3rd Quarter 2019 Newsletter
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NovaPoint CAPITAL LLC

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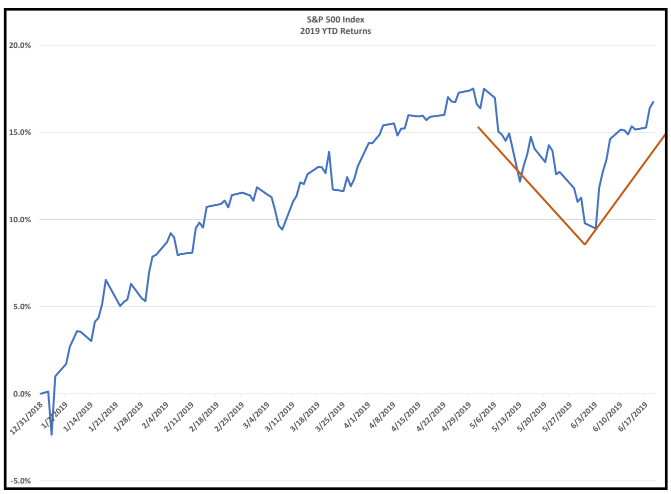
MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

The tug-of-war between the negative impact of a stand-off in U.S.—China trade and the positive impact of the Federal Reserve being first patient and then Dovish, caused volatility during the second quarter with a steep decline in May followed by a steep recovery in June.



Investors grew impatient with the Fed's "patient" stance as the progress with China deteriorated in May. In early June, Fed Chairman Jerome Powell indicated the Fed would take appropriate action to maintain expansion of the economy in the face of global trade uncertainty. This Dovish sentiment coupled with low inflation and a weaker May employment report led investors to the conclusion that a Fed rate cut was upcoming.

Optimism about a potential rate cut rallied stocks in June with the S&P 500 up 7%. The announcement that President Trump would meet with Chinese President Xi at the G20 Summit at the end of June also contributed to the positive sentiment.

We believe the tug-of-war may remain. The China trade standoff is not likely to be resolved soon. In the interim, the Fed continues to be supportive of economic expansion and inflation remains below target.

Our equity holdings are well diversified across sectors. We favor high-quality stocks with a demonstrated track-record of increasing dividends as we believe they are more durable through economic cycles.

For clients with fixed income holdings, we have kept our tilt toward higher credit quality. The flattening and inversion of the yield curve helped the allocation we made to longer duration fixed income earlier in the year. We have limited exposure to non-investment grade bonds.

	2Q19 Return	YTD Return
S&P 500 Index	4.3%	18.5%
Dow Jones Industrial Average	3.2%	15.4%
NASDAQ 100	4.2%	21.9%
Russell 2000 (Small Cap Index)	2.1%	17.0%

	2Q19 Return	YTD Return
International Stocks (MSCI ex-US)	1.1%	11.4%
Aggregate Bond Index	2.6%	5.1%
U.S. Dollar Index	-1.2%	0.0%
WTI Crude Oil	-2.8%	28.8%

Sources: S&P Global, Thomson Reuters / YTD Returns through 6/30/2019

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Another Asset Class: Cash as Peace of Mind

Over the last decade, investors have apprehensively experienced a prolonged period of economic expansion and stock markets returns. Meanwhile, interest rates have stayed rangebound with expectations shifting back and forth between rate increases and decreases.

Conditions like these make market-timing difficult and ill-advised. Clients often ask “what should we do” with regards to stock market highs and low interest rates.

As disciplined investors, we systematically and unemotionally rebalance within an asset allocation.

As a strategic planner who helps clients navigate their objectives beyond investment returns alone, I recommend an additional technique: holding a modest allocation of cash to fund short and intermediate-term spending needs. In a diversified investment portfolio, cash is an asset class that does not strongly correlate to risk assets such as stocks nor income-producing assets like bonds.

Cash can provide peace of mind to investors who draw on their investment portfolios to fund some or all of their yearly expenses. Cash provides a buffer so they do not have to worry about a market decline impeding those expenditures or being forced to sell assets during a decline.

This is an example of how matching your financial plan and investment strategy can help make market volatility less of a worry and provide peace of mind in all market conditions.

Do You Know Your Risk Number?

Individuals often classify their investment risk tolerance with adjectives such as "Conservative", "Moderate", or "Aggressive".

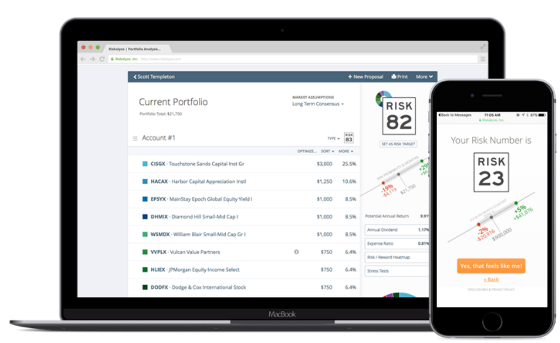
These can be highly subjective and may not correctly identify the amount of risk someone is actually comfortable taking.

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 wondering 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.

Follow this link to take our complimentary [risk analysis questionnaire.]



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BUSINESS RETIREMENT PLANS

By ALAN J. CONNER, CPFA

Increase your Withholdings or Decrease your Tax Bill

Reaching the halfway point of 2019 is a great time to make any necessary adjustments to your tax strategy. The 2017 Tax Cuts and Jobs Act may have impacted your tax bill and you may still benefit from making some adjustments to either increase your withholdings or decrease your tax bill.

