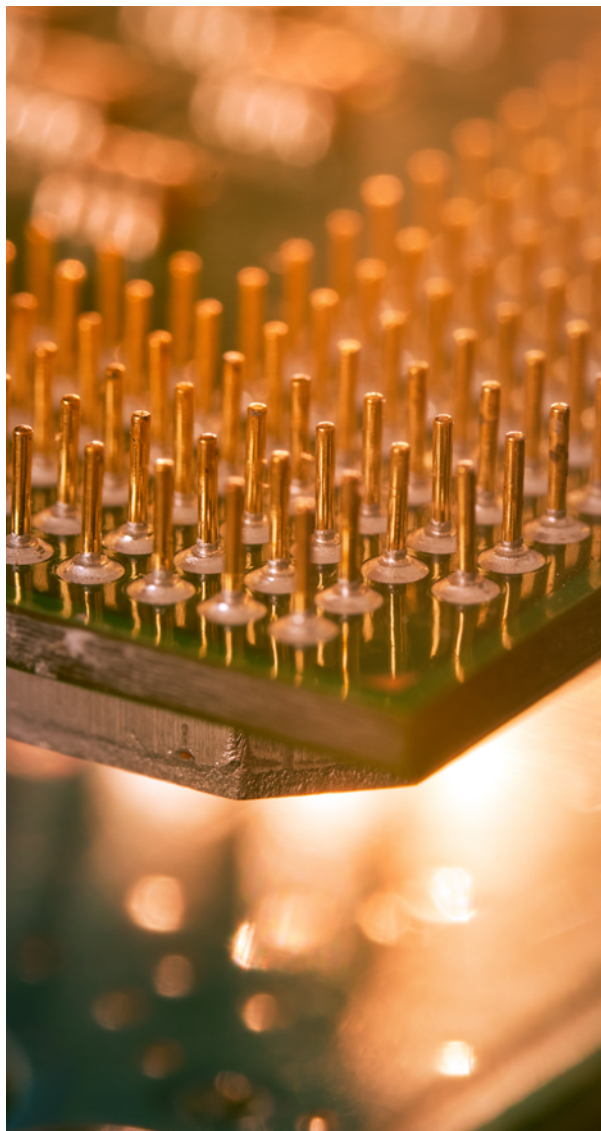
They believe that trade and this revitalization of the U.S. manufacturing sector will likely drive economic growth in 2026 and are cautiously optimistic that the reshoring of manufacturing, coupled with advancements in artificial intelligence (AI), could accelerate growth—and benefit financial markets—during the year.



"When I think about what the current administration has done to attract businesses to operate here in the U.S., I see a lot of pro-business initiatives: tax incentives, tariffs and direct investment in industries tied to national security—semiconductors, metals and mining. That's a clear signal that these sectors need to thrive," said Brian Henderson, chief investment officer at BOK Financial.

Indeed, federal policy has become a key driver of the burgeoning resurgence in American manufacturing. Permanent corporate tax rates of 21% give businesses confidence to invest, while new rules allowing immediate expensing of facility construction costs—rather than decades-long depreciation—are a "game-changer for cost-benefit analysis," said Steve Wyett, BOK Financial's chief investment strategist. Tariffs, meanwhile, have also pushed companies to rethink global sourcing. "The message is clear: you don't want to pay a tariff, produce it here domestically," he noted.

Additionally, Washington is backing strategic industries with direct investment and legislation like the CHIPS Act, which helped bring semiconductor manufacturing to cities like Phoenix, Ariz. "The country is behind the companies and industries that the administration views as important from a national security standpoint," Henderson said. Energy policy and deregulation complement these efforts, with relaxed permitting and streamlined rules aimed at making it easier to do business and build the infrastructure needed for long-term growth, he continued.





## The decline of globalization a key catalyst for change

All of these developments are part of deglobalization—that is, the movement away from globalization, experts said. Following the fall of the Berlin Wall in 1989 and the subsequent collapse of the Soviet Union, the world economy became increasingly globalized, with the 2001 entrance of China into the World Trade Organization further enabling U.S. companies to offshore more jobs to Asia, said Matt Stephani, president of Cavanal Hill Investment Management, Inc., a subsidiary of BOKF, NA. This globalized economy created what Stephani calls a “peace dividend,” which helped keep interest rates and consumer prices low in the U.S.

However, the downsides to globalization became apparent during the Covid pandemic, which exposed the fragility of global supply chains and the risks of overreliance on foreign producers. “We realized we don’t make a lot of medical equipment and pharmaceuticals in the U.S.,” Stephani said. “Turns out, most of these goods were supplied by a sole supplier—in many cases: China.” Geopolitical developments then compounded these concerns.

The public alignment of China and Russia during the Beijing Olympics signaled a shift toward a multipolar world, raising questions about the security of supply chains that underpin both economic stability and national defense.

