

Fed Up

The Federal Reserve meeting provided a roadmap for 2022 monetary policy which we think was favorably received by the markets, however, concern surrounding the omicron variant returned following increases in positive testing across several countries. The net effect had the S&P 500 Index lower for the week by -1.9%, the Dow was -1.7% and the NASDAQ was -3.2%. The U.S. 10-year Treasury bond yield decreased to 1.407% at Friday's close versus 1.482% the previous week.

On again, off again concerns regarding the potential impact of the omicron variant have whipsawed markets over the past few weeks. Early indications from South Africa that the omicron severity in patients has been mild gives us confidence there should not be lasting negative impact to the economy.

Senator Joe Manchin's announcement he will not support the current Build Back Better spending plan puts approximately \$1.75 trillion of government spending on hold.

Looking ahead, fourth quarter earnings are expected to grow 22.2% on 11.9% revenue growth. This is a slight increase from the 22.0% growth forecasted last week.

In our *Dissecting Headlines* section, we look at some details from the recent Federal Reserve meeting.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-1.9%	24.7%	Aggregate Bond Index	0.3%	-1.0%
Dow Jones Industrial Average	-1.7%	17.7%	U.S. Dollar Index	0.5%	7.4%
NASDAQ 100	-3.2%	23.4%	WTI Crude Oil	-1.1%	46.0%
Russell 2000 (Small Cap Index)	-1.7%	11.1%	Gold	0.9%	-5.2%
International Stocks (MSCI ex-US)	-3.2%	2.4%	Real Estate (US REIT Index)	0.7%	33.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Federal Reserve Meeting Review

Two key mandates for the Federal Reserve are employment and price stability. When the economy locked down in early 2020 due to the COVID pandemic, the Fed acted quickly by reducing short-term interest rates to near zero and providing financial liquidity by purchasing government and mortgage bonds in the open market.

Now that the economy has largely recovered from the impact of the pandemic and inflation has been on the rise, the Fed is beginning to reduce its accommodative policy stance. At last week's Federal Open Market Committee (FOMC) meeting, the committee indicated the Fed's 2022 plans are to increase the Fed funds target rate from its current 0% to 0.25% range, up to a 0.75% to 1.00% range. This would likely be accomplished by three individual increases of 0.25% over the course of the year.

The Fed has also started slowing the level of bonds it purchases each month and now plans to accelerate that reduction (or "tapering") to complete its program by the end of the first quarter of 2022. Previously, we had anticipated the bond tapering could last through mid-2022. Once the tapering has been completed, the Fed can assess the current economic situation and the FOMC can vote on changes in short-term interest rates.

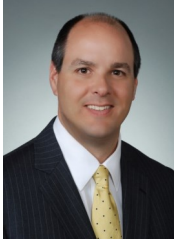
This change in policy has been clearly communicated and can be supported by evidence of improvement in employment and rising prices.

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.



Jeffery Wright, CFA / Managing Director & Portfolio Manager / 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).



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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).



Timothy Benbow, CFP / Managing Director & Portfolio Manager / tbenbow@novapointcapital.com

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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