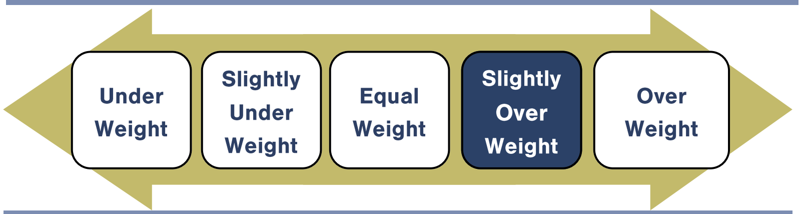
WEALTH ADVISORS
AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC & MARKET UPDATE - March 2021 (as of 3/30/21)

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

The long-term uptrend in markets was broken, but has recovered. Following the strength in our risk signals, we have maintained our stock exposure of **Slightly Overweight.** This allocation of stocks vs. bonds depends on our risk signals that shift our weightings accordingly.

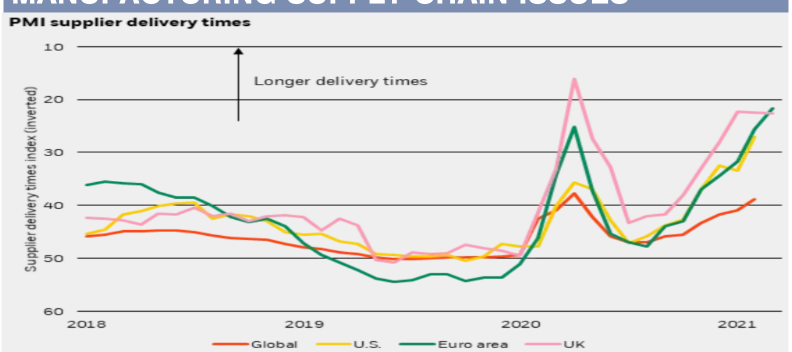
ECONOMIC NEWS

- U.S. consumer sentiment, measured by the Conference Board's Consumer Confidence Index, rose to 109.7 in March as more stimulus checks were received and the vaccination rollout has been better-than-expected. This is the highest level in a year and the largest monthly increase since April 2003.
- Weekly jobless claims in the U.S. fell below 700k toward the end of March for the first time since the pandemic began. The single weekly figure should be taken with a grain of salt, but the 4-week average has been trending lower since February.
- Europe's manufacturing sector has remained quite strong despite the region struggling with its vaccine distribution and rising COVID cases. The Manufacturing Purchasing Manager's Index (PMI) rose to a 3 year high of 57.9 in February.

MARKET NEWS

- The U.S. Dollar began to strengthen in March, reaching 4 month highs resulting from continued strength in U.S. economic data, but also weakening international currencies. The Euro has reached the lowest level this year as European COVID cases rise and lockdowns in many countries are reinstated.
- Oil prices reached $66/barrel this month, the highest level since 2018, on constrained supply and expected demand pickup. Prices in the last 2 weeks have fallen around –9% though, as investors focus on the upcoming meeting amongst global oil producers (OPEC+) & the resulting production level decisions.
- The banking sector saw more improvement, not from higher rates, but on news the Federal Reserve will allow the resumption of share buybacks & dividend distributions after June 30th.

MANUFACTURING SUPPLY CHAIN ISSUES



Sources: BlackRock Investment Institute, Markit, with data from Refinitiv Datastream and Haver Analytics, March 2021. Notes: The chart shows an index of delivery time for items used in the production process, for manufacturing firms. As delivery time lengthens for example due to capacity constraints the level of the index falls. The y axis is inverted.

Manufacturers are experiencing lengthy wait times to get items from suppliers, such as wood and steel, needed to complete products. In 2020 delivery times spiked from the COVID-induced production halt. This year, suppliers who may have cut capacity are having difficulty keeping up with pent up demand as economies reopen, which is likely to result in higher prices, i.e. inflation, for producers.

PENNY STOCK TRADING PICKS UP

By The New York Times | Source: Financial Industry Regulatory Authority

Penny stocks, which can be characterized as small companies whose stock trades for less than $5 per share, are some of the most risky and illiquid securities in the marketplace. Trading in these types of stocks has increased dramatically over the past several months, further highlighting the ongoing speculation by presumably smaller retail investors.

CURRENT THOUGHTS

President Biden signed the $1.9 trillion American Rescue Plan Act into law this month, which will provide measures including more stimulus checks directly to citizens, child tax credits, unemployment benefits, and funds for vaccine distribution. This follows the $1.7 trillion relief package in March 2020 and the $915 billion package in December 2020. With vaccine distributions currently exceeding expectations and all the additional stimulus making its way into the economy, forecasts for economic growth in 2021 have been raised significantly compared to the start of this year. The Federal Reserve raised its Gross Domestic Product estimate from 4.2% in December to now 6.5%. With stimulus-related news likely no longer making headlines and driving market expectations, the focus will begin to turn to how all the spending on stimulus over the past 12 months and future government spending proposals will eventually be paid for. Tax increases look to be certain; however, there has not been an official plan released by Biden's administration and sweeping changes are likely to face resistance among moderate Democrats. In addition to tax-related headlines, inflation expectations and interest rates will also continue to be key drivers of market movements. If inflation rises throughout 2021 and lingers above the Federal Reserve's long-term average target of 2%, investors may begin to forecast Fed actions, specifically raising short-term interest rates to try and slow inflation down. This is historically viewed as a headwind for stock prices, as the economy slows due to higher rates. Although the Fed has been clear in stating they won't raise rates until at least 2023, there's a risk they may have their hand forced. So far volatility has remained in check and we remain focused on the stock market's ability to digest interest rate moves.

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