

Keeping Resolutions

January 17th is deemed Quit Day, or Ditch New Years' Resolution Day, because it is typically the day most people have already left behind their resolutions. People typically do this because it is hard to maintain their discipline. While the first two weeks of January have been tough in the financial markets as well, we'd urge investors to maintain their discipline and persevere. The equity markets were mixed in the second week of the year. The S&P 500 Index ended the week -0.3%, the Dow was -0.9%, and the NASDAQ eked out a +0.1 return. The U.S. 10-year Treasury bond yield increased to 1.793% at Friday's close versus 1.766% the previous week.

Fed Chairman Jerome Powell spoke at his Senate confirmation hearing last week. He clarified a few items that caused concern from the December Fed meeting minutes. He said he thinks the Fed will end asset purchases in March, raise rates over the course of the year, and allow the balance sheet to run off later in the year. This last item, that balance sheet run off would occur later in the year, was enough to calm the markets as it means the Fed won't reduce liquidity in the markets too quickly. The concern raised by the Fed meeting minutes was that balance sheet run off would occur simultaneously with rate hikes.

For the fourth quarter of 2021, 26 companies have reported earnings results and 76.9% have reported earnings above analyst estimates. This compares to a long-term average of 65.9% and prior four quarter average of 83.9%. The current consensus forecast is for fourth quarter earnings to grow 23.1% on 12.2% revenue growth versus an expectation of 22.4% earnings growth on 12.1% revenue growth at the start of the earnings season. During the coming week, 40 more companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the sector level growth expectations for the S&P 500 Index.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.3%	-2.1%	Aggregate Bond Index	-0.3%	-1.6%
Dow Jones Industrial Average	-0.9%	-1.1%	U.S. Dollar Index	-0.6%	-0.8%
NASDAQ 100	0.1%	-4.3%	WTI Crude Oil	6.2%	11.4%
Russell 2000 (Small Cap Index)	-0.8%	-3.7%	Gold	1.2%	-0.6%
International Stocks (MSCI ex-US)	1.0%	0.7%	Real Estate (US REIT Index)	-0.8%	-4.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Sector Level Earnings Outlook

The current consensus forecast is for 4Q21 earnings to grow 23.1% on 12.2% revenue growth. These year/year comparisons vary by sector as we are still in year/year comparison to an economy impacted by COVID restrictions.

The Energy sector, while a small part of the S&P 500 Index at 2.7%, has a large impact on the 23.1% earnings growth as it was negative in the fourth quarter of 2020. It has rebounded strongly supported by the price of oil and return of travel to near normal levels. Excluding the Energy sector, the remainder of the S&P 500 Index is forecasted to grow earnings by 15.1%.

Outside of Energy, other cyclical sectors, such as Industrials and Materials, are expected to grow earnings substantially with Materials +63.9% and Industrials +52.4%. Again, this is the impact of a normalizing economy as COVID has subsided.

Sectors which were steadier during COVID, such as Consumer Staples and Utilities, should experience more subdued earnings growth with Consumer Staples +3.5% and Utilities +0.7%.

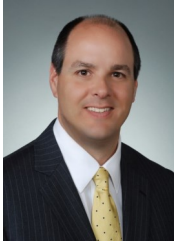
Information Technology is the S&P 500's largest sector with a 29.2% weighting. Information Technology earnings are expected to grow 15.6% for the fourth quarter.

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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