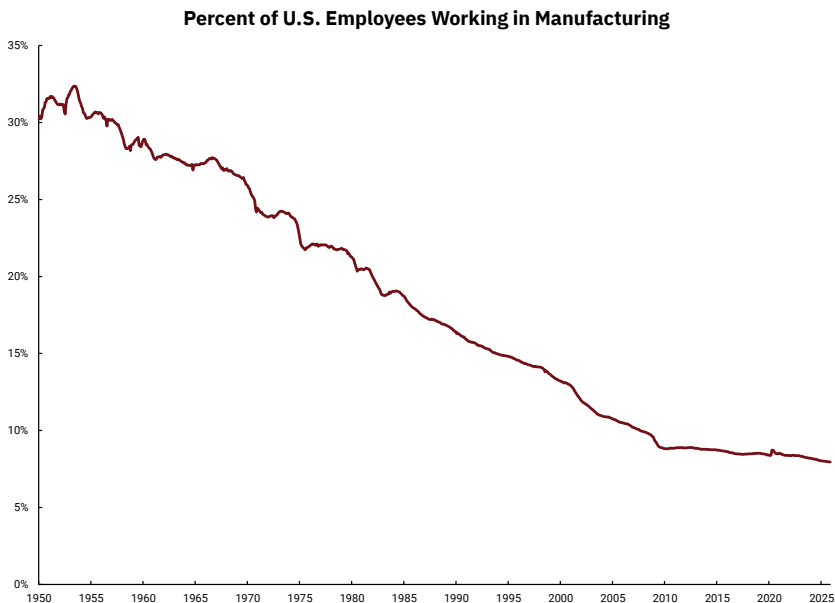
Encouraging onshoring and friend-shoring of these supply chains helps mitigate these risks. As Henderson said, “The U.S. may not always be the lowest-cost provider, but for industries vital to national security—like semiconductors and rare earth metals—it makes sense to develop them here. Relying on a single foreign supplier creates risks we can’t afford.”

Beyond these national security considerations lies a social dimension as well, according to Wyett. “Globalization hollowed out a big part of the U.S. middle class,” he said. In the past, it was possible to support a family by working in a factory, but as more workers shifted towards service-based jobs, which tend to pay less than manufacturing work, it has become harder for families to get by, he explained.

In November 1943, during World War II, 44% of U.S. employees worked in manufacturing jobs, according to the data from the U.S. Bureau of Labor Statistics (BLS). During that time, the average weekly earnings for an American factory worker were \$44.86 a week (around \$837 in today's dollars), according to a 1944 report from the BLS. The federal minimum wage was 30 cents an hour at the time, or \$12 a week for a 40-hour work week (\$224 in today's dollars).

By comparison, in August 2025, only 13.6% of U.S. employees worked in manufacturing jobs, which pay an average of \$29 an hour, or \$1,160 a week for a 40-hour work week, according to BLS statistics. In other words, although the pay for manufacturing jobs has increased over time, the percentage of Americans working in those jobs has decreased substantially.

Meanwhile, someone being paid the federal minimum wage of \$7.25 an hour in 2025 earns only \$290 a week. That's only slightly more than someone earning minimum wage in 1943 earned, when the earlier figure is adjusted for inflation.



PERCENT OF U.S. EMPLOYEES WORKING IN MANUFACTURING JOBS.

SOURCE: U.S. BUREAU OF LABOR STATISTICS



With these figures in mind, the resurgence of American manufacturing becomes not just about chips and defense systems, but rather also an effort to revitalize higher paying, goods-producing jobs. However, this movement towards reshoring isn't without downsides. "As we bring more manufacturing back to the U.S., corporate margins may decline a little bit because of the higher costs, but at the same time their supply chains will be more resilient and the companies will have more control over production and distribution," Wyett said. Those higher costs, in turn, may also be passed on to U.S. consumers who are already struggling with the compounding effects of inflation.



## What's coming back—and what's not

It's very unlikely that this resurgence in American manufacturing will encompass all goods, experts agreed. For instance, high-volume, low-margin goods like T-shirts and lightbulbs probably will continue to be manufactured overseas because it wouldn't make sense economically for companies to produce them in the U.S. at a higher cost, Wyett said.

Here's what's mostly likely to be produced in the U.S., according to experts:

### Semiconductors:

"Semiconductors are the base for everything," Stephani emphasized. "From smartphones to fighter jets, chips constitute the backbone of modern technology and national security."

### Pharmaceuticals:

"Having a huge percentage of our pharmaceuticals produced overseas, primarily in China, is probably not good," Wyett warned, citing the supply-chain vulnerabilities revealed during the pandemic.

### Aerospace components, advanced automotive systems and defense-related technologies:

These are industries where protecting intellectual property and supply chain security is paramount, Henderson said.



## Looking ahead

Reshoring could reshape the trajectory of U.S. economic growth. As Stephani observed, “A resurgence in manufacturing would increase potential gross domestic product (GDP) growth and may help the U.S. avoid debt challenges.” The construction of new facilities likely would generate immediate employment for skilled trades and create jobs in advanced manufacturing, amplifying the multiplier effect across local economies.

However, the downside to this job growth is that it could exacerbate the [potential labor shortage](#) from retiring Baby Boomers and tighter immigration policies, experts noted. “Labor supply is a real constraint,” Henderson said. “We’re already seeing delays in data center construction because of worker shortages and power availability.”

Additionally, any changes will not occur overnight. “These policies are relatively new; the benefits will be rolled out over many years,” Henderson continued. Still, the momentum is unmistakable. “Access to reliable and abundant energy is key for the continued growth of our economy—and the current administration knows that,” he added.





# 02

## International outlook

International markets have entered 2026 at an inflection point. After years of lagging behind U.S. equities—a trend that has persisted since the Financial Crisis—both developed international and emerging market stocks outperformed U.S. equity indices in 2025. This reversal is supported by attractive relative valuations, foreign currency appreciation against the U.S. dollar, policy accommodation to overcome headwinds from tariffs and increased government spending abroad. However, as this outlook will show, U.S. equities continue to hold long-term advantages, which have driven their outperformance over international equities over the past decade.

