

## Good Enough to Taper

The announcement of an agreement to temporarily increase the U.S. debt ceiling helped markets recover toward week's end, then a lackluster employment report pushed markets down on Friday. The S&P 500 was +0.8%, the Dow was +1.3% and the NASDAQ was +0.2%. Oil was again the winner for the week, closing +4.6%. The U.S. 10-year Treasury bond yield increased to 1.603% at Friday's close versus 1.465% the previous week.

The U.S. economy added 194,000 new jobs in September. This was well below the 500,000 increase that was expected. The private sector added 317,000 new jobs while the government lost 123,000 jobs. The unemployment rate declined to 4.8% from 5.2% in August. This was partially due to a labor force reduction of 183,000 as some individuals whose benefits expired stopped looking for work. There remains a large mismatch with 11 million open jobs and 8 million unemployed individuals. The September employment report, especially given the private sector growth, was likely still "good enough" for the Fed to begin tapering its bond purchases starting in November.

Initial unemployment claims for the week of October 2nd decreased to 326,000 versus the previous week at 364,000. Continuing claims for September 25th were 2.714 million versus 2.811 million the week prior.

Several of the large banks are scheduled to report earnings this week as the third quarter earnings season gets in gear. Current forecast for the S&P 500 Index is for earnings to be +29.6% year-over-year. Nineteen companies in the S&P 500 Index are scheduled to report this week.

In our *Dissecting Headlines* section, we look how inflation, measured from Consumer Price Index data, is impacting breakfast.

## 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%	18.2%	Aggregate Bond Index	-0.7%	-1.7%
Dow Jones Industrial Average	1.3%	15.2%	U.S. Dollar Index	0.0%	4.6%
NASDAQ 100	0.2%	15.6%	WTI Crude Oil	4.6%	63.5%
Russell 2000 (Small Cap Index)	-0.4%	13.9%	Gold	-0.2%	-7.4%
International Stocks (MSCI ex-US)	0.1%	5.0%	Real Estate (US REIT Index)	-0.1%	21.7%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Breakfast

To put inflation data into a tangible snapshot that is easily relatable, let's examine its impact on breakfast. The table on the right shows year-over-year changes in breakfast food items for August 2021 versus August 2020 and August 2020 versus August 2019.

While prices are broadly higher over both measurement periods, individual categories vary. The current increase in the cost of bacon is particularly painful to see. Not all items are experiencing as rapid inflation, as seen in the relatively tamer increases this year in milk, potatoes, and bread versus a year ago.

One broad point is that the cost of food at home (groceries) grew faster during the peak of COVID while the cost of food away from home (restaurants) has grown faster during the recovery. This can likely be attributed to the shift toward staying at home that has now reverted to going out more.

Food has always been a more volatile month-to-month component of the CPI and we can see from the two sets of data that items within the food category can vary greatly.

### Consumer Price Index Changes Year/Year

	<u>Aug 2021 v Aug 2020</u>	<u>Aug 2020 v. Aug 2019</u>
<b>All CPI Items</b>	<b>5.3%</b>	<b>1.3%</b>
Food	3.7%	4.1%
Food at Home	3.0%	4.6%
Food Away From Home	4.7%	3.5%
Eggs	9.9%	7.1%
Bacon	17.0%	3.6%
Potatoes	-1.7%	4.9%
Bread	0.6%	5.2%
Milk	1.3%	7.7%
Coffee	2.0%	0.2%
Cereal	3.6%	0.5%
Fresh Fruit	3.7%	1.5%

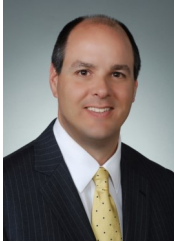
Source: US Bureau of Labor Statistics

## The NovaPoint 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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Tim has over 15 years of experience in the investment management industry. Prior to joining NovaPoint, Tim was the managing partner of Bull's Eye Wealth Management. Tim began his investment career at Raymond James & Associates and was a co-founder of Black Diamond Investment Partners. Following Black Diamond's merger with Waterloo Capital Management, Tim left to found Bull's Eye. He holds a BS from the University of South Carolina and an MBA from the University of Rochester. Tim is a Certified Financial Planner (CFP).

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