

Where is the Love?

Geopolitical tension over Russia-Ukraine knocked back the equity markets on Friday afternoon. This brought a two-week win streak to an end for the major averages. The S&P 500 Index ended the week - 1.8%, the Dow was -1.0%, and the NASDAQ was -3.0%. The U.S. 10-year Treasury bond yield increased to 1.918% at Friday's close versus 1.916% the previous week, but its yield briefly eclipsed 2% on Thursday for the first time since 2019.

For the fourth quarter of 2021, 358 companies in the S&P 500 Index have reported earnings results and 78.2% 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 31.0% on 14.5% 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, 59 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at changes in consumer behavior due to inflation.

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%	-7.2%	Aggregate Bond Index	-0.4%	-3.1%
Dow Jones Industrial Average	-1.0%	-4.3%	U.S. Dollar Index	0.6%	0.1%
NASDAQ 100	-3.0%	-12.6%	WTI Crude Oil	0.9%	23.8%
Russell 2000 (Small Cap Index)	1.4%	-9.5%	Gold	2.9%	1.7%
International Stocks (MSCI ex-US)	1.5%	-1.2%	Real Estate (US REIT Index)	-1.5%	-9.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Consumer Behavior

The Consumer Price Index (CPI) for January showed year-over-year inflation of 7.5%. This is the highest rate of price increases in several decades. Higher energy prices have been a large part of the increase since last year, and the core CPI, which excludes changes in food and energy prices, was 6.0% higher year-over-year.

While the core CPI excludes changes in food and energy prices, we all continue to buy food to eat and energy to power our cars and homes, regardless of higher prices, as they contribute to our overall cost of living. Average wages are higher year-over-year as well, but do not fully make up the changes in consumer prices for most Americans.

What we are starting to see is substitution behavior among consumers to combat the impact of inflation. Dealing with stretched household budgets, estimated to be \$250 to \$300 higher per month to purchase the same goods, can prompt the search for alternatives. Data from IRI, a consumer goods and retail analytics firm, shows that while the dollar value of the average shopping basket has increased over the past year, the number of items in the basket has declined. Choices can vary by consumer, but some may be reducing impulse item purchases such as flowers or snacks. Bulk purchasing can also increase during inflationary periods, as well as brand substitution to private-labeled goods, and shopping at more value-focused retailers.

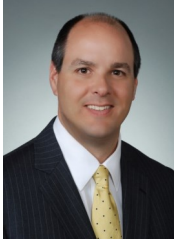
As mentioned, wage increases can support some inflationary pressures. Employment growth can also support some inflation pressure as one-income households become two-income households. An increase in labor force participation, particularly as schools fully re-open post-COVID, can be supportive of household income.

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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