

Trade War Heads South

Investors were surprised late last week by the announcement that the U.S. would impose a 5% tariff on all goods imported from Mexico and gradually increase them until the flow of illegal immigrants stopped. The economic and political uncertainty of this policy added to the uncertainty currently in the market from the U.S.—China trade standoff.

Despite what was a reasonable First Quarter earnings season and a good economic backdrop, investors seized on uncertainty and the month of May ended with the major market averages posting their first monthly declines of the year with the S&P 500 down 6.4%, NASDAQ down 8.4%, and Dow Industrials down 6.3%. Crude oil has also seen a steep two-week decline, falling 14.8%. Ten year treasury yields declined from 2.51% to 2.13% during the month.

The market's sharp recovery from December's lows has stalled as fear has reinserted itself. Market averages are near oversold levels and we would expect volatility to increase as the absence of corporate earnings news leaves investors to rely on economic data and political headlines to drive sentiment.

We believe a patient Federal Reserve Board and healthy U.S. consumer should add some calm to the current fears. The fear that dominated the Fourth Quarter was that the Fed would be too aggressive. That has passed and the Fed should stay on hold or look to possibly reduce interest rates if economic data presents a weakening economic outlook. Declining oil prices should translate into lower retail gasoline prices and provide consumers with some additional discretionary spending power.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.6%	9.8%	International Stocks (MSCI ex-US)	-1.1%	7.0%
Dow Jones Industrial Average	-3.0%	6.4%	Aggregate Bond Index	0.9%	3.6%
NASDAQ 100	-2.4%	12.6%	U.S. Dollar Index	0.1%	1.6%
Russell 2000 (Small Cap Index)	-3.2%	8.7%	WTI Crude Oil	-8.7%	17.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: The Beige Book

Each of the twelve Federal Reserve Banks gather regional data on economic conditions that is released eight times a year in a report titled the *Commentary on Current Economic Conditions*, more commonly known as the “Beige Book”. The Beige Book provides granular information and anecdotes through interviews with business contacts, economists, market experts, and other sources. It is a qualitative report and meant to characterize current dynamics and identify emerging trends in the economy.

As an example, commentary from the April 2019 Beige Book from our region in Atlanta stated “economic activity grew modestly” and “retail sales grew slightly, tourism remained robust, home sales improved, and commercial real estate activity accelerated”. These observations at the regional level and aggregated at the national level provide insight to policy makers.

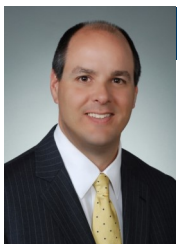
The next Beige Book release is scheduled for June 5th. Its insights could impact economic activity and policy in coming months.

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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