

Back Open for Business

A deal was struck to avoid a resumption of the partial U.S. government shutdown last week. Macroeconomic Crisis One averted, even though there may be political ramifications of the President's decision to push ahead with funding the wall for the U.S. southern border through emergency measures. We're much more concerned about economics, business, and investing, so we'll pass on any political commentary. Macroeconomic Crisis Two is finding a resolution to the U.S.—China trade dispute as the 90-day ceasefire is set to expire on March 1st. U.S. and China trade representatives are meeting in Washington DC this week and there has been some talk of potentially extending the deadline past March 1st if significant progress is being made in the trade talks.

The stock market is pricing in optimism that these crises pass and that any damage on near-term economic and business outcomes will be minor. The S&P 500 and other major stock market indices have continued their advance for the year. Economically sensitive commodities such as crude oil have also been buoyed by optimism. We concur with the optimism that these major concerns that contributed to the market's steep decline in the 4th quarter of last year eventually get put in the rear view mirror. We also think that the remainder of 2019 sees more volatility than witnessed over the first six weeks of the year as other temporary worries emerge.

Corporate earnings are growing but decelerating. 394 of the companies in the S&P 500 Index have reported earnings and total earnings are 12.9% higher year/year on 7.6% revenue growth. This is a deceleration from the 25.1% earnings growth seen last quarter as the impact of lower corporate tax rates dissipates. We anticipate some continued moderation in growth rates, but no impending forecast of a recession. We continue to advocate for high-quality stocks at this stage in the economic cycle.

Financial Market Update

	<u>YTD Return</u>		<u>YTD Return</u>
S&P 500 Index	10.7%	International Stocks (MSCI ex-US)	8.2%
Dow Jones Industrial Average	11.0%	Aggregate Bond Index	0.7%
NASDAQ 100	11.5%	U.S. Dollar Index	0.6%
Russell 2000 (Small Cap Index)	16.4%	WTI Crude Oil	22.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Market Capitalization

Stocks come in different sizes. There are Large Cap, Mid Cap, Small Cap and even Micro Cap stocks. This size differentiation is based on Market Capitalization (or "Market Cap"). Market Capitalization is a simple calculation of the value of one share of stock multiplied by the total number of shares the company has issued.

Microsoft, for example, has a current stock price of \$108.22. The company has 7.67 billion shares outstanding. Multiplying these, Microsoft's market capitalization is \$830 billion. Microsoft is currently the largest stock in the S&P 500 Index by market capitalization and a "Large Cap" stock. Definitions sometimes vary, but Large Cap stocks are typically over \$10 billion, Mid Cap stocks are between \$2 billion and \$10 billion, and Small Cap stocks are below \$2 billion.

A company's market capitalization can be reflective of dominance within its industry and the world economy. Stock market indices are often designed to classify stocks by size (S&P 500 = Large Cap versus Russell 2000 = Small Cap).

Disclosure: Microsoft is a holding in the NovaPoint Dividend Growth Strategy

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.

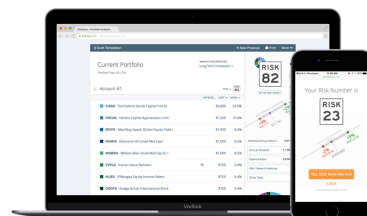
One Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 10%.

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 won-

dering 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).



Alan J. Conner, CPFA / President and Chief Compliance Officer / aconner@novapointcapital.com

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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