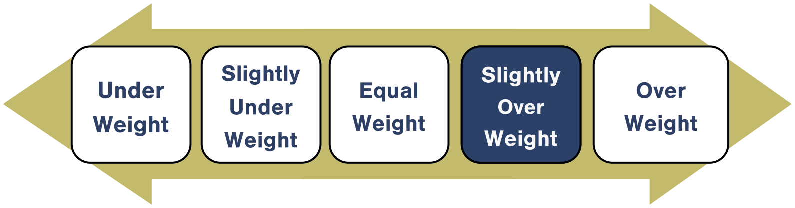
WEALTH ADVISORS
AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC AND MARKET UPDATE - APRIL 2019

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

The U.S. stock markets remain in a long-term uptrend. We have maintained our stock exposure and are **Slightly Over Weight** to stocks. The allocation mix of bonds vs. stocks depends on our risk signals that shift our weightings accordingly.

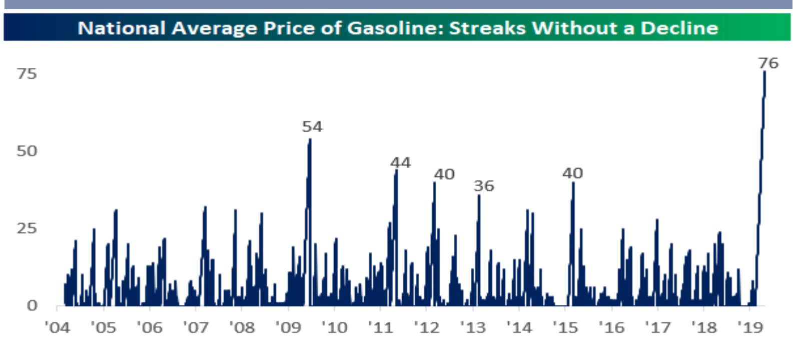
ECONOMIC NEWS

- In the first quarter, the U.S. economy grew at a healthy pace of 3.2%, above estimates of 2.5%. However, there were signs of slowing in consumer and business spending, a trend that will need to reverse for above-trend growth to continue.
- U.S. employment remains an area of strength in the economy. The data for March showed a solid 198k jobs added and steady wage gains at 3.2% year-over-year.
- Stimulus measures in China look to have been beneficial as manufacturing, industrial production and retail sales have all improved. In response, Chinese officials have stated it may be time to reign in the stimulus measures and pursue other longer-term economic reforms and restructuring.

MARKET NEWS

- The S&P 500 index reached new all-time highs in April, as companies beat lowered earnings expectations for the first quarter and global growth continues to stabilize.
- The healthcare sector has come under pressure recently, down just over −3% in April, as 2020 Democratic presidential candidates push for 'Medicare for all', which would negatively impact the sector's profit margins.
- Global economic data looks to be recovering, but foreign economies' currencies, e.g. the Euro, haven't begun to strengthen yet. This leaves the U.S. dollar relatively strong, which acts as a headwind for U.S. companies, especially those with a high percentage of sales derived outside of the U.S.

OIL RALLY PUSHES GASOLINE PRICES HIGHER



Source: Bespoke Investment Group

The rebound in oil prices in 2019 has led to gasoline prices rising persistently. The national average price of gasoline has gone 76 days without a price decline as of April 29th. A reprieve from higher oil prices and consequently gasoline prices, should help keep consumer sentiment and spending elevated.

U.S. DECOUPLES FROM FOREIGN STOCKS AGAIN

Source: Oxford Economics/Haver Analytics

The S&P 500 diverged from foreign markets in early 2018 as the global economy slowed and the U.S. remained stable. This chasm closed in the 4th quarter correction. However, as the Federal Reserve became more accommodative and a trade deal with China looked plausible in 2019, the divergence reappeared.

CURRENT THOUGHTS

As U.S. indexes reach new all-time highs, the decline in prices during the October through December market correction has been fully recouped. The return on the S&P 500 year-to-date (as of 4/29/19) is 17.25%. First quarter earnings numbers, along with improving U.S. economic data, have reassured investors the economy is still in good shape. More importantly, the improved data out of China has broader implications for the global economy. The multitude of issues China was faced with this past year created a sustained drag on many economies, most notably Europe, who is China's largest trading partner. If the trend in China holds up, it gives the global markets a better leg to stand on and the recession fears that peaked in December of last year may be contained. Investors will cheer positive economic momentum up to the point where inflation once again becomes a concern. But if inflation accelerates and exceeds the Fed's 2% target, they may be forced to continue raising rates. But recently, the Fed has discussed abandoning this specific target level and aim for an *average* rate of 2% over time. This would give investors some assurance that even if the economy and inflation pick up steam, the Fed won't necessarily choke off growth by immediately raising rates. The pause in rate hikes by the Fed in the first quarter was viewed favorably by investors and stocks have rallied as a result. If the Fed follows through with this potential accommodative shift in inflation policy, it could act as a near-term positive catalyst for stocks.

Contact one of our Wealth Management professionals today at **972.960.6460** or visit us online at **www.SFMG.com**