Meanwhile, the uncertainty surrounding tariffs and trade policy in general is acting as a shadow over the globe. The pandemic and subsequent geopolitical tensions accelerated a trend toward deglobalization, exposing vulnerabilities in concentrated supply chains. As a result, companies are increasingly adopting reshoring, nearshoring and friend-shoring strategies to mitigate risk—even at higher cost. As we'll explore in the article starting on page 19, these strategies reflect national security priorities and lessons learned during the pandemic, with pharmaceuticals and semiconductors now viewed as strategic assets.

## A deglobalizing world

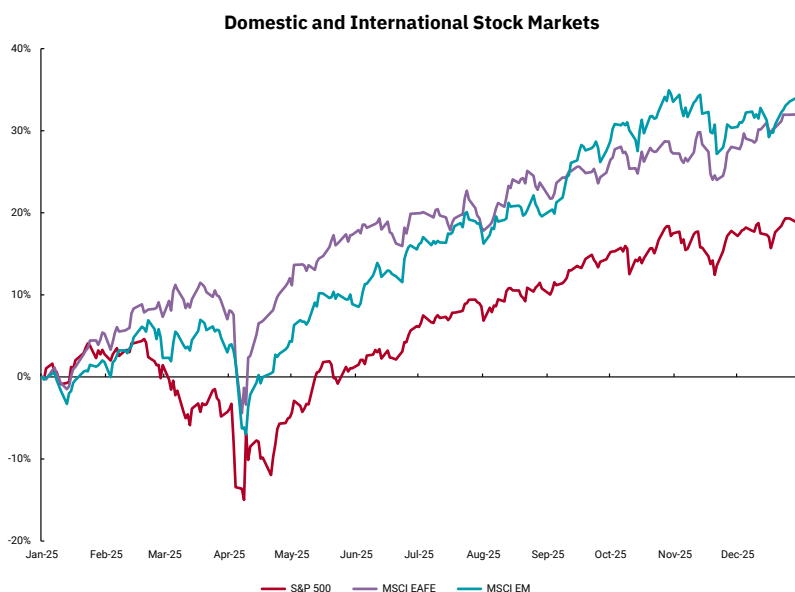
Today, globalization is no longer the default. The world is dividing, with U.S.-aligned nations on one side and those orbiting China and Russia on the other. For businesses, this fragmentation may introduce inefficiencies, such as higher costs, but it also creates opportunities for allied trade networks and regional champions. Emerging markets such as India and Vietnam are benefiting from manufacturing migrating away from China, while North America is strengthening its position through integrated supply chains.

Meanwhile, Europe is shifting towards a focus on growth after years of prioritizing climate and social agendas. Rising debt burdens and social unrest are pushing governments to reinvest in industry and competitiveness. Large-scale stimulus measures, such as Germany's announced package aimed at defense and energy to power AI, illustrate this pivot. Similar trends can be seen in Japan and Korea, where efforts to reduce reliance on both the U.S. and China are spurring domestic technology and manufacturing investment.



## What's driving international equities

Domestic stocks have outperformed by a wide margin since the Financial Crisis. However, international equities have staged a comeback, outperforming U.S. markets in 2025, as of this writing. Contributing factors include valuation gaps favoring international markets and the impact of changing currency exchange rates on assets priced in foreign currencies. It's also important to keep in mind that U.S. indices are technology-heavy, while international benchmarks lean toward financials, industrials, basic materials and energy and consumer sectors. The positioning of the latter favors cyclical recovery and infrastructure investment—in other words, the environment now—but limits exposure to high-growth technology.



SOURCE: BLOOMBERG. DATA SHOWN AS OF NOV. 28, 2025

Meanwhile, investor perception has been shifting as Europe refocuses on growth and industrial reinvestment. Initiatives such as Germany's stimulus plan and broader European efforts to strengthen competitiveness are improving sentiment. Emerging markets are benefiting from increased commodity demand linked to Western industrial and infrastructure spending, reinforcing their role in global supply chains.

In sum, the global economy is entering a period of realignment shaped by structural trade shifts, regional investment strategies and evolving geopolitical relationships. Recent trends highlight how policy flexibility, industrial reinvestment and changing supply chain dynamics are influencing growth prospects across regions. These developments underscore the complexity of the international landscape as nations adapt to new economic priorities and a more fragmented global order.

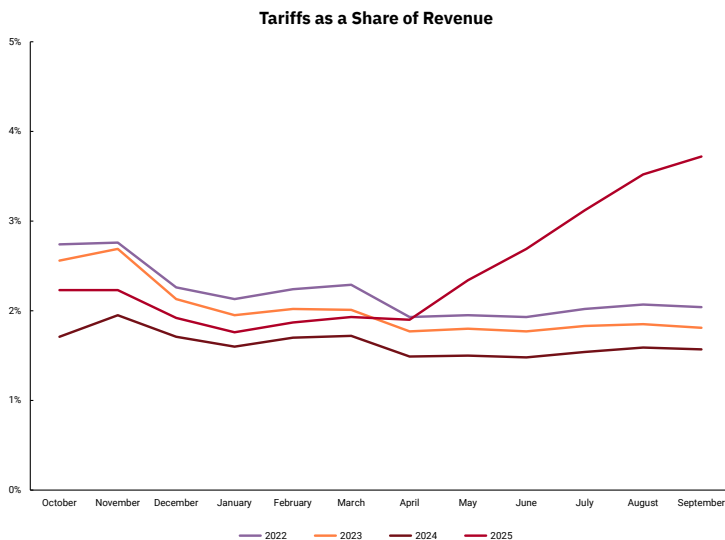
## A DEEPER LOOK AT TARIFFS

# Is the US leading the dance of deglobalization?

Tariffs both an effect of—and a catalyst for—the changing world economy

As the U.S. works to reposition itself on the world's stage through tariffs and tax incentives, the ripple effects have been reverberating across global markets. As nations recalibrate, new trade agreements and regulatory frameworks are emerging, signaling a shift toward regionalization and friend-shoring rather than a globalized economy.

