

## Stockathlon

Despite good earnings from the major banks and some other companies in the first week of second quarter earnings reporting, the market averages struggled in the back half of the week. Continued presence of inflationary pressures and unknown potential impact of the COVID Delta variant led investor concerns. The S&P 500 Index closed the week -1.0%, the NASDAQ -1.0% and the Dow -0.5%. The U.S. 10-year Treasury bond yield decreased to 1.300% at Friday's close versus 1.361% the previous week.

The second quarter earnings reporting season continues to ramp up this week with 81 companies in the S&P 500 Index scheduled to report earnings. The current expectation is for S&P 500 earnings growth of 72.0% year over year, an increase from the expectation of 65.8% year over year growth from last week.

Initial unemployment claims for the week of July 10th decreased to 360,000 versus the previous week at 386,000. Continuing claims for July 3rd were 3.241 million versus 3.367 million the week prior. The Federal Reserve continues to point to employment as its primary reason for keeping monetary policy supportive.

In our *Dissecting Headlines* section, we take a look at current monetary policy.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-1.0%	16.1%	Aggregate Bond Index	0.3%	-0.7%
Dow Jones Industrial Average	-0.5%	14.4%	U.S. Dollar Index	0.6%	3.1%
NASDAQ 100	-1.0%	14.4%	WTI Crude Oil	-3.7%	48.0%
Russell 2000 (Small Cap Index)	-5.1%	10.1%	Gold	0.2%	-4.5%
International Stocks (MSCI ex-US)	-1.3%	6.7%	Real Estate (US REIT Index)	0.6%	24.6%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Monetary Policy

Federal Reserve Chairman Jerome Powell presented his Semiannual Monetary Policy Report to Congress last week. He acknowledged that the economy has been recovering from the COVID-19 pandemic. This economic growth has elevated price levels in the economy as supply has not yet caught up with increased demand from consumers and producers. The Federal Reserve is content to live with these inflationary pressures and plans to keep monetary policy accommodative until the labor market returns to pre-pandemic levels.

Monetary policy is what the Federal Reserve does to influence the amount of money and credit in the economy. The two major tools are interest rate policy and open market operations. When the pandemic hit the economy in the first quarter of 2020, the Federal Reserve cut its short-term interest rate target to near zero. This influences expansion of credit to help the economy. It also began an aggressive bond buying program that help put liquidity, or the supply of money, into the economy. Two of the Federal Reserve's key mandates are price stability (managing inflation) and employment. Currently, the Federal Reserve is content to allow prices to remain elevated while it works on returning the economy to a stronger employment situation.

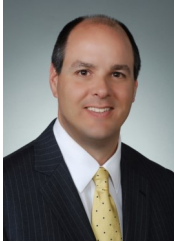
We have been monitoring the employment situation every week (see above) because we think that is the key element to anticipating eventual changes in monetary policy.

## The NovaPoint Capital Team



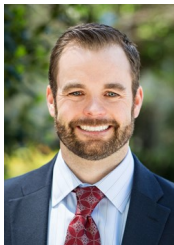
**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto:jsroka@novapointcapital.com)**

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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointcapital.com](mailto: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](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 30 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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