

Fed Speak

The Federal Reserve acknowledged some improvement in the economy in its Wednesday Federal Open Market Committee (FOMC) meeting statement, while stating that inflation remains below target. The economic improvement versus inflation battle continues in the fixed income and equity markets. This past week “Team Inflation” won as the equity markets declined and bond yields increased. While Federal Reserve Chairman Jerome Powell indicated the Fed doesn’t plan to raise the short-term target rate any time soon, he did comment during the post-meeting press conference that “the data could get strong fairly quickly here”.

The Dow Jones Industrial Average closed the week -0.4%, the S&P 500 Index was -0.7%, and the NASDAQ 100 Index was -0.5%. The 10-year U.S. Treasury yield moved higher on the week to 1.732% at Friday’s close versus 1.635% the previous week.

Initial unemployment claims for the week of March 13th increased to 770,000 versus the previous week at 725,000. Continuing claims for March 6th were 4.124 million versus 4.142 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 last year.

As we head into the last full week of the first quarter, the current consensus expectation for first quarter earnings is growth of 22.9% year-over-year and full-year 2021 earnings growth of 24.8%.

In our *Dissecting Headlines* section, we look at the recent FOMC meeting statement.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.7%	4.5%	Aggregate Bond Index	-0.2%	-3.3%
Dow Jones Industrial Average	-0.4%	7.1%	U.S. Dollar Index	0.3%	2.2%
NASDAQ 100	-0.5%	0.0%	WTI Crude Oil	-6.4%	26.6%
Russell 2000 (Small Cap Index)	-2.8%	16.0%	Gold	1.1%	-8.0%
International Stocks (MSCI ex-US)	0.0%	5.1%	Real Estate (US REIT Index)	-2.1%	6.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Federal Reserve FOMC Statement

Following each meeting of the Federal Reserve’s Federal Open Market Committee (FOMC) a statement is released. The statement is heavily scrutinized by investors and market watchers for clues to the FOMC’s intentions for interest rate policy and open market operations.

The statement for this past Wednesday’s meeting indicated the Fed sees the economy improving. The updated part of the statement read, “Following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak. Inflation continues to run below 2 percent. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses”.

With unemployment remaining above average and a view that any near-term inflation push is transitory versus long-run, the Fed likely keeps short-term interest rates low for the foreseeable future. That said, Fed Chairman Jerome Powell did indicate in the post meeting press conference that data could always change quickly. The COVID-19 pandemic was a unique event and the economic recovery and policy responses are also likely to be unique.

Both Chairman Powell and Treasury Secretary Janet Yellen are scheduled appear before Congress this coming week and should share some insight on the recovery from the pandemic and where U.S. monetary and fiscal policy goes from here.

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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