NovaPoint CAPITAL LLC

Weekly Market Commentary

March 8, 2021

Goldilocks versus the Bears

Continued upward movement in interest rates pressured stocks during the week, but a strong Employment Report ended the week on a stronger note. The Dow Jones Industrial Average was +1.8%, the S&P 500 Index was +0.8%, and the NASDAQ 100 Index was –1.8%.

The U.S. economy added 379,000 jobs in February versus an expectation of 210,000. The unemployment rate declined slightly to 6.2%. Much of the above-average unemployment remains concentrated in states with more stringent restrictions on businesses and individuals, as well as key travel destination states such as Hawaii and Nevada. The continued rollout of the COVID vaccines should help reduce restrictions in those states. One data point is California's decision to allow theme parks to open on April 1st.

Initial unemployment claims for the week of February 20th were 730,000 versus the previous week at 841,000. Continuing claims for February 13th were 4.419 million versus 4.520 million the week prior.

With only five companies in the S&P 500 remaining to report earnings for the fourth quarter, earnings growth for the quarter should be +4.3% year-over-year versus the expectation of a 10.6% decline as the earnings reporting season started. First quarter earnings are expected to grow 22.0% and full-year 2021 earnings are expected to grow 23.9%.

In our *Dissecting Headlines* section, we look at the recent rise in long-term interest rates.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	0.8%	2.6%	Aggregate Bond Index	-0.7%	-2.6%
Dow Jones Industrial Average	1.8%	3.3%	U.S. Dollar Index	1.2%	2.3%
NASDAQ 100	-1.8%	-1.6%	WTI Crude Oil	7.5%	36.2%
Russell 2000 (Small Cap Index)	-0.4%	11.1%	Gold	-1.9%	-10.3%
International Stocks (MSCI ex-US)	1.0%	3.3%	Real Estate (US REIT Index)	-0.1%	3.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Interest Rates and Inflation

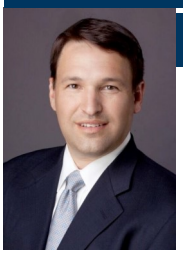
Several good things are happening in the U.S. economy. The rollout of COVID vaccines is helping employment to increase while consumers are expected to travel and spend money in 2021. One consequence of greater demand for goods and services, as well as qualified employees, is inflation. The January measure of wholesale inflation (the Producer Price Index) was +1.3% and retail inflation (the Consumer Price Index) was 0.3%. The February report for both measures will be reported this week.

The Federal Reserve reduced interest rates in early 2020 as a response to the economic fallout from COVID. Fed Chairman Jerome Powell has pledged to leave short-term interest rates low until the economy fully recovers. Bond investors are anticipating that recovery and a more normalized demand for goods and services. This has increased the yield on the 10-Year U.S. Treasury Bond from 0.91% at year-end to 1.55% currently. Prior to the onset of COVID in early February 2020, 10-Year Treasury Bonds were yielding in the range of 1.5% to 1.6%.

The concern over higher prices and higher interest rates, which impact borrowing costs, is that it will start to slow economic growth. This has pressured the stock market as a slowing economy is a bad environment for companies in many industries. Worth noting, this is especially true of some growthier stocks as evidenced by the recent decline in the technology-heavy NASDAQ 100 Index, which is now down year-to-date.

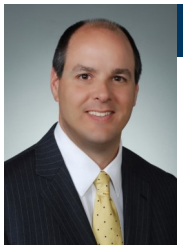
The debate between the Goldilocks economy (steady growth, low inflation) versus the Bears (potential overheating which requires interest rates increases by the Federal Reserve) is likely to playout over the course of 2021.

The NovaPoint Capital Team



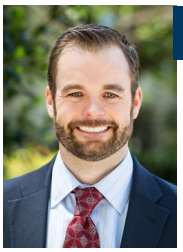
Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointcapital.com

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).



Alan J. Conner / President and Chief Compliance Officer / aconner@novapointcapital.com

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.



Jeffery Wright, CFA / Managing Director & Portfolio Manager / jwright@novapointcapital.com

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).

Frederick Wright, CFA / Managing Director & Portfolio Manager / fwright@novapointcapital.com

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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