

## Fast Forward

The equity markets struggled the first week of the new year after the minutes from the December Federal Reserve meeting, which were released this past Wednesday, indicated the Fed could potentially accelerate its actions to slow bond buying, raise short-term rates, and shrink its balance sheet. The news sent equities down for the week and interest rates higher. The S&P 500 Index ended the week -1.8%, the Dow was +0.2%, and the NASDAQ was -4.4%. The U.S. 10-year Treasury bond yield increased to 1.766% at Friday’s close versus 1.512% the previous week.

Nonfarm payrolls rose by 199,000 in December, below the consensus estimate of 422,000. This is the second consecutive month of job growth below expectations. The unemployment rate was 3.9% versus 4.2% in November. In a continuation of the re-opening trend, the leisure and hospitality sector saw the best job gains for the month.

A few companies begin fourth quarter 2021 earnings reporting this week and that tempo will increase over the next few weeks. Heading into the start of the reporting season, 4Q21 earnings are expected to grow 22.4% on 12.1% revenue growth.

In our *Dissecting Headlines* section, we look at the December Federal Reserve meeting minutes.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-1.8%	-1.8%	Aggregate Bond Index	-1.3%	-1.3%
Dow Jones Industrial Average	-0.2%	-0.2%	U.S. Dollar Index	-0.3%	-0.3%
NASDAQ 100	-4.4%	-4.4%	WTI Crude Oil	4.9%	4.9%
Russell 2000 (Small Cap Index)	-2.9%	-2.9%	Gold	-1.8%	-1.8%
International Stocks (MSCI ex-US)	-0.4%	-0.4%	Real Estate (US REIT Index)	-3.3%	-3.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: December Fed Meeting Minutes

In the quarterly summary of economic projections released in December, the Federal Reserve laid out a good road map for its actions for 2022. It would accelerate the tapering of the monthly bond buying program and have the program completed by the end of the first quarter of the year. It would also raise short-term interest rates three times at 0.25% each. This is a normalization of the previous accommodative policy put in place in the early days of the pandemic.

This past Wednesday, the minutes of the December Federal Reserve meeting indicated Fed officials could accelerate its actions even further. Not only would it complete the taper and start raising short-term interest rates as soon as March, but it would also start unwinding its \$8.8 trillion balance sheet. Much of the treasury bonds and mortgage-backed securities on the Fed balance sheet have been accumulated during the pandemic.

This swifter call to action caused interest rates to increase. The ten-year treasury bond ended the week at a yield of 1.766%, up from 1.512% the week prior.

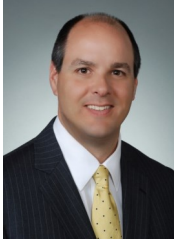
The Fed appears to be responding more to the problematic inflation trends than its other focus of full-employment. As mentioned above, job growth has underperformed expectations the past two months. We will likely learn more in a few weeks following the January 25th—26th Federal Reserve meeting.

## 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](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).



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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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