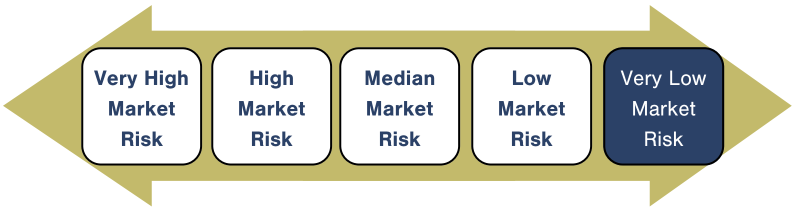
ECONOMIC AND MARKET UPDATE - JULY 2015

SFMG EQUITY MARKET RISK SIGNAL



CURRENT ASSET CLASS ALLOCATIONS

Our signals indicate a **very low risk** environment for the equity markets at present...Higher risk assets, i.e. stocks, are now at **overweight**. The allocation mix of bonds vs. equities depends on our risk model signals that will shift weightings from equities to bonds and vice versa, based upon the equity market signals.

ECONOMIC NEWS

- The banks in Greece have reopened after an agreement was reached between the distressed country and the European Central Bank to provide bailout funding.
- U.S. economic data has been generally positive, with the consensus among the U.S. Federal Reserve members that 2nd quarter growth should range between 2 to 2.5%.
- As a result of the proposed nuclear deal with Iran, sanctions could be lifted allowing Iran to export oil to world markets. This would increase supply and push oil prices lower, however the expected output is uncertain.

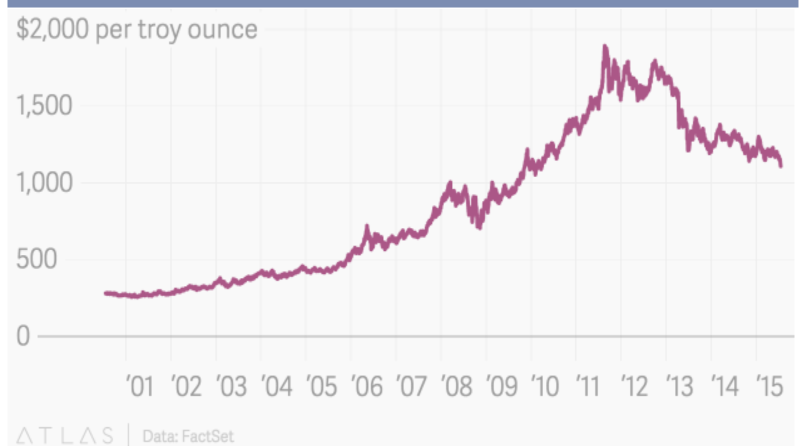
MARKET NEWS

- This month the stock market in China experienced its largest single day drop since 2007 of −8.5%, despite their government's attempts to support stock prices.
- The S&P 500 has been in a consolidation period for the majority of the year, returning just 0.20% in the first two quarters of 2015, and 2.0% year-to-date.
- Corporate earnings releases have been mixed, with the main focus being that only about half of reporting companies thus far have beaten revenue expectations, raising concerns about sustainable earnings growth.

CONSUMER SENTIMENT REMAINS HIGH

July Consumer Sentiment was lower than last month, but the overall trend remains positive, as employment and housing still show signs of strength. Retail sales slowed last month after a "spring bounce," so summer spending becomes a key indicator.

GOLD PRICES UNDER CONTINUED PRESSURE



Gold prices have fallen to a 5-year low as the U.S. Dollar remains strong relative to foreign currencies. In addition to the inverse correlation between gold and the U.S. Dollar, China has been reducing its gold holdings, adding more downward pressure.

CURRENT THOUGHTS

With the Greek debt crisis now behind us for a while, European equities have begun to recover. The European Central Bank remains committed to providing liquidity, keeping interest rates low with the German 10 year bond under 1%. As long as this ECB policy is in place, investors will favor U.S. bonds, which should keep prices stable and interest rates in their current range. The new financial "hot spot" is the Chinese stock market which has seen a drop of over −32% off its highs in mid-June. At present, the problems in China have not bled over into our markets as U.S. investors have shifted their focus to corporate earnings reports and U.S. economic growth. We should have a clearer picture of the strength of the economy as we move into the fall, but our expectation is that we will continue to see below average growth. That in and of itself is not a bad thing, but it will have an impact on expectations of investors concerning the ability of companies to sustain earnings growth in that environment.

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

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