Some of these effects are clearer to see than others. Take revenue, for example. Gross tariffs and certain other excise taxes have [brought in \\$264.7 billion in revenue](#) into the U.S., as of Dec. 18, according to data from the Bipartisan Policy Center, calculated from daily Treasury statements. That's around 141% more than the amount of revenue brought in by gross tariffs and other certain excise taxes by that point in 2022.



SOURCE: BIPARTISAN POLICY CENTER. DATA AS OF SEPTEMBER 2025



However, it's also important to keep in mind the bigger picture around tariffs, said Brian Henderson, chief investment officer at BOK Financial®.

"Tariffs aren't just about revenue; they create an advantage for companies already operating in the U.S. and have been used as a negotiation tool to bring foreign investment here," he said. "That negotiation dynamic isn't something we have seen at this scale before."



## More clarity than before—but some uncertainty persists

Going into 2025, it was already clear that tariffs would be a major part of the Trump administration's push to revive American manufacturing and reduce the U.S. trade deficit. Yet many of the details surrounding the tariffs, including their size and scope, remained a wildcard. Furthermore, as they rolled out, it was one surprise after another, experts said.

"Early on, we thought tariff policy would mean reciprocal rates: if you tariff my exports at 10%, I tariff yours at 10%," said Steve Wyett, chief investment strategist at BOK Financial. "Instead, what we got was a convoluted formula tied to trade deficits, which led to tariffs as high as 40%, 60% and even 80% on certain imports."

At one point, tariffs on Chinese goods approached levels tantamount to a trade embargo, sending shockwaves through global markets and prompting fears of a recession.

Although those worst-case scenarios have since been priced out, some uncertainty remains.

## ‘Uncertainty is the worst thing for markets’

In turn, this uncertainty has become one of the most significant headwinds for global markets. The unpredictability of tariff structures, shifting from reciprocal expectations to deficit-based calculations, created confusion for multinational corporations and investors alike, experts said.

Although those fears have since moderated, they noted that volatility remains a defining feature of the current environment. “Uncertainty is the worst thing for markets,” Wyett said. When companies cannot forecast costs or trade flows, they delay capital expenditures and hiring, slowing economic momentum. For investors, this means pricing in geopolitical risk as a permanent factor rather than a temporary disruption, a shift that experts said could reshape portfolio strategies for years to come.

Despite the turbulence, international equities recently have posted relative gains, buoyed by policy adjustments and fiscal stimulus in foreign markets. Yet, experts cautioned against extrapolating short-term performance into a structural trend. As Wyett said, “If I look over the last 15 years, it’s not even close: domestic equities have far outperformed international equities.”



## Looking ahead

As tariff regimes stabilize and new trade corridors take shape, it may mean a less efficient world economy but also one that is more resilient against shocks like pandemics and geopolitical conflict, said Matt Stephani, president of Cavanal Hill Investment Management, Inc., a subsidiary of BOKF, NA.

"When you control more of your supply chain domestically, you reduce the risk of black swan events. It's not just about economics anymore; it's about resilience in a world where geopolitical shocks are becoming more frequent," he said.

And it's not just the U.S. economy that may become more resilient, but also some American companies as well, especially those in key industries like semiconductors, pharmaceuticals and defense. As Henderson said, "We're entering a period where efficiency may take a back seat to resilience. Companies are willing to pay more for control over their supply chains, and that's a structural shift that will define global trade for years."

For markets, that shift represents both a challenge and an opportunity, one that experts agree may redefine the contours of global investing for years to come. In Stephani's words: "It likely will create opportunity for innovation, for new companies to seize market share and for countries' economies to prosper, if good policy decisions are made."

"Global trade is being redefined," Henderson said.

"It's not just about cost anymore: it's about control, security and adaptability. That shift will create winners and losers, and companies that invest early in resilient supply chains will have a competitive edge."



