

Trade Optimism Trumps Mixed Data

Last week produced a mix of economic reports that presented a modestly softer economy, but one that is not imminent danger of recession. Some of the softness, such as the contraction in the [ISM Manufacturing Index](#) and the weaker [Employment Report](#), can be attributed to the continuing trade issues with China. Once the announcement was made that the U.S. and China were planning to resume trade negotiations in October, investors interpreted it as a signal the weakness could be transitory and the equity markets posted a second consecutive weekly advance.

Federal Reserve Chairman Jerome Powell gave a speech on Friday which reiterated his stance the Federal Reserve would act appropriately to maintain expansion in the U.S. economy and that he saw little chance of a recession any time soon. Federal Reserve [Beige Book](#) data also supported a general level of economic health across the U.S. Despite issues with trade, most businesses surveyed expressed optimism about the near-term outlook for the economy.

Economic data on inflation with the Producer Price Index (PPI) and [Consumer Price Index \(CPI\)](#) will be released this week. The continued flow of economic data shape investor expectations of what actions the [FOMC](#) will take at its September 18th meeting. Based on interest rate futures, there is a 91% expectation the FOMC will lower its target interest rate by 0.25% at the meeting to a 1.75% to 2.00% range and a 9% probability they leave the target rate at its current 2.00% to 2.25% range.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.8%	18.8%	International Stocks (MSCI ex-US)	2.2%	9.2%
Dow Jones Industrial Average	1.5%	14.9%	Aggregate Bond Index	-0.1%	6.7%
NASDAQ 100	2.1%	24.1%	U.S. Dollar Index	-0.5%	1.9%
Russell 2000 (Small Cap Index)	0.7%	11.6%	WTI Crude Oil	2.6%	24.5%

Sources: S&P Global, Thomson Reuters

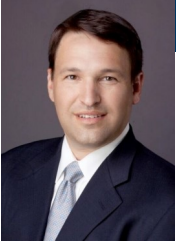
Dissecting Headlines: Oil Inventories

The Energy Information Agency (EIA) provides a weekly report on the levels of crude oil held in inventory by U.S. companies. The report is released each Wednesday unless there is a holiday which can shift the release to Thursday. The data is widely watched as an indicator of near-term supply/demand in the oil market and can have an immediate impact on oil prices.

If the weekly EIA report shows an unexpected build of crude inventories due to either overproduction or a lack of demand, it can send oil prices lower. A lower than expected inventory build can be a positive demand signal and send oil prices higher. Oil is a global commodity, so demand and production in other areas of the world also combine with U.S. data to impact prices.

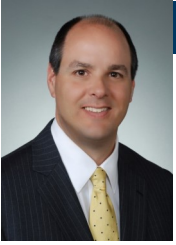
This past week, U.S. oil inventories declined 4.8 million barrels versus an expectation for a 2.5 million barrel decline. Oil inventories have declined for the past three weeks. The decline in inventories coupled the optimism about the U.S. and China planning to meet to work on trade issues helped oil prices climb 2.6% last week.

The NovaPoint Capital Team



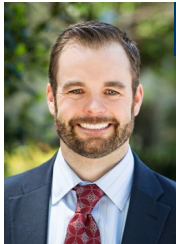
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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked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



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 U.S. 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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