

Feeling Better

Coronavirus fear ebbed early in the week allowing investors to focus on good corporate earnings growth and a strong January employment report. Deaths in China from the coronavirus have now surpassed SARS (>811) but when considering the current U.S. flu season has seen over 10,000 deaths we can see things in better perspective. Still, the full potential economic impact of the coronavirus remains unknown. We should gain better insight as we see how things develop over the next few weeks.

With 322 companies having reported 4Q earnings, 70% have exceeded expectations, 11% have been in-line and 19% have been below expectations. Current consensus expectations are for y/y EPS growth of +2.3% on revenue growth of +5.0% versus last week's consensus EPS decline +1.1% on revenue growth of +4.7%. Another 66 companies are scheduled to reporting earnings this week. Current consensus expectations for full-year 2020 earnings for the S&P 500 is currently +8.2% year/year with revenue growth of +12.2%.

The January employment report showed 225,000 new nonfarm payrolls in January versus expectations around 160,000. The unemployment rate inched up to 3.6% from 3.5% in December due to more individuals seeking jobs. This is known as a higher labor force participation rate.

In our *Dissecting Headlines* section, we explain the trade balance and why it has improved for the U.S. economy.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	3.2%	3.0%	Aggregate Bond Index	-0.1%	1.7%
Dow Jones Industrial Average	3.1%	2.0%	U.S. Dollar Index	1.3%	2.3%
NASDAQ 100	4.6%	7.6%	WTI Crude Oil	-2.4%	-17.6%
Russell 2000 (Small Cap Index)	2.7%	-0.7%	Gold	-1.3%	3.5%
International Stocks (MSCI ex-US)	2.3%	-1.2%	Real Estate (US REIT Index)	1.7%	2.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Trade Balance

The difference between the amount of imports versus exports is known as a trade balance. If imports exceed exports it is a trade deficit. The U.S. has run a trade deficit since 1975. This is not uncommon for a growing economy, as rising standard of living for U.S. consumers can create demand for goods, many of which are imported.

The trade deficit has been a concern of the current administration and has been at the core of negotiations between the U.S. and many of its trading partners. For 2019, the U.S. trade deficit was \$617 billion, but that was 1.7% lower than 2018. This is the first contraction in the trade deficit since 2013. This was due to imports shrinking 0.4% and exports shrinking only 0.1%. Part of this was the impact of trade and tariffs with China.

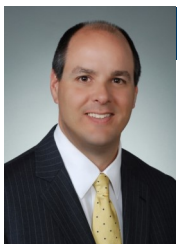
China dropped from the U.S.'s #1 trading partner to #3 behind Mexico and Canada. The U.S. trade deficit with China declined 17.6% to its smallest level since 2014. Vietnam has become a growing trading partner for the U.S. as alternatives to China have been sought.

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).



Alan J. Conner, CPFA / President and Chief Compliance Officer / aconner@novapointcapital.com

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).



Frederick Wright, CFA / Managing Director & Portfolio Manager / 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 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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