

## Mix and Mingle

Investors appear to be absorbing the inflation story well as the equity markets all posted positive returns for the week. The Dow Jones Industrial Average closed the week +1.0%, the S&P 500 Index was +1.2%, and the NASDAQ 100 Index was +2.0%. The U.S. 10-year Treasury bond yield decreased to 1.593% at Friday's close versus 1.632% the previous week, potentially indicating bond market investors are buying into the transitory inflation thesis.

Much of America appears to be moving past COVID during the holiday weekend. You may have seen traffic, crowded restaurants, and greater activity at malls, movie theaters, and recreational outlets. Airports saw the highest number of travelers since the onset of the pandemic.

With only 11 companies in the S&P 500 Index left to report earnings for the first quarter, S&P 500 earnings should wind up increasing 52.5% year-over-year on 13.5% revenue growth. This is a large increase versus the expectation that first quarter earnings would increase 25.0% when the earnings reporting season started. Looking ahead, second quarter earnings are currently expected to increase 63.0% year-over-year on 18% revenue growth. This should mark the peak of the relative comparison against the trough of COVID from 2020. Third quarter earnings are expected to increase 24.0% and fourth quarter earnings are expected to increase 16.7%. Full-year 2021 earnings are expected to increase 36.0%. This week seven companies in the S&P 500 Index are scheduled to report earnings.

Initial unemployment claims for the week of May 22nd decreased to 406,000 versus the previous week at 440,000. Continuing claims for May 15th were 3.642 million versus 3.738 million the week prior. We will get additional data this coming Friday with the May jobs report.

In our *Dissecting Headlines* section, we will look at some additional data contributing to the inflation debate.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.2%	12.6%	Aggregate Bond Index	0.2%	-2.2%
Dow Jones Industrial Average	1.0%	13.8%	U.S. Dollar Index	0.0%	0.1%
NASDAQ 100	2.1%	6.5%	WTI Crude Oil	4.3%	36.7%
Russell 2000 (Small Cap Index)	2.4%	15.3%	Gold	1.2%	0.3%
International Stocks (MSCI ex-US)	1.6%	10.0%	Real Estate (US REIT Index)	2.0%	17.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Personal Consumption Expenditures

The Personal Consumption Expenditures (PCE) Index is another measure of price changes for consumers. Like the Consumer Price Index, it measures prices of goods and services commonly purchased by households. There are some differences in the methodology between the two such as the PCE being able to reflect consumer substitution of items as prices change and the CPI measuring urban households versus the PCE measuring all households as well as nonprofit institutions serving households. The data for both indices come from separate surveys as well. The Federal Reserve focuses on the PCE as its primary gauge for consumer inflation mainly because of the wider scope and the substitution effect measurements.

For April, the PCE showed prices up +0.6% month-to-month and +3.6% year-over-year. This compares to the April CPI which was +0.8% month-to-month and +4.2% year-over-year. Since the CPI data is released earlier in the month, it generally captures the headlines. Last week's PCE release was not as much of a news shock and both the fixed income and equity markets appeared to absorb the information well, however, the persistent versus transitory inflation debate is likely to remain.

## The NovaPoint Capital Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto: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).



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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.



**Jeffery Wright, CFA / Managing Director & Portfolio Manager / [jwright@novapointcapital.com](mailto: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](mailto: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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