

Earnings Take Center Stage

Second quarter earnings season takes center stage this week as 56 companies in the S&P 500 Index are scheduled to report earnings results. Most major banks will report earnings and we can see how they are navigating the current interest rate environment. Several industrial companies will also report earnings results and we can get some insights on how trade and tariff issues are impacting current results and also longer-term decision making. Current [consensus expectations](#) for the S&P 500 Index is for earnings to be down 0.4% year-over-year and revenue to grow 3.3%.

Following a week of multiple appearances from Federal Reserve Chairman Jerome Powell, there is strong consensus for a 0.25% reduction in the Fed’s short-term interest rate target. Concerns over trade tensions, a weaker global economy, and low inflation are all contributing to the lower rate outlook. The next [Federal Open Market Committee](#) meeting is scheduled for July 30th—31st. A 0.25% change in rates at that time would reduce the range from 2.25% - 2.50% to 2.00% - 2.25%.

A drop in short-term interest rates has historically stimulated economic growth as the lower cost of borrowing from banks and other financial institutions has encouraged consumers and businesses to borrow and spend money. Given the flat [yield curve](#), intermediate and longer term interest rates are already low and there isn’t a lot of room for longer term rates to follow lower. Borrowing tied to longer term rates may not accelerate, especially given uncertainty in the economic outlook.

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%	20.2%	International Stocks (MSCI ex-US)	-0.4%	11.7%
Dow Jones Industrial Average	1.5%	17.2%	Aggregate Bond Index	-0.3%	4.0%
NASDAQ 100	1.3%	25.5%	U.S. Dollar Index	-0.5%	0.6%
Russell 2000 (Small Cap Index)	-0.3%	16.4%	WTI Crude Oil	4.7%	32.6%

Sources: S&P Global, Thomson Reuters

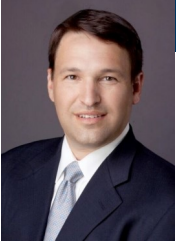
Dissecting Headlines: FOMC Minutes

A few weeks after each Federal Open Market Committee meeting, the minutes of the meeting are released. These meeting minutes can offer detailed insights regarding the FOMC’s stance on monetary policy and what they can mean for future interest rate decisions.

This past Wednesday the minutes from the June 18th-19th FOMC meeting were released. While the FOMC did not reduce interest rates at the June meeting they did express concern that economic risks had tilted to the downside due to uncertainty about trade. Some committee members also said a reduction in interest rates was warranted to manage risk and cushion the effects of possible future adverse shocks to the economy.

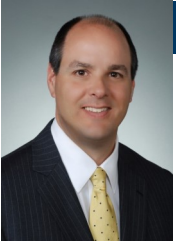
This information released in the June meeting minutes coupled with the Fed Chairman Powell’s comments during the week has increased expectations that the FOMC will reduce short-term interest rate at its July meeting.

The NovaPoint Capital Team



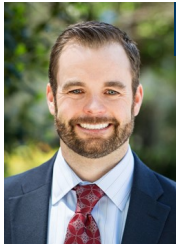
Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointcapital.com

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).



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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.



Jeffery Wright, CFA / Managing Director & Portfolio Manager / 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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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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