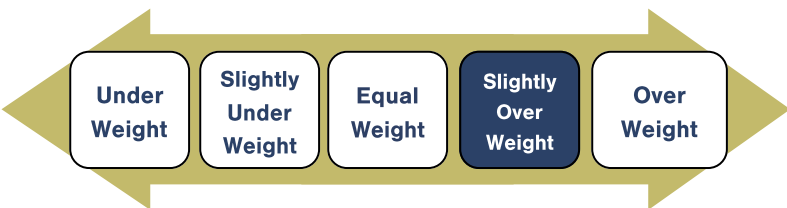


## SFMG MARKET RISK SIGNAL—EQUITY ALLOCATION

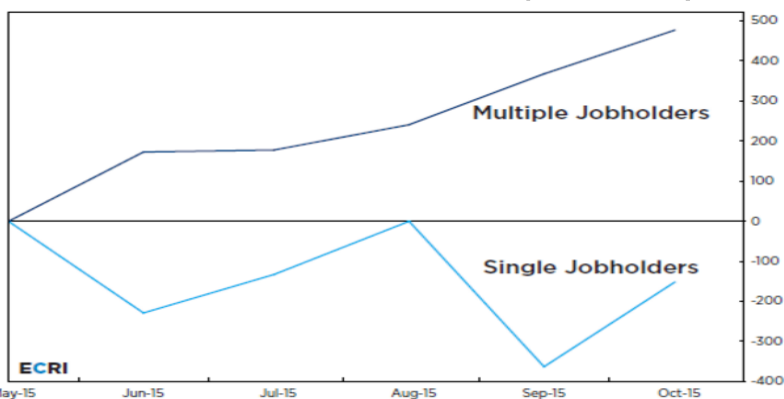


## ECONOMIC NEWS

- ◆ The Fed has kept the door open for a rate hike in December, pointing to continued strength in the labor market, early signs of inflation, and wage growth.
- ◆ Additional stimulus by the European Central Bank is a likely possibility this December due to deflationary pressures that are inhibiting economic growth.
- ◆ The holiday shopping season, beginning mid-November and accelerating through December, will be the main focus of investors with the hope that savings from lower energy prices finally results in higher retail spending.

## NUMBER OF MULTIPLE JOB HOLDERS INCREASING

Jobs Gained/Lost Since May (thousands)



The number of jobs gained since May has been largely due to individuals taking on multiple jobs. Individuals who have multiple part-time jobs and work more than 35 hours combined, are considered full time, making 'full-time' workers data a bit deceiving.

## CURRENT THOUGHTS

As we enter the holiday season, it will be interesting to see how the recent drop in consumer confidence, to the lowest level in 14 months, impacts retail sales. The personal savings rate in the U.S. increased in October to the highest level since 2012. But with initial jobless claims remaining low and wages rising from 1.9% to 2.5%, there is hope that shoppers will have a little more to spend this year. The economic output for the U.S. (GDP) for the 3rd quarter was adjusted up from 1.5% to 2.1%, but still remains below average. If the impact of stimulus from central banks globally begins to take effect, it could provide the impetus for higher than average growth here in the U.S. next year. The biggest concerns shared by economic policy makers across the globe is that the deflationary pressures that we currently see continue to grow. The best example of what can happen when deflation becomes systemic is Japan, who has experienced its second straight quarter of negative gross domestic product, entering its 5th recession since 2008. The wildcard for the financial markets is the potential turmoil that could be experienced if the attacks we witnessed in Paris become more pervasive. Fear can eventually impact growth, specifically in the areas of trade, travel, and consumption. So far the markets have been resilient and not reacted negatively.

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

## CURRENT ASSET CLASS ALLOCATIONS

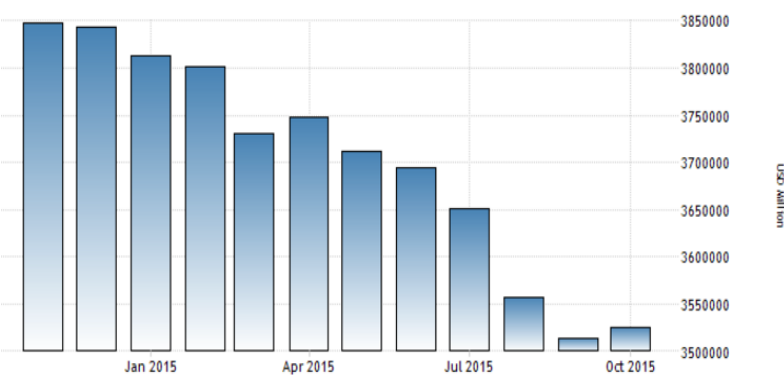
The U.S. equity markets remain in a long-term uptrend. Due to reduced volatility and positive macro factors since the recent correction, we have increased our equity exposure and are **slightly overweight** to stocks. The allocation mix of bonds vs. equities depends on our risk signals that shift our weightings accordingly.

## MARKET NEWS

- ◆ U.S. markets have recently reacted favorably to the possibility of a rate hike this December, as sentiment shifts to the idea that the Fed raising rates confirms the economy is healthy, which is a positive for stock prices.
- ◆ November and December are historically the strongest months for companies to buy back their own stock, which typically supports year-end equity rallies.
- ◆ Demand for Treasuries rose slightly after recent terror attacks as investors seek out 'safer' assets, however these types of movements are generally short-lived.

## CHINA SELLS TREASURIES, RATES REMAIN LOW

CHINA FOREIGN EXCHANGE RESERVES



China, as the largest foreign holder of U.S. Treasuries, has been selling reserves to raise cash to provide monetary stimulus to their economy. Investors feared a spike in rates with these sales, but with institutional buyers providing liquidity, interest rates remain low.