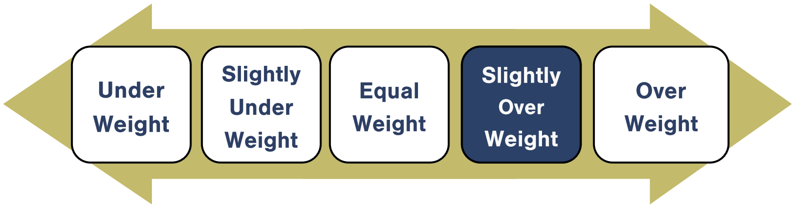
SFMG Wealth Advisors
AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC & MARKET UPDATE - SEPTEMBER 2019 (as of 9/26/19)

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.

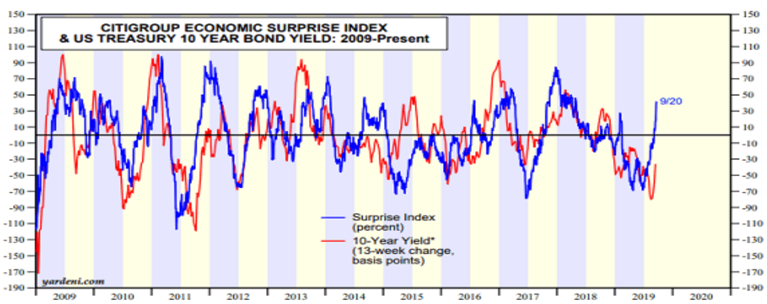
ECONOMIC NEWS

- The Federal Reserve cut interest rates 0.25% to a range of 1.75% - 2.00%. While Fed Chairman Jerome Powell left the door open for another cut this year, there was no indication that they expected many more in this easing cycle.
- Consumer confidence dipped to a 9-month low in September, likely on the escalation in trade war fears that occurred in August. Trade tensions have since eased, but more importantly wage growth remained above 3% for the 13th straight month, which could help consumer confidence rebound in short order.
- Leading economic indicators in the Eurozone suggest growth is likely to slow further as manufacturing data, housing sentiment, and new export orders all continue to decline. Eurozone countries are likely to remain under pressure until global trade recovers.

MARKET NEWS

- Oil prices spiked roughly 15% after a drone attack on Saudi oil infrastructure, causing oil production to decline by nearly 6 million barrels per day, approximately 5% of all global output. Prices have come off those highs as the supply disruption was more temporary than initially expected, however infrastructure vulnerability is still a concern going forward.
- The S&P 500 has rebounded to near all-time highs again following the market volatility in August as investors digest possible improvements in trade negotiations. More economically sensitive areas such as small company and transportation stocks have outperformed this month, which is a positive sign.
- U.S. bank stocks have been a top-performing sector this past month, benefiting from interest rate stabilization and the Federal Reserve tempering expectations for lower rates.

U.S. ECONOMIC DATA SURPRISES TO THE UPSIDE

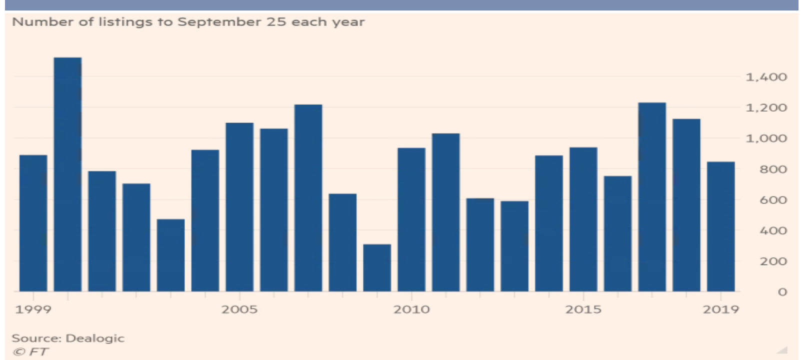


* Average for the week ending Friday.
Note: Blue shaded areas denote first half of each year.
Source: Federal Reserve Board and Citigroup.

SOURCE: YARDENI.COM

Bond yields typically follow economic sentiment. As economic growth concerns increase, investors buy bonds, pushing yields lower. Citigroup's Economic Surprise Index shows data has been surprising to the downside this year, and yields have followed suit. However, the most recent data has been surprising to the upside, which is positive sign that could lead to higher yields.

INITIAL PUBLIC OFFERINGS SLOW



Volatility and the slowdown in global growth has led to fewer companies going public. Only 845 companies have had initial public offerings (IPOs) on their shares globally. This is the lowest level of IPOs in 3 years and 25% less than in 2018 over the same time period. Volatility generally has a negative correlation with IPO activity as companies try to refrain from going public in difficult market environments.

CURRENT THOUGHTS

The positive market movement recently seems to be primarily driven by higher hopes for trade relations between the U.S. and China, with official negotiations expected to pick back up in October. There is still uncertainty as to what the outcome will be, however at the very least, a trade truce, i.e. no additional tariffs or increases on existing tariffs is what the market is anticipating. If an actual trade deal is reached, it's likely the market will find some solid footing and be able to press higher with that major uncertainty removed. The damage from the trade war is being felt globally, especially in areas more heavily reliant on manufacturing and industrial production. In that respect, the U.S. remains better equipped compared to its foreign counterparts. In addition to the monetary policy easing from Central Banks globally, the resiliency of U.S. markets and economic growth is largely attributable to the non-manufacturing service sector, underpinned by consumer spending. However, that pillar of support cannot be taken for granted. Although the stock market has brushed off the decrease in Saudi oil supply, an extended and unexpected rise in oil prices, could hurt the U.S. consumer. Higher energy prices not only cost consumers at the gas pump, leaving less for discretionary spending, but it also increases input costs for businesses, which could materialize into price inflation and higher costs for consumer goods. An inflation scare would also cause the Fed to consider reversing course again and moving rates higher to combat that inflation. Even if the U.S. manages to avoid any shocks that could throw the service sector off track, significant economic improvement from Europe and Asia is still needed to help the U.S. accelerate its own growth. Until then, U.S. company's foreign sales will continue to suffer, and the U.S. Dollar will remain strong, which negatively impacts foreign revenue. While positive developments can be seen in U.S. economic data, the global economy and markets are in a fragile state and caution is still warranted, until more of the on-going risks get resolved.

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