

Springing Forward

Springing Forward! The equity markets moved to the upside last week. Investors seem to be a little more comfortable with bond yields. Two inflation measures for February, the CPI and PPI, showed an increase in inflation mainly tied to increasing energy prices. The February CPI showed 12-month rate of inflation for consumer goods and services at +1.7%. The PPI showed 12-month rate of inflation at +2.8%. The U.S. 10-year Treasury yield moved higher on the week to 1.635% at Friday’s close versus 1.554% the previous week.

Initial unemployment claims for the week of March 6th were 712,000 versus the previous week at 754,000. Continuing claims for February 27th were 4.114 million versus 4.459 million the week prior. As a comparison, the weekly average of continuing claims for unemployment were 1.7 million prior to the COVID-induced escalation.

With the first quarter of the year almost complete, we look forward to seeing company first quarter reporting beginning in early April. The current consensus expectation for first quarter earnings are grow of 22.3% year-over-year and full-year 2021 earnings growth of 24.3%. COVID-19 impacted many companies for part of the first quarter, then had a greater impact in the second quarter.

In our *Dissecting Headlines* section, we look at the Consumer Price Index as a gauge 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	2.7%	5.3%	Aggregate Bond Index	-0.4%	-3.0%
Dow Jones Industrial Average	4.2%	7.6%	U.S. Dollar Index	-0.3%	1.9%
NASDAQ 100	2.1%	0.5%	WTI Crude Oil	-0.7%	35.2%
Russell 2000 (Small Cap Index)	7.4%	19.3%	Gold	1.5%	-9.0%
International Stocks (MSCI ex-US)	1.8%	5.1%	Real Estate (US REIT Index)	5.0%	8.9%

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”.

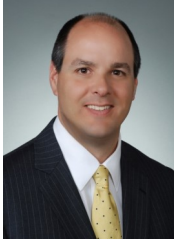
The two headline numbers reported are CPI and CPI ex Food and Energy. Food and energy prices can be volatile month-to-month and removing these items measures “core inflation”. The February CPI report showed trailing twelve month increase of +1.7%. This was largely driven by an increase in food and energy prices. Excluding food and energy, consumer prices have increased 1.3% on a trailing twelve month basis.

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 an endurance athlete and three-time IRONMAN finisher.



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Jeff has 10 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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