

## Stocktober

The corporate earnings reporting season is underway. Earnings reports were generally upbeat last week and the S&P 500 Index responded with a positive return. Of the 73 companies in the S&P 500 that have reported third earnings, 84% have exceeded expectations, 4% have met expectations and 12% have reported below expectations. Current expectation is for a 3.1% decline in year/year earnings on 3.1% revenue growth versus last week's consensus of a 3.2% earnings decline on a 3.5% increase in revenue. This week, 131 companies in the S&P 500 are scheduled to report earnings. The remainder report over the coming weeks.

Given the sometimes overbearing headline impact of economic and geopolitical issues, seeing individual company results and how management team navigate the environment is helpful in investment analysis. This is the essence of "bottom-up" analysis versus the "top-down" analysis that is based on macroeconomic issues. Taken together they can help in making investment decisions.

Beyond the current corporate reporting season, the remainder of 2019 in the financial markets is likely to be impacted by Federal Reserve meetings at the end of October and early December, progress in the U.S.—China trade negotiations, and early speculation on the Christmas shopping season which is a major driver of U.S. retail sales in the final quarter of the year.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.6%	19.1%	International Stocks (MSCI ex-US)	0.9%	11.5%
Dow Jones Industrial Average	-0.1%	14.8%	Aggregate Bond Index	0.0%	5.9%
NASDAQ 100	0.3%	24.3%	U.S. Dollar Index	-1.0%	1.0%
Russell 2000 (Small Cap Index)	1.6%	13.9%	WTI Crude Oil	-1.7%	16.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Political Noise

Noise is any sound that is undesired or interferes with hearing and understanding. There is much political noise that can sway financial markets day-to-day. There is political unrest in Hong Kong, the UK Brexit issue remains unresolved, and the U.S. is noisy and should get noisier headed into the 2020 election cycle. Filtering through the noise can be difficult, especially when it is sometimes cited in the media as the reason that markets are volatile.

Political wrangling, above all else, is often a negotiating tactic between politicians, parties, governments, and others. Extreme views are often presented, but then walked-back as negotiations get closer to a compromise. While completely ignoring the potential impact of the extreme outcomes can be dangerous, so can constantly reacting to each back-and-forth volley of rhetoric.

We try to view most of the headlines as noise and seek to understand the investment implications of potential outcomes. As we've seen with the U.S.—China trade negotiations, making wholesale decisions from week to week may not be as productive as seeking opportunities that can weather these temporary political storms.

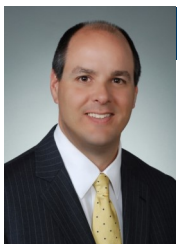
The next 12-months are likely to get noisier, so filtering out the noise to better hear the message should become even more important.

## The NovaPoint Capital Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto: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](mailto: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).



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointcapital.com](mailto:fwright@novapointcapital.com)**

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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