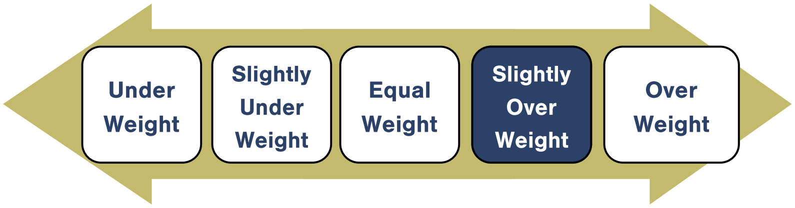
SFMG Wealth Advisors
An Independent Wealth Management Firm

ECONOMIC AND MARKET UPDATE - SEPTEMBER 2015

SFMG MARKET RISK SIGNAL—EQUITY ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

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

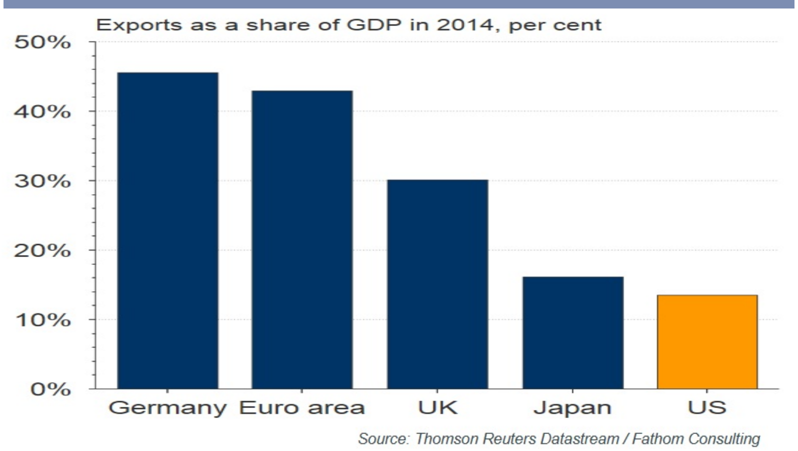
ECONOMIC NEWS

- The Federal Reserve opted to keep rates unchanged due to growing concerns with the global economy, increasing volatility, and low inflation.
- Once again political theater could have an impact on the financial markets as uncertainty increases in Congress being able to reach an agreement to extend funding and avoid a government shutdown.
- U.S. Leading Economic Indicators have slowed recently, but remain in an uptrend and overall momentum remains strong, keeping the likelihood of a recession low.

MARKET NEWS

- The S&P 500 did not have a post announcement bounce, trading lower after the Fed's decision, as investors try to measure the impact of weaker global growth.
- The amount of trading volume in stocks recently has been higher on down days, indicating there is more selling pressure in the market, and fewer buyers.
- European indices have also shown continued weakness, with Germany's auto heavy DAX Index leading the downturn on bad news concerning Volkswagen, and is now down –22% from its April 2015 high.

U.S. FOCUS ON DOMESTIC SPENDING & GROWTH



While a slowdown in China will have an impact on many economies around the world, the U.S. remains relatively sheltered. Compared to other developed countries, we have the smallest share of exports as a percentage of GDP, and only 0.7% of exports going to China.

TREND IN THE NUMBER OF DECLINING STOCKS

The Advance/Decline Line measures the number of stocks rising versus declining. Declining stocks have been exceeding the advancing stocks since the market top, confirming the broad participation in this recent market downtrend.

CURRENT THOUGHTS

The Federal Reserve has gone to great lengths to reiterate that their decision on interest rates is data dependent. But after their decision not to raise rates, there was a suggestion that recent volatility in the U.S. and foreign markets played a role in their stance. So even though economic data is what primarily drives the Fed's decision making process, gyrations in the financial markets have an impact as well. Many economists believe that by waiting as long as they have, the Fed has put itself in a very difficult position. If the slowing that we are seeing in the global economy intensifies, the outcome will be spreading deflation, not higher inflation, and the Fed is ill-equipped to fight a deflationary battle. The U.S. economy has continued to be resilient, with consumer spending showing signs of strength as reflected in retail sales. Manufacturing and exports remain a small drag on the US economy primarily due to a strong dollar, but as a small component of our economy, the impact is minimal. For the U.S. stock markets, the focus will be on corporate earnings and the ability of companies to increase profits in this global environment. It is likely that we will see continued choppiness in markets until the global picture becomes clear, especially in emerging markets.

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