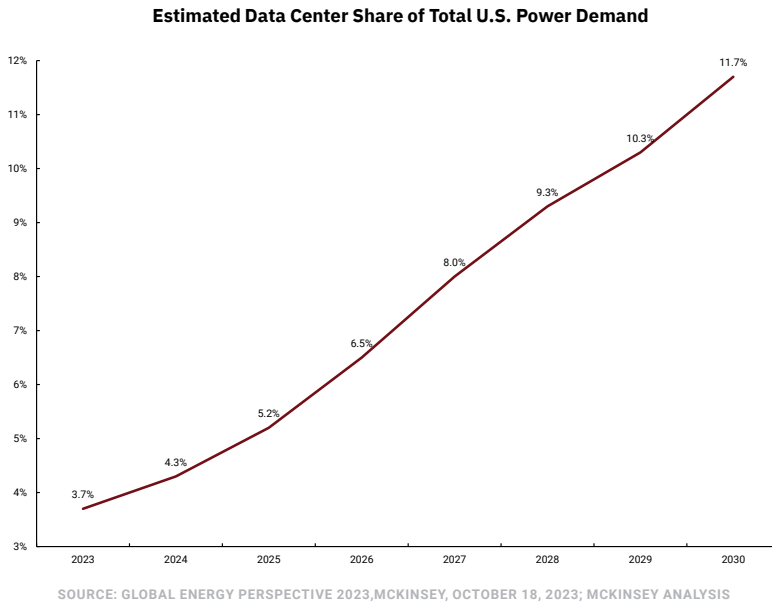




# 03

## Outlook for energy and AI

Energy—or more precisely, access to reliable and affordable energy—underpins nearly every theme in this outlook, as the foundation for economic growth and technological progress. Without it, the artificial intelligence (AI) productivity boom would be prohibitively expensive, if not impossible. At the same time, energy price volatility can ripple through corporate profitability and equity markets, turning optimism into caution almost overnight. While the energy market is inherently unpredictable, several structural drivers and indicators provide insight into what lies ahead in 2026.



## Natural gas to remain a staple

Datacenters and other AI-driven infrastructure are expected to add 50 to 80 gigawatts (GW) of power load demand by 2030, a sharp reversal from two decades of flat electricity consumption. To meet this rising electricity demand, natural gas remains the most practical solution, at least in the near term.

Already, over the past decade, gas has grown from 28% to 44% of U.S. power generation (see chart on 25), displacing coal and complementing renewables. Its appeal lies in speed and scalability; combined-cycle gas plants can be built faster than nuclear facilities and provide dependable baseload power.

Meanwhile, semiconductor and manufacturing projects tied to reshoring efforts will further boost gas demand, as will global liquefied natural gas (LNG) markets. U.S. LNG export capacity continues to expand, positioning North America as a critical supplier to Europe and Asia. This trend could accelerate if geopolitical tensions disrupt other supply chains.



## Nuclear may offer a longer-term solution

Although natural gas may be able to meet the immense power needs of AI and data centers in the near future, the combined demand from AI, electric vehicles and even cryptocurrency mining may make nuclear energy increasingly attractive because it offers reliable, carbon-free baseload power.

Already, support for more nuclear power plants in the U.S. is growing. In 2025, around six-in-10 U.S. adults said they favored more nuclear power plants to generate electricity in the country, up from 43% in 2020, according to a [Pew Research Center survey](#).

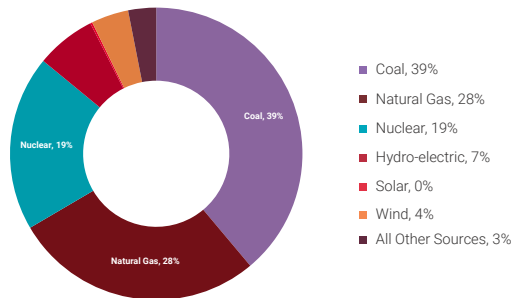
Yet there are some still challenges to nuclear power gaining more traction. First, nuclear projects have long lead times. Even with renewed momentum, new capacity will not materialize overnight. For instance, although Microsoft is working to restart the Three Mile Island reactor, it is not expected to deliver power until 2028. Small Modular Reactors (SMRs) could shorten timelines, but widespread deployment remains years away.

Meanwhile, wind and solar power will continue to expand, but their intermittency limits their ability to meet 24/7 AI-driven demand without significant investment in storage. Countries that leaned heavily on renewables, such as parts of Europe, now face some of the highest electricity costs globally. For utilities, the challenge may be striking the right balance between alternatives and traditional sources while upgrading their infrastructure enough to meet the immense power demand needs of the future.

In sum, energy will be the backbone of the AI era. Nations and companies that secure reliable, cost-effective power will lead both in technological advancement and economic growth. For investors, this convergence of energy and AI represents both opportunity and risk. The next decade will be defined not only by innovation but also by the infrastructure that powers it.

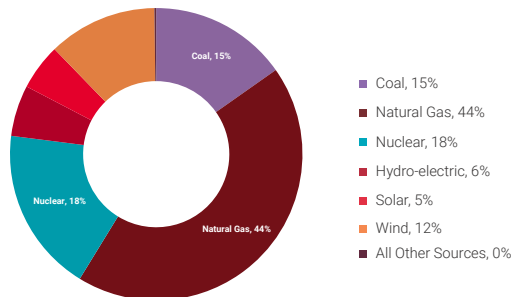
**2013 Electricity Generation by Sector**

(Million Kilowatt Hours)



**2024 Electricity Generation by Sector**

(Million Kilowatt Hours)



SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION.