While most taxpayers did see a reduction in their overall tax rate, there were some unexpected changes as well. Most taxpayers were not aware that the new tax law required the IRS to make immediate adjustments to the payroll tax withholding tables. The goal was to allow citizens to immediately benefit from the tax relief. In some cases, this resulted in under withholding of tax payments and created a tax bill. While you may have paid less in taxes in 2018 than in 2017, getting a tax bill versus a refund check may have been an unpleasant experience.

Should you Increase your Withholdings or Decrease your Tax Bill?

How to Increase your Withholdings

If you need to increase your withholdings, the first step should be to review you tax return for 2018 and decide if your situation for 2019 will be similar to last year. If your income will be similar, and you want to avoid the tax bill come April 15, 2020, you should increase the amount of tax you have withheld from your salary. The easiest way to do this is to divide your tax bill by the number of pay periods you have in a year, and file an updated Form W-4 with your employer.

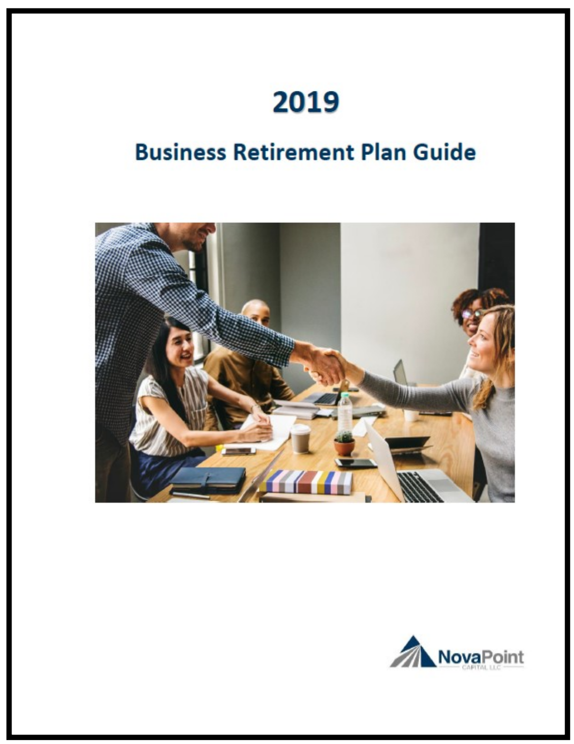
How to Decrease your Tax Bill

Retirement savings is still one of the easiest way to reduce taxes. If your employer offers a 401(k) plan, you can contribute up to $19,000 per year ($25,000 if you are over age 50). Increasing your contribution will result in an immediate reduction in your tax bill. If your employer does not offer a retirement plan (we are happy to come talk to them and convince them of the benefits), you should contribute to an IRA. This will allow you to contribute up to $6,000 ($7,000 if you are over age 50).

If you are either a business owner with employees or an independent contractor, establishing a retirement plan for your employees or yourself can play a significant part of reducing your tax bill. These types of plans can be set up simply, or can be as complex as you wish, but we suggest to start simply and add complexity as features become necessary.

We detail the various types of plans we can help set up in our 2019 Business Retirement Plan Guide.

If you would like to learn what options are available to you and/or your employees, download our Retirement Plan Guide, and set up a time for us to discuss your goals.



DOWNLOAD THE GUIDE HERE

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Bacon Wrapped Peaches

Total Time: 30 minutes / Servings 4

Ingredients

6 scallions

Vegetable oil

Kosher salt

4 large peaches

16 strips of bacon

16 toothpicks, soaked in water for 30 minutes

Directions

Brush scallions with vegetable oil and season with kosher salt. Grill over moderate heat until softened and lightly charred, about 3 minutes. Let cool and cut into 3/4 inch lengths.

Fill peach cavities with the scallion pieces and season with salt. Wrap two strips of bacon around each peach half and secure with toothpicks.

Brush stuffed peaches with vegetable oil and grill cut side down over moderately high heat until lightly charred, 1 to 2 minutes. Carefully flip and grill over moderately low heat, turning occasionally, until peaches are soft and bacon is crisp at the edges, about 7 minutes.

Recipe courtesy of Food & Wine

NovaPoint Receives Bull and Bear Master Award

NovaPoint Capital has been awarded a PSN Top Guns distinction by Informa Financial Intelligence's PSN manager database, North America's longest running database of investment managers.

NovaPoint was honored with the Bull Bear Master designation for its Large Cap Dividend Growth Strategy for the three-year period ending March 31, 2019.

The Bull and Bear Master designation is for investment strategies with an r-squared of 0.80 or greater relative to the style benchmark for a three-year period. Moreover, products must have an upside market capture over 100 and a downside market capture less than 100 relative to the style benchmark. The top ten ratios of Upside Capture Ratio over Downside Capture Ratio become the PSN Bull & Bear Masters.

Follow our Weekly Blog Posts

Each Monday, we publish a report on the NovaPoint Capital website blog highlighting important financial and investment issues for the week. We also have our Dissecting Headlines section where we dive deeper to explain what some of the news headlines mean in an investment context. You can find the blog on the website on the News dropdown menu or at https://novapointcapital.com/blog/

NovaPoint CAPITAL LLC

Visit our website: www.novapointcapital.com

NovaPoint Capital is an investment management and advisory firm. We manage investment portfolios for individuals, family offices, businesses and their retirement plans, nonprofit organizations, and institutions.

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