

Letting off Steam

While inflation sparked by the rapid economic rebound is still elevated, the recent Consumer Price Index (CPI) and Producer Price Index (PPI) reports may suggest the surge is losing some steam. We are not out of the woods yet, but the concern of runaway inflation may be overdone. The S&P 500 Index closed the week +0.8%, the NASDAQ +0.2% and the Dow +0.9%. The U.S. 10-year Treasury bond yield decreased to 1.283% at Friday's close versus 1.305% the previous week.

The second quarter earnings reporting season turns to some of the major retailers this week. In all, 19 companies in the S&P 500 are scheduled to report earnings. The current expectation for 2Q is for S&P 500 earnings growth of 93.8% y/y versus a 93.1% forecast last week. The July Retail Sales report is also scheduled for this week, so we should get a clearer picture on recent retail spending trends.

Initial unemployment claims for the week of August 7th decreased to 375,000 versus the previous week at 387,000. Continuing claims for July 31st were 2.866 million versus 2.980 million the week prior. The minutes of the Federal Reserve's recent Federal Open Market Committee are scheduled to be released this week. That could shed some additional light on the Fed's views on when it could act on tapering bond purchases.

In our *Dissecting Headlines* section, we look at the July CPI and PPI reports to gauge the current levels of inflation in the economy.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.8%	20.0%	Aggregate Bond Index	0.0%	-0.6%
Dow Jones Industrial Average	0.9%	17.3%	U.S. Dollar Index	-0.3%	2.9%
NASDAQ 100	0.2%	18.0%	WTI Crude Oil	0.2%	41.1%
Russell 2000 (Small Cap Index)	-1.1%	13.2%	Gold	0.9%	-6.2%
International Stocks (MSCI ex-US)	0.7%	8.4%	Real Estate (US REIT Index)	-0.3%	25.5%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: July Inflation Trends

While inflation levels are still elevated and above the Fed's target levels, the July CPI report showed the month-to-month change in prices had abated with headline inflation increasing 0.5% month-to-month versus 0.9% month-to-month in June. The year-over-year inflation rate was +5.4%, which was consistent with last month.

The CPI excluding food and energy prices was +0.3% month-to-month in July versus +0.9% month-to-month in June. Energy prices had the highest month-to-month increase in July out of the major categories at +2.3%. Food gained 0.7% month-to-month in July versus +0.8% month-to-month in June. Used car prices, which had been increasing rapidly, slowed. Used car prices were 0.2% higher month-to-month versus a string of +10.0% (April), +7.3% (May), and +10.5% (June) monthly increases. New car prices were +1.2% month-to-month in July versus +2.0% in June.

The PPI report showed final demand prices +1.0% month-to-month in July, consistent with a 1.0% increase in June. The year-over-year change was +7.8% in July versus +7.3% in June. Final demand prices for goods decelerated month-to-month with a 0.6% increase in July versus +1.2% in June while final demand prices for services accelerated month-to-month with a 1.1% increase in July versus +0.8% in June.

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 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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