

Bearish Sentiment Makes a Comeback

A breakdown in US – China trade talks and some saber rattling with Iran dominated headlines this past week. Investors appear to be growing weary of the headline noise, especially with China. The thought that a conclusion to China trade is no longer a “done deal” is inserting some pessimism into investors’ psyche.

This change in sentiment is reflected in the American Association of Individual Investors (AII) Weekly Investor Sentiment Survey. For the May 15th survey, the percentage of respondents who are Bullish dropped and Bearish spiked from the previous week. The most recent survey saw Bullish sentiment drop from 43.1% to 29.8% in a week and Bearish sentiment rise from 23.2% to 39.3%. The historical average Bullish response is 38.2% and Bearish response is 30.3%.

From AII, “Both bullish and bearish sentiment experienced their largest weekly changes since last December. At current levels, bullish sentiment is near the bottom of its typical range while bearish sentiment is near the top of its typical range”.

The Survey has typically been a contrarian signal in the market, so pessimism may present opportunity. In late December 2018, the Bullish sentiment was 20.9% and Bearish was 50.3%. We subsequently saw the S&P 500 rise 14.1% YTD through this past Friday.

Heading into the tail-end of the earnings season, earnings reports continue to have a positive surprise +6.1% above consensus. For the S&P 500, 460 out of 500 companies have reported with 75% beating expectations, 6% matching and 18% below expectations. The combined (reported and estimated) earnings growth for the first quarter now stands at +1.4% versus -2.3% five weeks ago. Most of the remaining companies are retailers, so we should hear some commentary on the health of the consumer and the potential impact of tariffs.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.8%	14.1%	International Stocks (MSCI ex-US)	-1.7%	8.5%
Dow Jones Industrial Average	-0.7%	10.4%	Aggregate Bond Index	0.3%	2.3%
NASDAQ 100	-1.1%	18.5%	U.S. Dollar Index	0.7%	1.9%
Russell 2000 (Small Cap Index)	-2.4%	13.9%	WTI Crude Oil	1.8%	38.2%

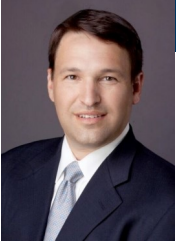
Source: S&P Global, Thomson Reuters

Dissecting Headlines: AII Investor Sentiment Survey

The American Association of Individual Investors (AII) is an independent, nonprofit corporation formed for the purpose of assisting individuals in becoming effective managers of their own assets through programs of education, information and research. AII conducts a weekly survey of its members and asks the same simple question each week, Do they feel the direction of the stock market over the next six months will be up (bullish), no change (neutral) or down (bearish)?

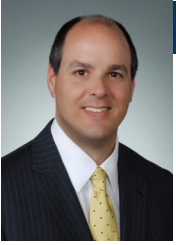
The Survey is widely followed as a contrarian indicator for the stock market. When the Survey hits an extreme Bearish stance, the stock market typically is higher both six and twelve months later. Similarly, when respondents are above average Bullish, the market has produced a muted return.

The NovaPoint Capital Team



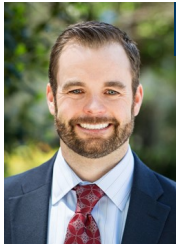
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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked 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.



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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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Frederick has over 25 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 and has also worked at Balentine & Co, Wright Investment Management, and Smith Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the United States Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).

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