## A DEEPER LOOK AT ENERGY AND AI

# AI infrastructure may drive growth for decades

The economic boost could help alleviate federal debt concerns but energy concerns loom

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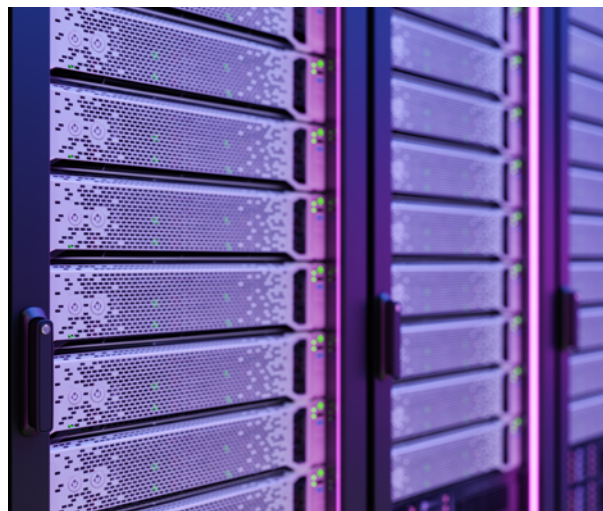
Artificial intelligence (AI) is emerging as a strategic lever for U.S. competitiveness, with the potential to lift economic growth and help avert a looming debt crisis—but the resulting surge in power demand may mean higher energy prices and remains a risk to U.S. dominance of this new technology.

That's the opportunity, and also the conundrum, that the U.S. faces. Still, it's important not to underestimate the transformative effects that AI may have for consumers, businesses and the economy as a whole, experts said.

As BOK Financial® Chief Investment Officer Brian Henderson explained, "Access to reliable and abundant energy is key for continued growth, but equally important is how AI can make businesses more efficient. That's what drives long-term competitiveness."

This edge that AI may provide all comes down to increasing economic productivity and, in turn, economic growth both in the short- and long term, but there are still many variables at play.

"We are in the build-out phase of AI, and that is supportive of growth in the next few years," said Matt Stephani, president of Cavanal Hill Investment Management, Inc., a subsidiary of BOKF, NA. "However, if AI truly transforms how we work, it could provide a longer-term productivity boost that might accelerate economic growth. As growth accelerates, financial markets may also see positive returns."



## Potential for greater worker productivity and efficiency

AI's biggest economic impact likely will come from productivity gains, especially if the labor force shrinks from Baby Boomers retiring and tighter immigration policies. "Economic output is a combination of productivity and the size of your labor force," said BOK Financial Chief Investment Strategist Steve Wyett. "If the size of the labor force is going down, the U.S. is going to need more worker productivity and AI to be as powerful as it can be."

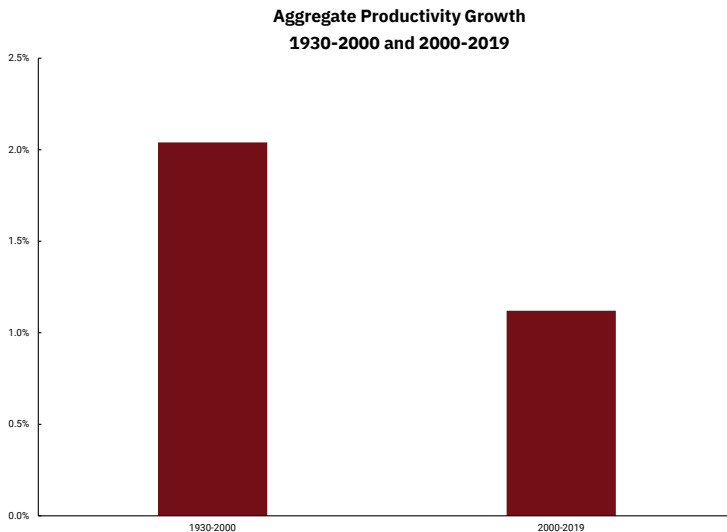
If AI does increase productivity, it would reverse the trend of slower productivity growth seen since 2000, after the gains from the technology-driven productivity boom of the 1980s and 1990s were realized.

Already, AI tools can quickly perform tasks that once required hours of human effort. Wyett gave the example of analyzing corporate filings and distilling them down to one-page summaries.

Much like the technology-driven efficiencies created by the Internet, what makes the potential benefits from AI different from other historical waves of industrialization, such as the mechanization of agriculture, is the type of workers who may be affected. With AI, even more so than was the case with the Internet, both high-earners and low-earners may be impacted, experts agreed.

Though some types of jobs may become obsolete, AI will also create greater demand for other types of roles, such as AI engineers, data center technicians and nuclear specialists for power expansion, Stephani noted.

In other words, there will be no shortage of work for people to do.



SOURCE: THE FEDERAL RESERVE BANK OF ST. LOUIS®

## Why growth matters

In turn, this increased economic productivity could push U.S. gross domestic product (GDP) higher, which then might change the trajectory of federal debt-to-GDP ratios. "If the United States grows at 1.6% annually, our debt-to-GDP ratio could keep exploding higher," Stephani said. "However, if we can inflect our growth rate higher by only 50 basis points, debt-to-GDP stays flat."

Unlike short-lived stimulus measures, investments in AI create enduring capacity—data centers, semiconductor fabs and advanced infrastructure—that could power the economy for decades, experts agreed.

