NovaPoint CAPITAL LLC

Weekly Market Commentary

April 4, 2022

Out Like a Lamb

This week ended the first negative quarter for the equity markets since the onset of COVID which caused a decline in the first quarter of 2020. The S&P 500 Index has produced three consecutive positive weekly returns since the quarter lows in early March. The S&P 500 ended the week +0.1%, the Dow was -0.1%, and the NASDAQ was +0.7%. The ten-year U.S. Treasury note yield declined to 2.390% at Friday's close versus 2.488% the previous week.

Risks that caused the negative quarterly returns, including inflation, energy prices, monetary policy tightening, and the Russia/ Ukraine conflict, still exist. As markets and investors tend to do, those risks get absorbed into the valuation framework and the current trade focuses on the increments of positive and negative change. We will see the degree that these risks have impacted the quarterly performance and forward outlook for individual companies starting the week of April 11th, as the first quarter earnings reporting season begins. The current consensus for the first quarter is 6.4% year-over-year earnings growth on 10.9% revenue growth.

In our *Dissecting Headlines* section, we look at the recent yield curve inversion.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	0.1%	-4.3%	Aggregate Bond Index	0.7%	-5.8%
Dow Jones Industrial Average	-0.1%	-3.7%	U.S. Dollar Index	-0.2%	2.8%
NASDAQ 100	0.7%	-8.8%	WTI Crude Oil	-12.8%	32.0%
Russell 2000 (Small Cap Index)	0.7%	-6.6%	Gold	-1.7%	5.2%
International Stocks (MSCI ex-US)	1.0%	-5.6%	Real Estate (US REIT Index)	3.7%	-2.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Yield Curve Inversion

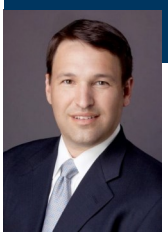
A yield curve is a line that plots yields, or interest rates, of bonds of the same credit quality across their calendar maturities. The most closely watched yield curve is that for U.S. Treasury debt as it is used as a benchmark for pricing debt of various credit qualities across the same time continuum. The yield curve is generally upward sloping since investors normally require higher yields for lending money for a longer period of time. When the yield on shorter term maturities is higher than that of longer term maturities, the yield curve becomes inverted.

The difference in yields between the two-year and ten-year U.S. treasury securities is the common data point used to determine if the yield curve is inverted. Last week, the two-year U.S. treasury note closed the week at 2.462% and ten-year U.S. treasury note closed the week at 2.390%.

While an inverted yield curve has often preceded recessions in recent decades, it does not cause them. Bond investors expectations, reflected in the price of the ten-year, are where they view the longer-term yields should be. In the current inversion, the two-year has quickly repriced to a level closer to where the Federal Reserve has indicated the Fed funds rate could be in 6 to 18 months, so the two-year yield rising caused the inversion rather the ten-year yield falling rapidly. Yields on both maturities have moved up year-to-date with the two-year yield moving from 0.734% to 2.462% and the ten-year yield moving from 1.512% to 2.390%. The end of the Federal Reserve's monthly bond purchase program and balance sheet wind down could eventually cause a more parallel upward shift.

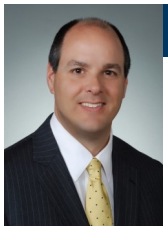
While the Federal Reserve has outlined a systematic, and potentially aggressive, plan to raise short-term interest rates to fight inflation, the objective is not to push the economy into a recession. With only a single 0.25% increase so far in the Fed funds target rate, the Federal Reserve has multiple meetings to analyze the impact of its monetary policy tightening on the economy and make potential adjustments if necessary.

The NovaPoint Team



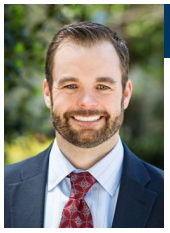
Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointcapital.com

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.

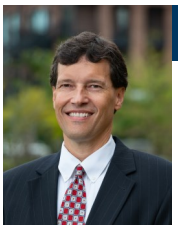


Jeffery Wright, CFA / Managing Director & Portfolio Manager / jwright@novapointcapital.com

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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