

Pump Pain

Geopolitical events continued to dominate headlines last week along with the economic realities of gasoline averaging over \$4.00/gallon nationwide for the first time in history. The S&P 500 Index ended the week -2.8%, the Dow was -1.9%, and the NASDAQ was -3.9%. The 10-year U.S. Treasury bond yield increased to 1.997% at Friday's close versus 1.738% the previous week.

The coming week should see the first in a series of Federal Reserve rate increases to begin a cycle of unwinding COVID-era monetary accommodation. Based on recent comments from Fed Chair Jerome Powell we anticipate a 0.25% increase in the Fed funds rate target on Wednesday. He has expressed a preference to approach the rate cycle gradually, especially given the economic uncertainty presented by the Russian-Ukraine war. We will also get a quarterly update on the Fed's Summary of Economic Projections. The dot plot on expectations for the Fed funds rate can give us an indication of the pace of tightening for the year. We can also get some insight on the Fed's outlook for GDP growth, unemployment, and inflation.

The last four companies in the S&P 500 Index report 4Q21 earnings this week. Earnings will likely end the 4Q reporting season with 32.0% earnings growth on 15.1% revenue growth. Looking forward, the current consensus for 1Q22 is 6.4% earnings growth on 10.7% revenue growth.

In our *Dissecting Headlines* section, we look at record setting fuel prices.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.8%	-11.5%	Aggregate Bond Index	-1.7%	-4.6%
Dow Jones Industrial Average	-1.9%	-8.9%	U.S. Dollar Index	0.5%	3.3%
NASDAQ 100	-3.9%	-18.4%	WTI Crude Oil	-5.5%	45.4%
Russell 2000 (Small Cap Index)	-1.0%	-11.7%	Gold	0.9%	8.6%
International Stocks (MSCI ex-US)	-1.1%	-11.1%	Real Estate (US REIT Index)	-1.6%	-9.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Fuel Prices

The increase in oil prices has flowed through to retail gasoline prices. For the week ending March 6th, Energy Information Agency (EIA) data reported the average price across the U.S. for regular gasoline was \$4.102/gallon, a record. The input price of crude oil represents approximately 56% of the cost of a gallon of gasoline. Refining represents 14% of the cost, distribution and marketing is 16%, and taxes are 15%. The higher pump prices come at a time when most of the remaining work-from-home employees are returning to their offices, even if on a hybrid model. If the higher prices persist until Memorial Day, it could put a crimp on the travel plans of many Americans who are looking forward to a Summer break after two-years of COVID.

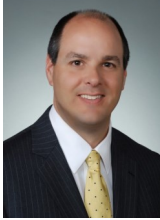
Diesel fuel prices have also increased sharply. National diesel fuel prices averaged \$4.849/gallon for the week ending March 6th. This has a follow-on inflationary effect on virtually all goods being transported around the country. With the February Consumer Price Index showing a 7.9% year-over-year increase before the recent fuel price increases, we will likely see additional inflationary pressures on everything transported by rail and truck to absorb the higher cost of fuel across the supply chain.

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / 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

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

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).



Frederick Wright, CFA / Managing Director & Portfolio Manager / 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

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).



Allan Duncan / Investment Adviser / aduncan@novapointcapital.com

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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