

First Hike

Fear may have peaked last week, and investor risk appetite may have been reinvigorated, as the Federal Reserve laid out a clear tightening plan tied to combating high inflation and optimism about the economy. The S&P 500 Index ended the week +6.2%, the Dow was +5.5%, and the NASDAQ was +8.4%. It was the best week for the major equity indices in over a year. The 10-year U.S. Treasury bond yield increased to 2.198% at Friday's close versus 1.971% the previous week.

The Federal Reserve raised the Fed funds rate by 0.25% and signaled up to six more increases over the remainder of the year. The Fed is shifting to fighting inflation now that the labor market has improved. Fed Chair Powell commented, "All signs are that this is a strong economy, one that will be able to flourish in the face of less accommodative monetary policy."

Seven companies in the S&P 500 Index report earnings this week. The current consensus for 1Q22 is 6.5% earnings growth on 10.9% revenue growth.

In our *Dissecting Headlines* section, we explain the Fed funds rate.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	6.2%	-6.1%	Aggregate Bond Index	-0.4%	-4.9%
Dow Jones Industrial Average	5.5%	-3.9%	U.S. Dollar Index	-0.9%	2.4%
NASDAQ 100	8.4%	-11.5%	WTI Crude Oil	-4.2%	39.2%
Russell 2000 (Small Cap Index)	5.4%	-6.9%	Gold	-3.2%	5.1%
International Stocks (MSCI ex-US)	4.7%	-6.9%	Real Estate (US REIT Index)	2.4%	-6.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Fed Funds

The Federal funds rate, or Fed funds rate, is the interest rate that banks use to lend money to each other. As demonstrated last week, the Federal Reserve sets a target range for this rate as part of its monetary policy objectives. At the recent meeting, the Fed raised the Fed funds target rate to 0.25% to 0.50% from the previous range of 0% to 0.25%. Banks will flow this higher lending rate through to other banks and to other loans they make.

The increase in the Fed funds rate is designed to raise the cost of borrowing in order to curb some level of consumption. With inflation well above the Fed's target levels of 2% to 3%, curbing consumption is designed to lower the rate of inflation and keep prices more stable.

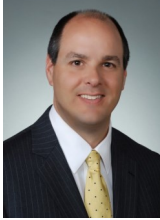
Two of the Fed's key mandates are employment and price stability. Even though inflationary pressures have been in the economy for the past year as consumer spending re-emerged from its COVID-induced slump, the Fed had been reluctant to raise interest rates because the employment recovery lagged. Now that employment has returned closer to pre-COVID levels, the Fed has shifted its focus to inflation.

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 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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