

Wall of Worry

Concern over tensions between Russia-Ukraine, and impact of inflation and Fed actions in the U.S. have built a wall of worry year-to-date that the equity markets have yet to be able to climb. The S&P 500 Index ended the week - 1.5%, the Dow was -1.8%, and the NASDAQ was -1.7%. The U.S. 10-year Treasury bond yield increased to 1.927% at Friday's close versus 1.918% the previous week, but its yield was back above 2% again intraweek for the second week in a row.

For the fourth quarter of 2021, 417 companies in the S&P 500 Index have reported earnings results and 77.9% 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 31.8% 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, 55 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at what is causing the worry in the markets.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-1.5%	-8.6%	Aggregate Bond Index	-0.2%	-3.3%
Dow Jones Industrial Average	-1.8%	-6.0%	U.S. Dollar Index	0.0%	0.1%
NASDAQ 100	-1.7%	-14.1%	WTI Crude Oil	-2.2%	21.1%
Russell 2000 (Small Cap Index)	-1.0%	-10.4%	Gold	2.0%	3.8%
International Stocks (MSCI ex-US)	-1.6%	-2.8%	Real Estate (US REIT Index)	-0.9%	-10.5%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Sources of Worry

Stocks typically climb walls of worry because investors see the worry as temporary. This hasn't been the case year-to-date. The dual concerns over persistent inflation and the Federal Reserve's looming interest rate increases and the situation between Russia-Ukraine have pressured markets since the start of 2022. Resolution of these concerns are likely important gating factors to a recovery in stock prices.

The Federal Reserve has outlined a plan to remove monetary stimulus through tapering of monthly bond purchases and increases in the Fed funds rate. The tapering is currently underway and should be complete before the end of March. The next Federal Open Market Committee (FOMC) meeting is scheduled for March 15th and 16th. The FOMC likely begins a series of increases in the Fed funds rate at that time. Several Fed officials have been in the news lately offering their views on what actions to take. St. Louis Fed president James Bullard has advocated for a 0.50% increase at the March meeting and have the Fed funds rate at 1.00% by July 1st. New York Fed president John Williams has advocated for a more measured approach, likely a series of 0.25% increases. How fast and how far the FOMC moves on interest rates is a worry as well as how it works to combat inflation.

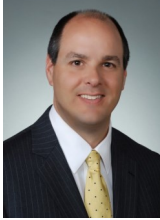
The situation between Russia and Ukraine has economic implications for the market. Destabilizing the region would create economic disruption both locally and across Europe. Disruptions in oil and gas exports would also continue to push energy prices higher globally. In an economic environment already dealing with inflationary pressures, a further increase in energy prices would negatively impact growth. The latest news over the weekend is that Russian president Putin and U.S. president Biden have agreed in principal to discuss security concerns in the region at the invitation of French president Macron.

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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Jeff has 10 years of experience in the investment management industry. 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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Allan has over 7 years of investment industry experience. Prior to joining NovaPoint, he worked at an independent RIA firm. Allan began his investment advisory career with Edward Jones. He earned his BA from the University of West Georgia.

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