

Relief Rally

Despite Friday's strong relief rally, stocks still ended last week lower. The S&P 500 ended the week -2.4%, the Dow was -2.1%, and the NASDAQ was -2.4%. The 10-year U.S. Treasury note yield decreased to 2.928% at Friday's close versus 3.142% the previous week.

Both the Consumer Price Index (CPI) and Producer Price Index (PPI) for April remained elevated. The CPI was +8.3% year-over-year and +6.2% excluding food and energy. The month-to-month change was +0.3%, a slower rate than +1.2% in March, so there is a sense that accelerated inflation may be peaking. The PPI was +6.5% year-over-year and +4.8% excluding food and energy. The month-to-month change was +1.0%, the same as March.

Containing inflation is the Federal Reserve's number one priority currently. We think eventual signs of inflation abating are the catalyst for an equity market recovery. The Fed has outlined a path that likely includes 0.50% increases in the Fed funds rate at each of the next three Federal Open Market Committee meetings to be held in June, July, and September. At that point, they will have brought monetary policy to a neutral level and can potentially wait until after the midterm elections for further action.

The first quarter earnings period sees reports from several of the larger retail companies this week. Overall, 16 companies in the S&P 500 Index are scheduled to report earnings this week. The current consensus for 1Q22 is 11.1% earnings growth on 13.8% revenue growth versus 6.1% earnings growth on 10.9% revenue growth at the start of the earnings season. For the 458 companies in the S&P 500 that have already reported first quarter earnings, 77.9% have reported earnings above analyst estimates. This compares to a long-term average of 66% and prior four quarter average of 83.1%.

In our *Dissecting Headlines* section, we look at the ripple effect of higher energy prices.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.4%	-15.1%	Aggregate Bond Index	0.7%	-9.1%
Dow Jones Industrial Average	-2.1%	-10.8%	U.S. Dollar Index	0.9%	9.0%
NASDAQ 100	-2.4%	-23.9%	WTI Crude Oil	1.1%	47.5%
Russell 2000 (Small Cap Index)	-2.5%	-19.8%	Gold	-3.8%	-0.9%
International Stocks (MSCI ex-US)	-1.9%	-15.7%	Real Estate (US REIT Index)	-3.1%	-15.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Energy Markets

The largest year-over-year increase in the CPI and PPI has been energy prices. As of Friday, oil prices were 73% higher year-over-year and natural gas prices were 157% higher year-over-year. Consumers see the impact of higher energy prices most easily in the price of gasoline when they fill up at the pump, or when they get the home energy bill from their utility provider.

Higher crude oil and natural gas prices flow through to many areas of the economy. In the United States, 44% of crude oil consumption goes to motor vehicle gasoline, 21% goes to distillate fuels such as diesel, 18% goes to hydrocarbon gas liquids such as butane, 6% goes to jet fuel and aviation gasoline, and the remaining 11% goes to a variety of uses such as asphalt, lubricants, and petrochemical feedstocks. With natural gas, 38% goes to electric power generation, 33% goes to industrial production for heat and power, as well as feedstocks for chemicals, fertilizer and other products, 15% goes to homes for cooking and heating, 10% goes to the commercial sector for cooking, refrigeration, and other uses, and the remainder goes to the transportation sector for buses and other vehicles that use compressed natural gas.

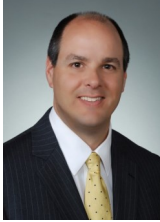
This means the follow-on impact of higher energy prices is higher cost to produce and transport goods, staff offices, schools, and other institutions, and prepare and transport food for both on-premise and at-home consumption. A supply response to meet current demand would be helpful toward moderating prices without constraining growth.

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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