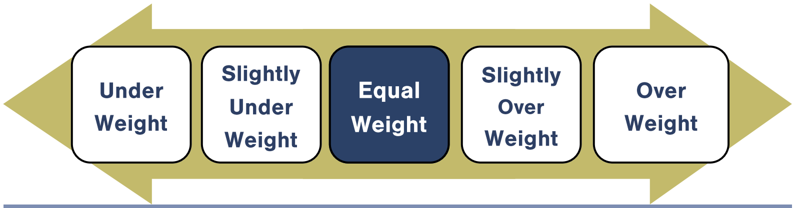
SFMG WEALTH ADVISORS
AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC & MARKET UPDATE - NOVEMBER 2020 (as of 11/30/20)

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

The long-term uptrend in markets was broken, but has recovered. We continue to see signs of improvement in our risk signals. We have maintained our stock exposure of **Equal Weight.** This allocation of stocks vs. bonds depends on our risk signals that shift our weightings accordingly.

ECONOMIC NEWS

- Initial jobless claims recorded their first back to back weekly increases since July and are now at a 5-week high. Additional restrictions on business reopenings are placing a headwind on the struggling labor market.
- Treasury Secretary Mnuchin has declined to extend some of the Federal Reserve's emergency lending programs, citing improvement in underlying financial conditions. The programs which backed corporate and municipal markets and provided loans to business are set to expire at year-end.
- Global trade has recovered significantly as transportation channels reopened in the summer. The rebound, primarily led by China’s exports, has brought total trade volumes to within 2% of 2019 levels.

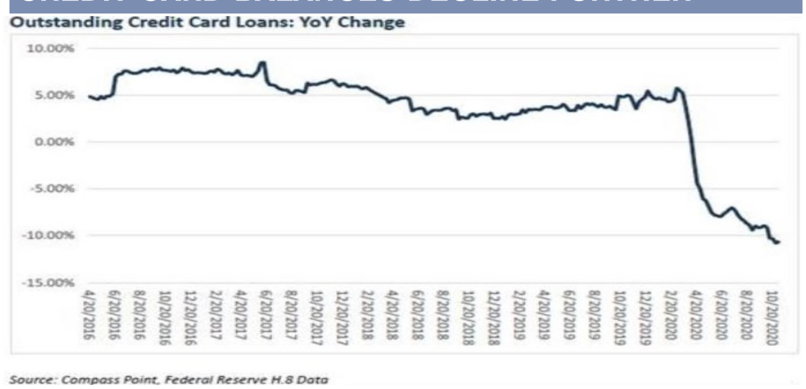
MARKET NEWS

- Tesla will be added to the S&P 500 in December, but will only represent just over a 1% weight in the index. To be added, companies must be large enough and be profitable for 4 consecutive quarters, which Tesla achieved this year.
- Major stock market indices are reaching all time highs, as investors look past rising virus case counts and near-term economic weakness to focus on positive vaccine news and the potential for those solutions to propel the economic recovery in 2021.
- The 10-year Treasury yield surged following the election and vaccine news, but was unable to surpass the 1% level. As investors favored riskier assets and sold bonds, yields did reach 0.96%, a level not seen since March of this year.

HOMEBUILDER CONFIDENCE AT RECORD HIGH

The National Association of Home Builders/Wells Fargo Housing Market Index, which gauges builder sentiment, has risen for 3 consecutive months and hit a record high in November. Housing remains a bright spot for the economy as low mortgage rates and the trend of buyers shifting to more suburban areas continues, keeping demand for new houses strong.

CREDIT CARD BALANCES DECLINE FURTHER



Consumers increased their savings this year due to the pandemic, and subsequently have paid down credit card balances. The level of outstanding credit card loans is declining at a rate greater than 10% compared to this same time last year. However, at least a portion of this decline could be credit card companies becoming more stringent on allowing consumers to access new credit.

CURRENT THOUGHTS

Market sentiment became increasingly positive following the election results as the combination of a Democratic President and high likelihood of a Republican controlled Senate sets the stage for less potential policy changes and overall more certainty. With election uncertainty largely in the rear view mirror, markets were also able to rally further throughout November on positive vaccine news coming from Pfizer, Moderna, and AstraZeneca. Each vaccine comes with different characteristics in terms of efficacy and ease of distribution, but all should be available for use in 2021, and some even in 2020 for specific groups, such as healthcare workers and high risk individuals. Having an effective vaccine developed in 2020, let alone three, seemed like an impossibility in the early part of this year, but now the road to a recovery has become a little more clear. However, the near-term economic outlook will be challenged by even higher COVID case counts potentially stemming from Thanksgiving gatherings and college students coming home for the holidays, leading to increased restrictions and lockdowns. Furthermore, political gridlock preventing additional stimulus from getting into the hands of those still unemployed will likely hinder consumer confidence and spending. As long as the case counts don’t rise exponentially and the economy manages its way through the next couple of months without a double dip recession, the market prospects on the other side have brightened. Lastly, former Fed Chairwoman Janet Yellen has been nominated to be the first woman Treasury Secretary under the new administration. Yellen is viewed as ‘market-friendly’ based on her history of accommodative policies. Although she’s expected to push for additional fiscal stimulus, Congress will still have to enact it.

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