NovaPoint CAPITAL LLC

Weekly Market Commentary

May 17, 2021

Take a Breath

The early part of the week saw stocks under pressure from inflation concerns. A rally on Thursday and Friday triggered by the easing of mask wearing guidelines by the Center for Disease Control recouped some of the losses.

The Dow Jones Industrial Average closed the week –1.1%, the S&P 500 Index was –1.3%, and the NASDAQ 100 Index was –2.4%. The U.S. 10-year Treasury bond yield rose to 1.635% at Friday's close versus 1.579% the previous week.

Several large retail companies report this week to close out the first quarter earnings season. Of the 457 companies in the S&P 500 Index that have reported earnings to date, 87.1% have reported earnings above analyst estimates. This week another 19 companies in the S&P 500 Index are scheduled to report earnings. First quarter earnings are expected to grow 50.6% year-over-year, an increase from last week's expectation of 50.4% growth and 25.0% at the start of the quarterly reporting. Full-year 2021 earnings are expected to grow 35.1% year-over-year versus expectations of 34.7% growth last week and 26.5% at the start of the quarterly reporting.

Initial unemployment claims for the week of May 8th decreased to 473,000 versus the previous week at 507,000. Continuing claims for May 1st were 3.655 million versus 3.700 million the week prior.

The Consumer Price Index showed retail prices +4.2% higher over the past 12-months and the Producer Price Index showed wholesale prices +4.6% higher. We take a look at the current inflationary pressures in our *Dissecting Headlines* section.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-1.3%	11.7%	Aggregate Bond Index	-0.5%	-2.6%
Dow Jones Industrial Average	-1.1%	13.1%	U.S. Dollar Index	0.1%	0.4%
NASDAQ 100	-2.4%	4.2%	WTI Crude Oil	0.7%	34.7%
Russell 2000 (Small Cap Index)	-2.0%	13.0%	Gold	0.6%	-2.9%
International Stocks (MSCI ex-US)	-1.6%	7.6%	Real Estate (US REIT Index)	-1.3%	14.2%

Sources: S&P Global, Thomson Reuters

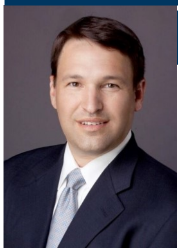
Dissecting Headlines: Inflation Watch

The April Consumer Price Index (CPI) and Producer Price Index (PPI) showed signs of an uptick in inflation. There are several reasons for the increase. First, prices naturally rise over time in a growing economy. In the recovery from the COVID-driven recession, prices have increased. Second, various industries that shutdown production and furloughed workers during COVID have yet to increase production to meet a resurgence in demand as the economy has reopened. Third, some industries have acute shortages. The current shortage of semiconductors has limited automobile production causing used car prices to increase 21% year-over-year. Fourth, the current measurement period for year-over-year comparisons is from the depth of the pandemic. Gasoline prices are 49% higher year-over-year because they are comparing versus the drastic falloff in demand during COVID. Fifth, the government in an attempt to stimulate the economy has been pushing out trillions of dollars. Most of this has occurred while there was little outlet for the spending due to travel and business restrictions in most of the country.

Some of the inflationary pressures, such as energy and automobile prices, are likely transitory. Others, such as commercial transportation expenses and commodity prices, are likely persistent until an adequate supply response evolves or demand becomes satiated. Inflation is also measured in rate-of-change, either year-over-year or month-over-month changes in prices, so as we distance ourselves from the recession and the pandemic, the rates of change are likely to normalize.

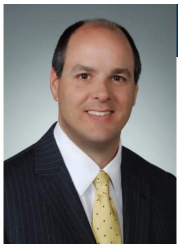
The Federal Reserve has kept short-term interest rates low to make sure the economy can fully recover from the pandemic. The economy is currently running above the Fed's targeted inflation rate of 2%. If the inflation turns out to be transitory, they will likely remain patient. If it persists, they may need to adjust their stance on monetary policy.

The NovaPoint Capital Team



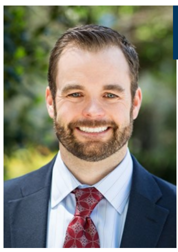
Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointcapital.com

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).