

A Dissipating “Axis of Worry”

Many of the concerns that caused the steep drop in the stock market in the fourth quarter of 2018 have started to dissipate. The combination of rising interest rates, a trade dispute between the U.S. and China, lower oil prices, and the U.S. government shut-down all rolled into what we have referred to as the “Axis of Worry”. We have viewed many of these issues as transitory.

Since the start of 2019, investors have begun to shrug off this Axis of Worry and we have seen the S&P 500 Index increase 8%. Investors like certainty and positive developments drive market returns. Some uncertainties remain, and that tug-o-war is likely to impact market volatility over the next few weeks.

Fed on Hold: The Federal Reserve did not raise short-term interest rates this week and reiterated they would be patient and data dependent on future rate increases.

U.S.-China Trade: The current trade cease fire is set to expire March 2nd. At that point, previously announced tariffs are expected to go into effect. The current view is that Presidents Trump and Xi will meet prior to the expiration and work out a new trade agreement.

Oil on the Rise: After falling 38% in 4Q18, oil prices have gained 22% year-to-date. A combination of lower OPEC and Russian output, sanctions on Venezuela, hopes for an end to the U.S.-China trade dispute, an improving U.S. economy have all contributed to optimism for oil prices.

U.S. Government / Two Weeks Notice: The partial U.S. government shutdown ended on January 25th. The partial shutdown is schedule to resume on February 15th unless a further compromise is reached. Stay tuned...

In addition to these Axis of Worry issues, the big news for the week was the January employment report which showed that the U.S. created 304,000 jobs in January. This was well ahead of expectations.

Financial Market Update

	YTD Return		YTD Return
S&P 500 Index	8.0%	International Stocks (MSCI ex-US)	7.3%
Dow Jones Industrial Average	7.4%	Aggregate Bond Index	0.4%
NASDAQ 100	8.6%	U.S. Dollar Index	-0.6%
Russell 2000 (Small Cap Index)	11.4%	WTI Crude Oil	21.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Understanding Hawkish and Dovish

For the last 2 years, the Fed has slowly increased short-term interest rates in an attempt to return rates to historic norms. Much has been speculated on with regards interest rates, and so the terms “Hawkish” and “Dovish” are often used to describe the disposition of the Federal Reserve or its officials.

“Hawkish” describes an action or disposition to raise interest rates. Increasing rates is meant to curb inflation. This can increase the cost of borrowing and can tighten economic conditions. The moniker “Hawkish” implies a posture of aggression and threat.

“Dovish” conversely describes the action or disposition to decrease interest rates. This is meant to stimulate a *stagnant* economic environment.

The Fed’s current stance to slow or stop interest rate increases has moved it from a Hawkish position to one that is more Dovish.

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.



Joseph Sroka, CFA, CMT / Chief Investment Officer and Portfolio Manager / jsroka@novapointcapital.com

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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