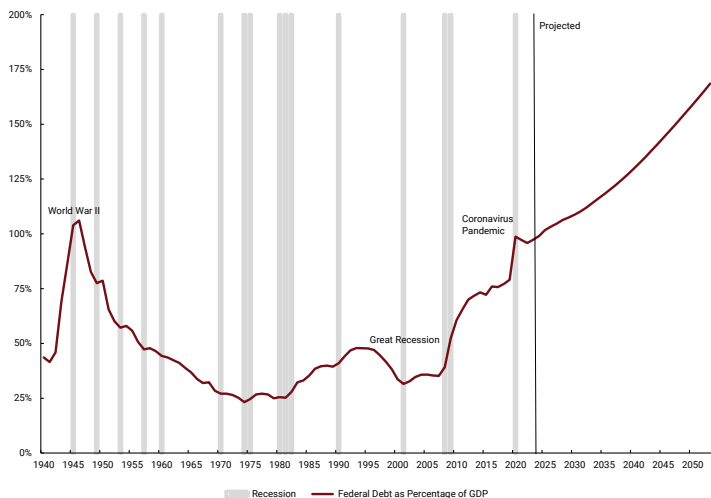
Already, AI "hyperscalers" such as Amazon, Microsoft, Alphabet, Meta and Oracle are committing hundreds of billions to AI infrastructure. Meta, Amazon, Alphabet and Microsoft alone intended to spend a combined total of \$320 billion on AI technologies and datacenter buildouts in 2025, based on comments from their CEOs and earnings calls, according to CNBC.

"These projects deliver a double benefit," Stephani said. "In the near term, construction activity boosts GDP and local economies. Over the long term, the assets themselves—chip plants, data centers—become productivity engines. Think of them like you would the railroads – which were built more than 100 years ago but still provide productivity in our economy today."

So far, the primary beneficiaries of this investment in AI infrastructure have been the data centers themselves, the people cooling and putting equipment in them, and the utility power providers. The companies that will benefit from using AI, such as pharmaceuticals doing drug discovery, will be in the next wave of beneficiaries, Stephani continued.

And these benefits have the potential to be exponential, Henderson said. "Companies that integrate AI effectively will not only cut costs but also unlock entirely new revenue streams. That's where the real competitive advantage lies," he explained.

**Federal Debt as a Percent of Gross Domestic Product**



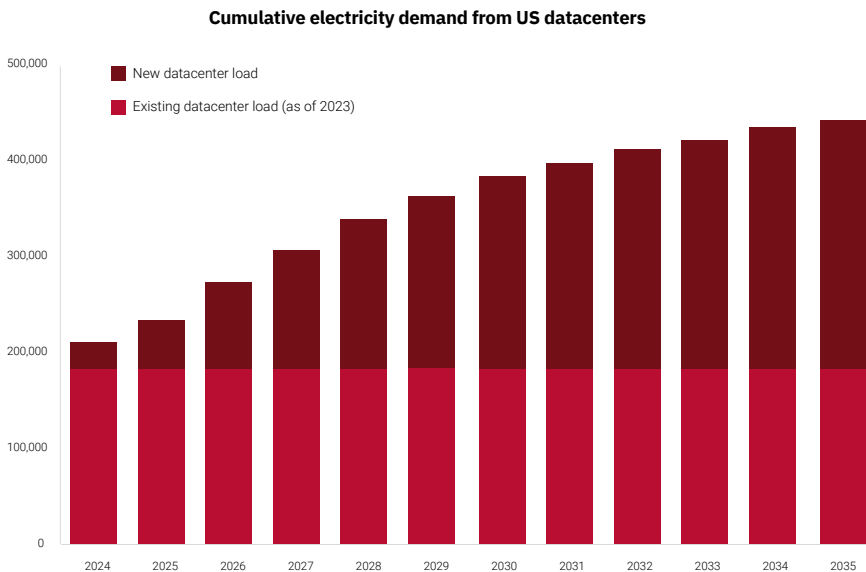
SOURCE: THE CONGRESSIONAL BUDGET OFFICE. DATA FROM THE LONG-TERM BUDGET OUTLOOK: 2025 TO 2055.



## Energy may be the bottleneck

And yet, the bee in the ointment to all this might be power. “AI isn’t just about algorithms; it’s about pairing innovation with infrastructure. If we don’t solve the energy bottleneck, we risk falling behind globally,” Henderson said.

AI’s infrastructure demands are immense, and the U.S. grid is already strained. “Data centers come online quicker than power capacity can be brought online,” Wyett said. “The grid has not had a lot of new investment.”



SOURCE: S&P GLOBAL COMMODITY INSIGHTS. DATA AS OF JAN. 29, 2024.

Electricity demand, flat for two decades, is now surging and bringing up prices with it. Since 2022, the rise of retail energy prices has outpaced broader inflation, according to the U.S. Energy Information Administration (EIA).

Additionally, this increased demand for power will likely put extra strain on the power grid. Without upgrades, regions like Arizona, Texas and the mid-Atlantic could face brownouts during peak periods, Wyett said.

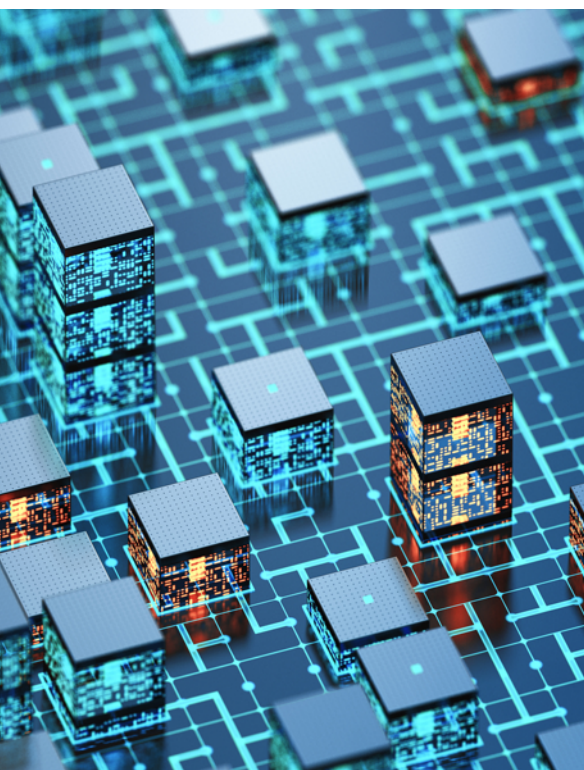
For these reasons, U.S. energy policy will be crucial in determining the path forward, experts agreed. As Henderson explained, “Energy isn’t just a cost factor; it’s the foundation for AI growth. Without reliable, affordable power, all the investment in data centers and chips won’t deliver the competitive edge we’re aiming for.”

