

Parsing the Data

The S&P 500 Index posted its third consecutive weekly decline. The decline wound up being smaller than the start of the week would have indicated, as the market rallied strongly on Thursday and Friday.

The week started down when the September ISM Manufacturing Report showed contraction in the manufacturing sector. The Index level of 47.8 was lower from August's 49.1 and below the consensus expectation of 50.2. A reading below 50 indicates contraction. This was followed by the ISM Non-Manufacturing Report at a level of 52.6, indicating expansion, but below August's 56.4 and below consensus expectations of 55.4. The Non-Manufacturing Report represents a larger part of the economy (see *Dissecting Headlines* below), so the economy is still growing, albeit at a potentially slower pace.

The stock market rallied Thursday on the thought that the weaker ISM Reports would be enough of a catalyst to get another short-term interest rate reduction from the Federal Reserve at its October 29th-30th meeting. There was a follow-through on Friday after the September employment report showed only a modestly lower number of jobs created versus expectations.

Third quarter earnings are underway with 21 companies in the S&P 500 reporting to date. Current consensus expectation is for a year-over-year decline in earnings for the S&P 500 Index. Consensus earnings are expected to decline 2.7% year-over-year on a 3.6% increase in revenue.

The coming week is light on economic data with the Producer Price Index and Consumer Price Index the only major releases. Third quarter earnings season doesn't ramp up until the following week, so any significant market movement may be due to global trade or other geopolitical factors.

Financial Market Update

| | <u>Weekly Return</u> | <u>YTD Return</u> | | <u>Weekly Return</u> | <u>YTD Return</u> |
|--------------------------------|----------------------|-------------------|-----------------------------------|----------------------|-------------------|
| S&P 500 Index | -0.3% | 17.8% | International Stocks (MSCI ex-US) | -0.7% | 8.6% |
| Dow Jones Industrial Average | -0.9% | 13.9% | Aggregate Bond Index | 0.7% | 6.9% |
| NASDAQ 100 | 1.0% | 22.5% | U.S. Dollar Index | -0.3% | 2.8% |
| Russell 2000 (Small Cap Index) | -1.3% | 11.3% | WTI Crude Oil | -5.5% | 16.3% |

Sources: S&P Global, Thomson Reuters

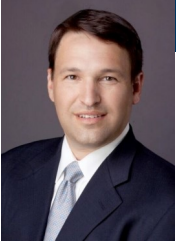
Dissecting Headlines: Manufacturing versus Services

The September ISM Manufacturing Report showed a contraction of activity and the Non-Manufacturing Report showed expansion. While both are important elements of the economy, manufacturing (including exports) is approximately one-third of the economy, while services ("non-manufacturing" in the ISM Report) is approximately two-thirds.

The offshoring of manufacturing over the past few decades, growth in financial and healthcare services, and an overall shift to an intellectual capital economy has made services an increasing part of the economy. A modest contraction in manufacturing can be compensated by an expansion in services.

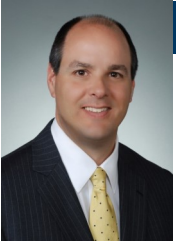
The overall economic growth is measured by GDP ("Gross Domestic Product") which, based on 2018 GDP, is 69% personal consumption, 18% business investment, 17% government spending, and negative 4% net exports. Within personal consumption, about two-thirds is services and one-third is products.

The NovaPoint Capital Team



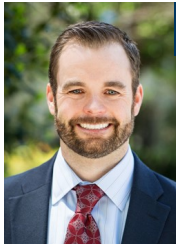
Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointcapital.com

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 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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