

## Earnings Buoy Markets

Buoyed by several strong corporate earnings reports, the major U.S. equity indices all closed the week higher for the first time this year. The S&P 500 Index ended the week +0.8%, the Dow was +1.3%, and the NASDAQ was +0.1%. The U.S. 10-year Treasury bond yield increased to 1.778% at Friday's close versus 1.771% the previous week.

For the fourth quarter of 2021, 168 companies in the S&P 500 Index have reported earnings results and 77.4% 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 25.2% on 13.4% 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, 108 companies in the S&P 500 Index are scheduled to report earnings.

The Federal Reserve held its January meeting last week. It announced that it would soon be appropriate to start raising short-term interest rates. It is widely anticipated that the Federal Reserve will increase the Fed funds target rate by 0.25% following its meeting on March 16th. The tapering of monthly bond purchases should be substantially complete by that time as well.

In our *Dissecting Headlines* section, we look at the frequency of market corrections.

## 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%	-6.9%	Aggregate Bond Index	-0.4%	-1.9%
Dow Jones Industrial Average	1.3%	-4.4%	U.S. Dollar Index	1.7%	1.4%
NASDAQ 100	0.1%	-11.4%	WTI Crude Oil	2.0%	15.4%
Russell 2000 (Small Cap Index)	-1.0%	-12.3%	Gold	-2.3%	-2.0%
International Stocks (MSCI ex-US)	-3.6%	-4.8%	Real Estate (US REIT Index)	-0.4%	-8.1%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Corrections and Recoveries

Whenever stocks decline by 10% it is deemed a market correction. While these can be unexpected and result in swift downturns, they are not rare. Over the past 75 years, there have been eighty-four declines in the S&P 500 Index between 5% and 10%, twenty-nine declines between 10% and 20%, nine declines between 20% and 40%, and three declines greater than 40%.

The recoveries from these downturns tend to be proportionate to the magnitude of the declines. The average time to recover from a 5% to 10% decline is one month. For a 10% to 20% decline, the recoveries have averaged four months. For a 20% to 40% decline, the recoveries have averaged 14 months, and for the few severe declines over 40% the recovery time has averaged 58 months.

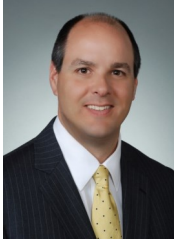
Most major declines are associated with severe economic or geopolitical events, whereas the shallower corrections are simply a recurring function of market volatility. Volatility is one of the conditions investors need to accept to benefit from the long-term growth potential of investing in equities. As we presented in our January 3rd report, the S&P 500 Index has a long-term track-record of rising annually 74% of the time with an average return around 10%.

## The NovaPoint Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto:jsroka@novapointcapital.com)**

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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointcapital.com](mailto:aconner@novapointcapital.com)**

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).



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointcapital.com](mailto:fwright@novapointcapital.com)**

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](mailto: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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