

Focus Returns to Corporate Earnings

After a short period of volatility surrounding U.S.—Iran tensions, the market continued its current climb once investors assessed that the situation was deescalating.

Geopolitical tensions aside, investors can return their focus to company fundamentals this week as the fourth quarter corporate earnings season kicks off. Twenty-six companies in the S&P 500 Index are scheduled to report earnings this week. The current consensus expectation is for fourth quarter earnings to decline 0.6% year/year with revenue growth of +4.3%. Many of the earnings reports should also include outlook commentary for 2020. Current consensus expectations for full-year 2020 earnings for the S&P 500 is currently +9.6% year/year with revenue growth of +12.2%.

Many factors can impact earnings growth over the course of 2020. One key issue, the U.S.—China trade negotiations, are expected to take a step forward this week as the Phase One trade deal is signed.

In our *Dissecting Headlines* section, we look at why monitoring inflation data is important to understand why and when the Federal Reserve may eventually make changes in short-term interest rate policy.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.0%	1.1%	Aggregate Bond Index	-0.1%	0.5%
Dow Jones Industrial Average	0.7%	1.0%	U.S. Dollar Index	0.5%	1.1%
NASDAQ 100	2.0%	2.7%	WTI Crude Oil	-6.4%	-3.3%
Russell 2000 (Small Cap Index)	-0.2%	-0.6%	Gold	0.7%	3.0%
International Stocks (MSCI ex-US)	0.4%	0.4%	Real Estate (US REIT Index)	-0.1%	-0.7%

Sources: S&P Global, Thomson Reuters

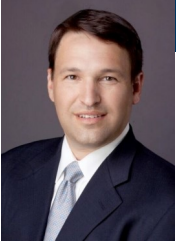
Dissecting Headlines: The 2% Inflation Line

The Fed indicated that it would not be raising short-term interest rates from the current 1.50% to 1.75% range as long as the economy remains on its current path. One factor that could cause a decision to eventually increase interest rates would be a significant increase in inflation.

Persistent, annualized inflation above 2% would be reason for the Federal Reserve to evaluate current policy. Two of the Fed’s key mandates in steering monetary policy are employment and inflation. The Fed would likely return to a posture for higher rates if inflation rose significantly above the 2% level.

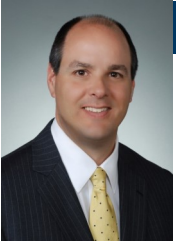
While the Fed’s algorithm and input factors are more complex, two monthly data points we can monitor are the Consumer Price Index (CPI), which measures retail inflation for consumers, and the Producer Price Index (PPI), which measures wholesale inflation for producers of goods and services. CPI and PPI for the month of December will be reported this week. While we don’t expect inflation to move significantly in the near-term, these are useful data points to monitor monthly.

The NovaPoint Capital Team



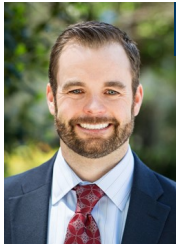
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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked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