

In the Mix

Mixed earnings and anticipation of tighter monetary policy leading up to this week’s Federal Reserve meeting sent stocks down last week. The S&P 500 ended the week -3.3%, the Dow was -2.5%, and the NASDAQ was -3.8%. The 10-year U.S. Treasury note yield increased to 2.938% at Friday’s close versus 2.905% the previous week.

We will hear from the Federal Reserve with its next monetary policy decision on Wednesday at the conclusion of the FOMC meeting. An increase of 0.50% in the Fed funds rate is likely, along with commentary on the pace of winding down the Fed’s balance sheet from its COVID-era expansion.

The first quarter earnings reporting period continues with 160 companies in the S&P 500 Index scheduled to report earnings this week. The current consensus for 1Q22 is 10.1% earnings growth on 12.5% revenue growth versus 6.1% earnings growth on 10.9% revenue growth at the start of the earnings season. For the 275 companies in the S&P 500 that have already reported first quarter earnings, 80.4% 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 factors impacting the 1.4% decline in first quarter GDP.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-3.3%	-12.9%	Aggregate Bond Index	0.0%	-8.8%
Dow Jones Industrial Average	-2.5%	-8.7%	U.S. Dollar Index	1.7%	7.3%
NASDAQ 100	-3.8%	-21.1%	WTI Crude Oil	2.6%	39.2%
Russell 2000 (Small Cap Index)	-3.9%	-16.7%	Gold	-1.7%	3.7%
International Stocks (MSCI ex-US)	-1.6%	-11.4%	Real Estate (US REIT Index)	-5.5%	-9.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: First Quarter GDP

Real gross domestic product (GDP) decreased at an annual rate of 1.4% in the first quarter of 2022, according to the advance estimate released by the Bureau of Economic Analysis (BEA). The advance estimate is subject to revision as additional data is collected. The second estimate for first quarter GDP, based on more complete data, is scheduled for release on May 26, 2022. Headline GDP is presented as a sequential change, meaning GDP for the first quarter of 2022 was 1.4% lower than the fourth quarter of 2021. On a year-over-year comparison, GDP for the first quarter of 2022 was higher than the first quarter of 2021.

While the headline contraction in GDP was unexpected, some of the elements causing the decline are not necessarily strong negatives. Government spending was 2.7% lower. Given the large increase in government spending over the past two years to stem the impact of the pandemic, a decrease in government spending should be welcome. Much of the percentage decrease in federal spending, however, was defense related -8.5% versus nondefense -2.2%. Another area of decline was inventories, led by motor vehicles. Given the supply chain shortages in motor vehicles, this can potentially correct itself over the course of the year. Lastly, a decrease in exports -5.9% and increase in imports +17.1% caused a net decline to the export/import balance. Given higher oil prices, this can possibly also correct itself over the course of the year.

Positives in the GDP report were personal consumption expenditures (i.e., consumer spending) +2.7%, nonresidential fixed investment led by businesses buying equipment +17.2% and spending on intellectual property +8.1%, and residential fixed investment (i.e., housing) +2.1%.

Based on the GDP report we have good visibility into what is working and not working in the economy. This allows us to monitor data for specific areas that impact our investment strategies.

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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