

## Fed Stays on Hold

The Federal Reserve’s Federal Open Market Committee (“FOMC”) held short-term interest rates steady this week. As mentioned in [last week’s Commentary](#), the Fed’s mandate is to promote maximum employment, stable prices, and moderate long-term interest rates. The Fed’s current inflation target is 2% and inflation is currently below that level. This past Friday’s Employment Report showed that the U.S. unemployment rate is at 3.6%, a 49-year low. This economic environment has the Fed on hold from any significant action.

Quarterly corporate earnings reports continue to have a positive surprise averaging +6.3% above consensus. For the S&P 500, 338 out of 500 companies have reported with 76% beating expectations, 6% matching and 18% below expectations. The combined (reported and estimated) earnings growth for the first quarter now stands at +0.9% versus -2.3% three weeks ago. What was initially expected to be a quarter of negative growth now looks to be shaping up as a positive growth quarter.

We’re past the peak of quarterly earnings but with some significant companies still to report. The Producer Price Index (PPI) and Consumer Price Index (CPI) reports will be released later this week. They are good measures of inflation.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.2%	17.5%	International Stocks (MSCI ex-US)	0.7%	13.8%
Dow Jones Industrial Average	-0.1%	13.6%	Aggregate Bond Index	-0.3%	1.7%
NASDAQ 100	0.2%	23.9%	U.S. Dollar Index	-0.5%	1.4%
Russell 2000 (Small Cap Index)	1.4%	19.7%	WTI Crude Oil	-2.1%	36.4%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Consumer Price Index

Inflation is the increase in prices for a basket of goods and services in the economy. If the same basket of items costs 2% more this year than last year, then inflation is 2%. This is important because it means an average consumer needs 2% more money to purchase the same goods. This level of inflation that is experienced by consumers can be measured every month in the Consumer Price Index (CPI).

The Consumer Price Index (CPI) measures goods and services in eight categories: Housing, Food, Health Care, Recreation, Apparel, Transportation, Education/Communication, and Other Goods and Services. It is designed to measure prices across a broad basket that would effect most consumers, or what would be considered “retail inflation”.

Two headline numbers are usually reported: CPI and CPI ex Food and Energy. Food and energy prices can be volatile month-to-month and removing these items measures “core inflation”.

The April CPI report will be released on May 10th. The trailing twelve month change in CPI is currently +1.9% and ex Food and Energy it is +2.0%.

## Do You Know Your Risk Number?

Individuals often classify their investment risk tolerance with adjectives such as "Conservative", "Moderate", or "Aggressive".

These can be highly subjective and may not correctly identify the amount of risk someone is actually comfortable taking.

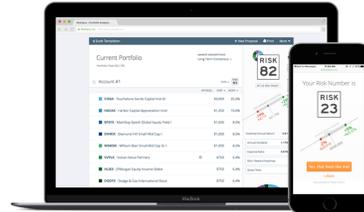
One Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 10%.

While investors understand that the purpose of taking risk is to achieve investment returns, they may not have a realistic sense of how much risk is required to achieve a targeted level of return. In this case, they may not be taking enough risk and won-

dering why they are not able to achieve the returns they want.

We work with our clients to identify the risk they are comfortable taking and balance it with the investment objectives they are seeking to achieve.

Take our complimentary [risk analysis questionnaire](#).



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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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