

Silver Linings

As markets continue to experience volatility amid economic concerns from the spread of the coronavirus (COVID-19), we want to look at counterbalancing effects we are seeing to stabilize the economy.

We mentioned last week we believe the economy should self-correct over time. While 10-year Treasury yields have fallen, the Federal Reserve also made the decision to lower short-term interest rates by 0.50% last week to a target rate of 1.00% to 1.25%. This makes short-term borrowing less expensive between financial institutions, as well as for corporations and individuals. Home mortgage rates had already been falling along with longer dated interest rates. The lower cost of borrowing allows companies and consumers to lower their interest expense, which can provide additional cash flow.

Energy prices have also fallen significantly and the effort by OPEC+ members to agree on a production cut failed resulting in even lower energy prices. Lower energy input costs should eventually be seen at the gasoline pump for consumers as well as reduce costs through manufacturing and transportation supply chains. Lower energy prices typically result in a boost to consumer spending as money saved at the pump is available for other discretionary purchases. In our Dissecting Headlines section, we look at OPEC+ and why the effort to stem oil price declines didn't work.

Stability, both in news flow and the financial markets, should eventually restore confidence in consumers and investors.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.6%	-8.0%	Aggregate Bond Index	1.4%	4.9%
Dow Jones Industrial Average	1.8%	-9.4%	U.S. Dollar Index	-2.2%	-0.9%
NASDAQ 100	0.8%	-2.3%	WTI Crude Oil	-7.8%	-32.4%
Russell 2000 (Small Cap Index)	-1.8%	-13.1%	Gold	5.6%	10.3%
International Stocks (MSCI ex-US)	-0.6%	-10.4%	Real Estate (US REIT Index)	3.2%	-4.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: OPEC+

OPEC is the Organization of Petroleum Exporting Countries. It is a cartel of 13 nations, mainly from the Middle East and Africa, that cooperate to set targets for energy production and prices. The cartel controls more than 40% of global oil production. Adding in Russia and a few other countries creates OPEC+, a broader alliance controlling at least half the world's oil.

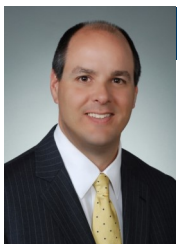
Economic slowing has caused demand for oil to decline. The normal reaction is for OPEC+ to reduce production to keep oil supply balanced with demand. While sometimes a tenuous negotiation, the group usually comes to an agreement. Last week Russia balked at the production cut proposed by Saudi Arabia. The result was Saudi Arabia deciding to lower contract prices and increase production, potentially in a move to punish Russia for not cooperating. This breakdown in the OPEC+ alliance should lower energy prices resulting in the potential boost to consumer spending as mentioned above.

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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