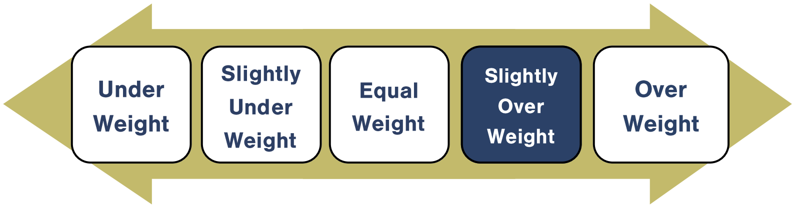
SFMG WEALTH ADVISORS
AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC AND MARKET UPDATE - AUGUST 2017

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

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

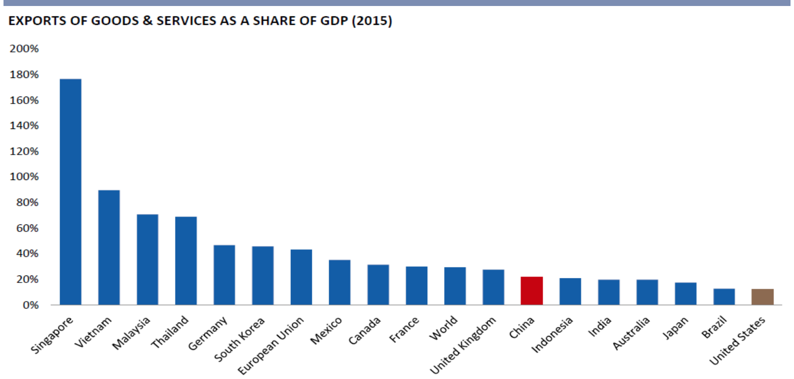
ECONOMIC NEWS

- Employment remains tight with U.S. job openings 28% higher than the peak of the last economic cycle. The amount of people voluntary leaving their jobs, which is viewed as a measure of confidence, is at the highest level since before the 2001 recession.
- Homes sales in the U.S. have waned as prices outpace wage growth and brought affordability to a 9-year low.
- In response to each nation's handling of North Korea's rhetoric and threats, the U.S. imposed trade sanctions on Chinese and Russian companies thought to be supportive of North Korean nuclear and missile programs.

MARKET NEWS

- With Hurricane Harvey still in force, as much as 15% of U.S. oil refining capacity has been impacted. This has raised the price of gasoline more so than the price of oil. U.S. oil production is less dependent on oil platforms in the Gulf thanks to the increase in shale-oil production.
- Market volatility has picked up this summer, borne from resignations at the White House and dissolving business councils, as well as continuing North Korean threats.
- Gold prices have been a benefactor of the recent bout of volatility and geopolitical tensions, rising over 7% since July, as investors look for short-term safety.

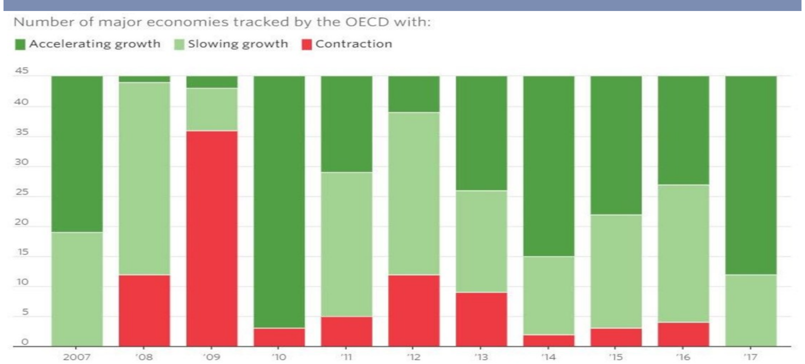
EFFECTIVENESS OF TRADE SANCTIONS



 Source: The World Bank; data as of 2015

Trade sanctions may be more of a symbolic gesture in the case of China whereby U.S. trade sanctions likely won't have a significant impact. Exports represent a relatively small share of China's overall gross domestic product and only 18% of China's exports actually involve the U.S.

GLOBAL GROWTH TRULY GLOBAL



Note: 2017 is a forecast based off first and second quarter data for most countries
Source: Organization for Economic Cooperation and Development
THE WALL STREET JOURNAL

The Organization for Economic Cooperation and Development tracks 45 countries across the globe, all of which are forecasted to grow this year. The number of countries expected to see growth acceleration is the highest since 2010 and all 45 countries are growing for the first time since 2007.

CURRENT THOUGHTS

The number of S&P 500 stocks with prices that remain above their 50-day moving average is decreasing. Market breadth was recovering from weakness in April and May, but peaked again in mid-July. The deterioration over the past month and a half can be in part attributed to the newfound volatility. Political concerns look to be ongoing and headlines surrounding North Korea haven't subsided, sparking several short-lived market declines. Additional issues surrounding the U.S. debt ceiling and agreement within Congress on government funding has also kept markets on edge. Investors were relieved though, that for the time being Gary Cohn has remained in his position as the director of President Trump's National Economic Council. Cohn is seen by Wall Street to be an important figure for the progression of tax reform and business-friendly policies. The pullback throughout the volatility has been mild with the S&P 500 down roughly –1.5% from its peak in early August. The key for market resilience has been a strong earnings season and overall global growth. That said, the earnings acceleration seen in the first half of the year will likely cool down as we move further past the earnings trough from early 2016. This will make investors especially sensitive to what can get done in Washington regarding tax reform and tax cuts that would further strengthen future earnings.

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