## A DEEPER LOOK AT DIGITAL PAYMENTS

# The future of digital assets in financial services

Widespread adoption among banks may take years

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When most people hear the term “digital assets,” their minds immediately gravitate toward Bitcoin or Ethereum, cryptocurrencies that have dominated headlines for more than a decade. However, experts say the bigger story is in the underlying technology and the sweeping transformation it may hold for the global financial infrastructure.

“At the heart of this transformation is Distributed Ledger Technology (DLT), a secure and decentralized way to record transactions,” said Clint Dishman, director of the Strategic Investment Advisors group at BOK Financial. “Think of it as a shared digital ledger that everyone can trust because no single party controls it.”

Brian Henderson, chief investment officer at BOK Financial, echoed this sentiment, noting that while cryptocurrencies will remain part of the conversation, “the underlying technology is what may change the game.”

## What makes DLT different

Unlike traditional systems that rely on centralized intermediaries, DLT distributes control across a network, reducing systemic risk and enhancing transparency, according to Henderson. Transactions that once required multiple days and layers of verification can now conclude within seconds, even during weekends and holidays. By eliminating redundant intermediaries, DLT significantly reduces fees associated with cross-border payments and securities clearing, he noted.

Also compelling is the concept of programmable money, which allows payments to embed conditional logic—such as releasing funds only upon delivery of goods—streamlining compliance and mitigating fraud, Dishman said. “These innovations could make financial transactions faster, more transparent and available around the clock,” he explained. Henderson added, “It holds out the potential for reconciliation when buys and sales of securities happen instantaneously.”

## Innovations already reshaping finance

Several developments illustrate how DLT is moving beyond theory into practical application, according to experts. [Stablecoins](#), for instance, are digital tokens pegged to currencies like the U.S. dollar. “Stablecoins enable instant, low-cost payments across borders without the volatility of Bitcoin,” Dishman noted, underscoring their role in reducing friction in global commerce.

Tokenization represents another breakthrough, converting real-world assets—such as stocks, bonds and real estate—into digital tokens. Henderson emphasized the efficiency gains from this technology: “Private fund transactions that take weeks today could happen in minutes.”

Smart contracts, meanwhile, introduce self-executing agreements coded into blockchain networks, automating workflows, compliance checks and even real-time reporting, Dishman explained. Together, these innovations represent a paradigm shift toward financial systems that can operate continuously and securely at a fraction of today’s cost, experts said.



## Turning potential into reality will require clear rules

Dishman believes that digital payment systems have the potential to democratize access to markets that have historically been illiquid and opaque. They can also reduce operational risk through immutable ledgers and automated compliance and enable global commerce without reliance on slow correspondent banking networks.

However, he cautioned, “Turning potential into reality will require clear rules—and that’s where regulation comes in.” Henderson similarly noted that, while banks are actively testing use cases, widespread adoption of digital assets will hinge on the ability to reconcile innovation with regulatory obligations. “Financial markets are highly regulated for good reason. Figuring out how to comply while making trades faster and cheaper is the challenge,” he said.

The main legislative action so far has been the [GENIUS Act](#), enacted in July 2025, which introduced stringent standards for payment stablecoins, including one-to-one reserve backing and monthly disclosures.

The next milestone, the CLARITY Act, now pending in Congress, focuses on digital assets beyond payment stablecoins—particularly cryptocurrencies—and seeks to clarify regulatory jurisdiction: whether it lies with the Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC),” Dishman explained.

Looking forward, experts anticipate a surge of stablecoin-related announcements in late 2026 as institutions roll out offerings compliant with the GENIUS Act. The tokenization of real-world assets, ranging from equities to private equity, could follow, ushering in greater efficiency and liquidity for markets historically constrained by cost and complexity, Dishman said, cautioning that it’s too soon to say just how large the impact of DLT will be.

“Digital assets remain in their early stages, and their future role in financial services will depend on more than technology alone,” he said. “Clear regulatory frameworks, resilient infrastructure and meaningful client demand are essential.”



As always, we will continue to monitor the topics in this outlook and their impact to markets—and your money—closely. [Subscribe](#) for regular updates.



## Meet our experts



**Brian Henderson** is chief investment officer for BOK Financial, a position in which he leads the Alternative Investments Group, Strategic Investment Advisors and Cavanal Hill Investment Management, Inc.



**Steve Wyett** is chief investment strategist for BOK Financial, a role in which he communicates the organization's investment management message and serves on a variety of investment-related committees.



**Matt Stephani** is president of Cavanal Hill Investment Managements, Inc., a position in which he is responsible for the fixed income, cash and equity management teams of Cavanal Hill.



**Clint Dishman** manages the Strategic Investment Advisors group, which provides the research and analytics that build the foundation for investment services within BOK Financial.




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