Weekly Market Commentary

March 2, 2020

Keeping Perspective

Global equity markets had their worst week in several years last week. The weekly decline, due to economic concerns surrounding spread of the coronavirus (COVID-19), has pulled all major stock indices into negative territory for the year. Market volatility, which included several large intra-day swings, is indicative of the uncertainty. In our Dissecting Headlines section, we revisit monitoring the Volatility Index as a way to monitor equity market pessimism / optimism.

We believe that the economy and market should self-correct over time. Interest rates have declined as a "flight to safety" in U.S. Treasury Bonds has dropped the yield on the 10-year Treasury to around 1.15%. This reduces borrowing costs for many companies and consumers. For example, mortgage rates declined last week, making home purchase or refinance a more attractive option. Oil prices also fell which should reduce gasoline prices at the pump for consumers and reduce input costs for the transportation and manufacturing sectors. These positive drivers can start to offset negative headwinds such as supply chain delays, lower corporate and consumer confidence, and lower demand for travel and other activity-based actions. Additionally, the Federal Reserve has commented that it is committed to economic expansion in the U.S. as long as inflation remains contained, and is prepared to use its tools and act as appropriate to support the economy. This had led speculation that the Fed could lower short-term interest rates if the coronavirus weakens economic activity.

As with past health-related threats (SARS, MERS, H1N1), the financial markets generally regain confidence once the spread of the virus slows and activity levels return to normal.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-11.4%	-8.6%	Aggregate Bond Index	1.0%	3.5%
Dow Jones Industrial Average	-12.3%	-11.0%	U.S. Dollar Index	-1.1%	1.3%
NASDAQ 100	-10.4%	-3.1%	WTI Crude Oil	-16.1%	-26.7%
Russell 2000 (Small Cap Index)	-12.0%	-11.5%	Gold	-3.6%	4.5%
International Stocks (MSCI ex-US)	-8.1%	-9.9%	Real Estate (US REIT Index)	-12.6%	-7.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Revisiting the VIX

We explained the Volatility Index (VIX) back in a July 2019 Dissecting Headlines report. The VIX is a measure of investor expectations of market volatility over the next 30-days. The VIX was created by the Chicago Board Options Exchange (CBOE) and is derived from prices of S&P 500 Index options.

When the VIX rises it reflects rising fear, or pessimism, on the direction of the market. The indicator can often be a contrarian signal, meaning that it is advantageous to buy when fear is high and sell when optimism reigns.

Over the past 10-years, the VIX has averaged 17.26, with a low of 9.14 and a high of 48.00. The VIX moved from 14 to 40 last week on economic fears. Take a look at week's end and see if market sentiment has become more optimistic (VIX declines) or more pessimistic (VIX advances) based on its assessment of the global economy. As we saw last week, things can change quickly.

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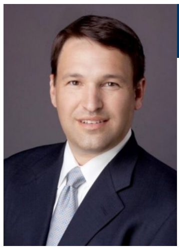
The NovaPoint Capital Team



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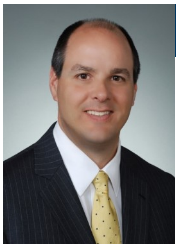
Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and 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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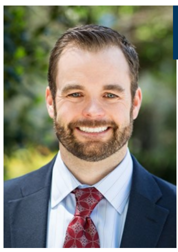
Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet 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.



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 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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