

Goldilocks

Lots of positives stacked up this past week with the Fed lowering short-term interest rates by 0.25%, a stronger than expected employment report, and continued progress on U.S. – China trade. These along with good third quarter earnings reports pushed the S&P 500 into record territory.

The Federal Reserve lowered its short-term target rate by 0.25% to a 1.50% to 1.75% range. This is the third interest rate reduction of the year and, in our view, probably the last that is needed unless economic conditions worsen. The interest rate announcement was followed later in the week by a better than expected employment report for October. With low interest rates and strong employment, the U.S. is experiencing what is sometimes referred to as a “Goldilocks Economy”. This is explained below on our Dissecting Headlines section.

Of the 356 companies that have reported 3Q earnings, 76% have exceeded expectations, 8% have met expectations and 17% have reported below expectations. Current expectation is for a 0.8% decline in year/year earnings on 3.7% revenue growth versus last week’s consensus of a 2.0% earnings decline on a 3.4% increase in revenue. For the coming week, 88 companies in the S&P 500 are scheduled to report earnings.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.5%	22.3%	International Stocks (MSCI ex-US)	1.4%	14.4%
Dow Jones Industrial Average	1.4%	17.2%	Aggregate Bond Index	0.4%	6.0%
NASDAQ 100	1.7%	28.9%	U.S. Dollar Index	-0.6%	1.2%
Russell 2000 (Small Cap Index)	2.0%	17.9%	WTI Crude Oil	-0.8%	23.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Goldilocks Economy

You may have seen some financial headlines this past week referring to a “Goldilocks Economy”. Similar to the fairytale when Goldilocks tastes the porridge in the bear’s house, the baby bear’s porridge wasn’t too hot and it wasn’t too cold, it was “just right”. This reference is carried over as a metaphor for the economy when economic conditions aren’t so hot that inflation and rising interest rates are a worry, but also that growth is not anemic where one would worry about an imminent recession. The economy is just right.

This is the U.S. economy now. Inflation remains contained and the Federal Reserve has been accommodative on monetary policy. Employment is at record levels and, despite some weakness in the manufacturing sector (perhaps due to U.S.—China trade issues), GDP growth has been good.

The worry, of course, is what happens when the bears come home. For now, that does not appear to be an immediate concern, but we are always on the look out.

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.



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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 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at 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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