

## Wrapping up Earnings and Focusing on Economic Data

The S&P 500 Index advanced 0.4% last week, its fifth consecutive weekly increase. Crude oil fell 2.5% for the week. As we near the end of the quarterly earnings season, much of the fundamental news from reporting companies is out and speculation on how current macro and industry data may impact earnings for first quarter earnings may be a primary driver of stock prices.

484 stocks in the S&P 500 Index have reported earnings with 16.7% earnings growth and 5.1% revenue growth. The Energy and Industrial sectors have seen the largest year/year earnings increases. 69% of companies have reported earnings above expectations while 23% have reported earnings below expectation. While we expect earnings growth to slow over the balance of 2019, we do not think there will be an earnings recession.

On the economic front, the annualized rate housing starts in December fell 11.2% month/month. Single-family starts declined 6.7% and multifamily starts fell 20.4% from last month to a seasonally adjusted annual rate of 302,000 units. Building permits increased 0.3% during the month.

Fourth quarter GDP was reported at 2.6% growth, a deceleration from 3.4% in 3Q, but above expectations of 2.3%. The trade issues between the U.S. and China and the partial U.S. government shutdown may be having some impact on U.S. economic growth, but not as much has been feared when the market fell in the 4th quarter of 2018.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.4%	11.8%	International Stocks (MSCI ex-US)	0.3%	9.8%
Dow Jones Industrial Average	0.0%	11.6%	Aggregate Bond Index	-0.7%	0.1%
NASDAQ 100	0.9%	13.0%	U.S. Dollar Index	0.0%	0.4%
Russell 2000 (Small Cap Index)	0.0%	17.9%	WTI Crude Oil	-2.5%	22.9%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Gross Domestic Product ("GDP")

Gross Domestic Product, or GDP, is a measure of the total dollar value of all goods and services produced by a nation's economy. It can be calculated by summing consumption, investment, government spending, and net exports. More than two-thirds of U.S. GDP is personal consumption of goods and services. Business and government spending each about equally make up the remainder, and net exports subtract about 5% since the U.S. imports more than it exports.

The U.S. economy is approximately \$20 trillion dollars, ranking it as the largest economy in the world, followed by China, Japan, and Germany.

GDP is often expressed as a growth rate. Above we mentioned that 4th Quarter U.S. GDP growth was 2.6%. This is useful in measuring the health of the economy. A large, mature economy like the U.S. should grow at some single-digit annual rate.

## 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.

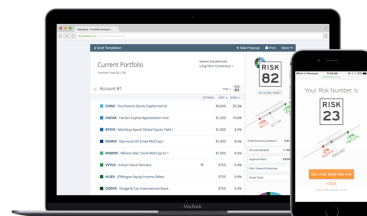
One Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 10%.

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](mailto: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](mailto: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](mailto: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).

**NovaPoint Capital LLC** (referred to herein as "NovaPoint" or "the Company") is registered with the State of Georgia as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

**Not an offer of advisory services or securities:** This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

**Investment risk:** The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

**Limitation of liability:** While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

**Trademarks and copyrights:** All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.