

Stocktober

Corporate earnings led the market again last week. Of the 117 companies in the S&P 500 Index that have reported earnings for the quarter, 83.8% have reported earnings above consensus estimates. The S&P 500 was +1.7%, the Dow was +1.1% and the NASDAQ was +1.4%. Oil continued its multi-week rally, +1.8%. The U.S. 10-year Treasury bond yield increased to 1.638% at Friday's close versus 1.574% the previous week.

Current forecast for the S&P 500 Index is for earnings to be +34.8% y/y versus an expectation of +32.0% last week. This week 165 companies in the S&P 500 are scheduled to report earnings. Continued container port and logistics congestion and the impacts of inflation were called out across multiple industries during quarterly earnings reports. One common theme was companies paying expedited freight costs to fill customer orders.

Initial unemployment claims for the week of October 16th decreased to 290,000 versus the previous week at 296,000. Continuing claims for October 9th were 2.481 million versus 2.603 million the week prior. While there are still dislocations in the labor market, the Federal Reserve has indicated that the further substantial progress in the labor market to begin tapering its monthly bond purchases has largely been achieved. Tapering of bond purchases likely begins in November.

In our *Dissecting Headlines* section, we look at Disinflation.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.7%	22.4%	Aggregate Bond Index	-0.3%	-1.8%
Dow Jones Industrial Average	1.1%	18.3%	U.S. Dollar Index	-0.3%	4.1%
NASDAQ 100	1.4%	19.8%	WTI Crude Oil	1.8%	72.6%
Russell 2000 (Small Cap Index)	1.1%	16.9%	Gold	1.4%	-5.5%
International Stocks (MSCI ex-US)	0.6%	8.4%	Real Estate (US REIT Index)	1.9%	28.9%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Disinflation

The recent increase in the rate of inflation has caused consumers to worry over how high some prices can go. What has been problematic is not inflation in general, but the acceleration in the rate of inflation. What would calm consumers and investors is not deflation, but disinflation. While deflation is the price of goods going down, thus making it the opposite of inflation, broad deflation occurs very rarely across the economy. When broad deflation does occur, it is typically a bad signal for economic growth. Disinflation, or a reduction in the rate of inflation, is a more typical outcome and can be a healthy signal for the economy.

While some prices can fall on a secular basis because of innovation (think flat screen televisions) or fall during short term reduction in demand (think gasoline during COVID), a growing economy with growing wages typically sees a modest level of overall inflation. This is the 2% target rate that the Federal Reserve discusses. Deflation or extremely low inflation can be a signal of low economic growth, which often results in the Central Bank stimulating demand through lower interest rates and higher liquidity. With the Federal Reserve currently looking to reduce the level of accommodative monetary policy put in place at the outset of the COVID-19 pandemic, it is working to reign in the accelerating levels of inflation back toward its 2% target, or create an environment of disinflation until the target is reached.

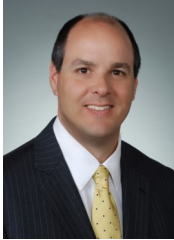
A period of disinflation is likely to be met with better stability in the labor market, since wages are not rising as quickly and better stability in consumer spending as prices are not rising as rapidly. This is the scenario where the Federal Reserve is trying to cool down the economy and create price stability without being too aggressive and pushing the economy into a recession. This should play out over the course of 2022 and 2023.

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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