

Job Growth Surprises

The reaction to multiple earnings reports this past week was a rollercoaster. Overall, the markets posted positive back-to-back weeks due to more upside than downside earnings reports and a better-than-expected January employment report. The S&P 500 Index ended the week +1.6%, the Dow was +1.1%, and the NASDAQ was +1.7%. The U.S. 10-year Treasury bond yield increased to 1.916% at Friday's close versus 1.778% the previous week.

For the fourth quarter of 2021, 278 companies in the S&P 500 Index have reported earnings results and 78.4% 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 27.2% on 14.2% 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, 82 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the upside surprise from the January employment report.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.6%	-5.5%	Aggregate Bond Index	-0.8%	-2.7%
Dow Jones Industrial Average	1.1%	-3.3%	U.S. Dollar Index	-1.8%	-0.5%
NASDAQ 100	1.7%	-9.9%	WTI Crude Oil	6.3%	22.7%
Russell 2000 (Small Cap Index)	1.7%	-10.8%	Gold	0.9%	-1.1%
International Stocks (MSCI ex-US)	2.3%	-2.7%	Real Estate (US REIT Index)	-0.3%	-8.3%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: January Employment Surprise

All indications headed into the January employment report was that job growth was going to be extremely weak. The ADP employment change report for January, which was issued earlier in the week, showed a loss of 301,000 jobs. The actual Employment Report release showed a gain of 467,000 jobs. This was well above the 150,000 job growth consensus expectation.

Leisure and hospitality continued its recovery with 128,000 jobs added in January. Professional and business services added 111,000 jobs, retail added 73,400 jobs, and the government added 97,000 jobs. Wages have increased as well, +5.7% y/y. This compares to an average of +3% pre-pandemic. The unemployment rate did move up from 3.9% to 4.0%, but that was due to greater labor force participation.

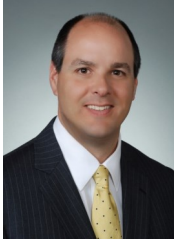
The stronger than expected job growth supports the Federal Reserve's announced program to end its monthly bond purchases and begin raising short-term interest rates. Concern over employment, mainly due to impacts of COVID, were the factor keeping the Federal Reserve from being more aggressive in the timing of removing the accommodative monetary policy that has been in place since the start of the pandemic in early 2020. Bond yields moved higher on the employment news. The 10-yr treasury yield moved up to 1.916% on Friday from 1.836% at Thursday's close.

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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