Weekly Market Commentary

February 11, 2019

Domestic Stand-Off and International Progress?

We have been describing many of the macroeconomic and geopolitical issues impacting the financial markets as the "Axis of Worry". Issues such as rising interest rates, the trade dispute between the U.S. and China, and the U.S. government shutdown can sometimes dominate the news headlines and impact stock prices more than whether the individual companies have good or bad quarterly earnings. We have viewed many of these big picture issues as transitory and advised on focusing on industry and company fundamentals.

The two current issues headed toward a wall (pun intended) are the domestic issue over whether the partial U.S. Government shutdown resumes on February 15th and the international issue of whether the U.S. and China can reach a trade agreement before previously scheduled trade tariffs go into effect on March 1st.

The President signed legislation to temporarily end the partial shutdown on January 25th and if no budget compromises are reached, the partial shutdown would resume on February 15th. There was optimism this past week that lawmakers would find a compromise, but that seemed to dissolve over the weekend. The remainder of this week is open for talks and we will monitor the progress.

The international tenor went the opposite way. It seemed at one point last week that a chance to negotiate U.S. – China trade was slipping away, but talks have resumed and there is speculation that Presidents Xi and Trump will meet in coming weeks, though likely after the March 1st deadline.

Financial Market Update

	YTD Return		YTD Return
S&P 500 Index	8.0%	International Stocks (MSCI ex-US)	6.3%
Dow Jones Industrial Average	7.6%	Aggregate Bond Index	0.8%
NASDAQ 100	9.2%	U.S. Dollar Index	0.7%
Russell 2000 (Small Cap Index)	11.7%	WTI Crude Oil	16.1%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: What is a Yield Curve?

Interest rates whether for savings (bank accounts, CDs, bonds) or borrowing (mortgages, car loans, credit cards) are all set at some relative spread to government interest rates at various points in time. When all the interest rates for U.S. Government notes and bonds are plotted on a graph by years-to-maturity they make a curved line known as the Yield Curve.

The earlier maturities at three-months or one-year impact interest rates for banks accounts and credit cards. The middle part of the curve at two-years to five-years impact bonds and CDs at those maturity dates and intermediate term debt such car loans. The longer part of the curve at 10-years impacts longer term bonds and mortgages.

The interest rate announcements from the Federal Reserve impact short-term interest rates and economic factors and the fixed income market impact long-term rates.

Do You Know Your Risk Number?

Individuals often classify their investment risk tolerance with adjectives such as "Conservative", "Moderate", or "Aggressive".

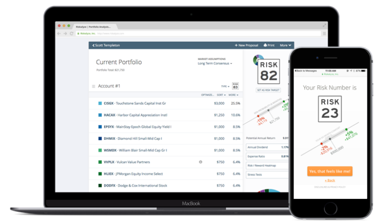
These can be highly subjective and may not correctly identify the amount of risk someone is actually comfortable taking.

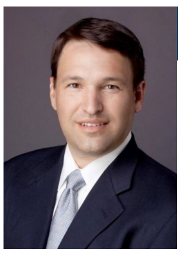
One Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 10%.

While investors understand that the purpose of taking risk is to achieve investment returns, they may not have a realistic sense of how much risk is required to achieve a targeted level of return. In this case, they may not be taking enough risk and wondering why they are not able to achieve the returns they want.

We work with our clients to identify the risk they are comfortable taking and balance it with the investment objectives they are seeking to achieve.

Contact us about our complimentary risk analysis questionnaire.





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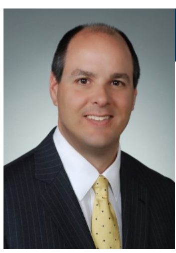
Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet strategies for depository institutions. He holds a BS in Banking and an MBA in Finance from Nova Southeastern University. Alan is Certified Plan Fiduciary Adviser (CPFA) and an endurance athlete and three-time IRONMAN finisher.

Jeffrey Wright, CFA / Managing Director / jwright@novapointcapital.com

Jeff has 9 years of industry experience. Prior to joining NovaPoint, Jeff was a Vice President in the Private Banking and Investment Group at Merrill Lynch. Jeff also worked at Booz Allen Hamilton and the Department of Defense. Prior to his private sector career, Jeff was a Field Artillery officer in the U.S. Army. He holds a BA from the University of Texas and an MBA from the University of Maryland. Jeff is Chartered Financial Analyst (CFA).

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