

Get Out of Town

The S&P 500 Index rallied back from an intra-day decline on Friday that had the Index temporarily down 20% from its peak. The S&P 500 ended the week -3.0%, the Dow was -2.8%, and the NASDAQ was -4.4%. The equity markets have declined for seven consecutive weeks amid concerns over the impact of rising interest rates and inflation. The 10-year U.S. Treasury note yield decreased to 2.788% at Friday's close versus 2.928% the previous week.

Two key economic releases for this week are the Minutes of the May Federal Open Market Committee (FOMC) meeting due on Wednesday and the April Personal Consumption Expenditures Price Index (PCE) on Friday. The PCE index is meaningful because it is the FOMC's preferred gauge for measuring inflation.

Two Federal Reserve Bank presidents supported Chairman Jerome Powell's plan for 0.50% increases at the next two FOMC meetings. Chicago Fed President Charles Evans endorsed the two 0.50% rate increase and wants to move fast to get to a neutral level on the Fed funds rate, which he sees at 2.25% to 2.50%. Once at a neutral rate, Evans thinks the Fed can scale the rate hikes down to 0.25% and see where the inflation and the economy develop. Evans thinks the economy can head into 2023 at a PCE level below 3%. Meanwhile, St. Louis Fed President James Bullard supported the front-loading strategy and believes the Fed funds rate should get to 3.5% by the end of the year. He also said that once inflation is under control, he wouldn't rule out that policy could ease in 2023 or 2024. Bullard also commented the likelihood of a recession is low. He believes the economy will grow with GDP of 2.5% to 3.0% and the unemployment rate possibly falling below 3% by year end. Growth is likely to be supported by strong consumption as Americans start to travel and experience more following the pandemic.

Several major retailers disappointed on earnings reports last week, adding anxiety to views of how the consumer is handling the higher inflationary and interest rate environment. The current consensus for 1Q22 remained at 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 474 companies in the S&P 500 that have already reported first quarter earnings, 77.6% have reported earnings above analyst estimates. This coming week 15 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the forecast for Memorial Day Travel.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-3.0%	-17.7%	Aggregate Bond Index	0.5%	-8.6%
Dow Jones Industrial Average	-2.8%	-13.3%	U.S. Dollar Index	-1.4%	7.5%
NASDAQ 100	-4.4%	-27.2%	WTI Crude Oil	2.1%	50.6%
Russell 2000 (Small Cap Index)	-1.0%	-20.7%	Gold	1.9%	0.9%
International Stocks (MSCI ex-US)	2.0%	-14.1%	Real Estate (US REIT Index)	-3.0%	-18.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Memorial Day Travel

A higher number of travelers will be hitting the road, rails and skies this Memorial Day weekend. The Automobile Association of America (AAA) predicts 39.2 million people will travel 50 miles or more from home this holiday weekend, an increase of 8.3% over 2021. Air travel (3.01 million travelers) is expected to be +25% over last year. Bus, train, and cruise travel (1.33 million travelers) is expected to be +200%. Auto travel (34.9 million travelers) is expected to be +4.5%.

This increase comes as travelers are expected to weather higher prices year-over-year. Retail gasoline prices are averaging \$4.596/gallon, +50% year-over-year. Airlines ticket prices are more than 6% higher year-over-year. Hotels prices have increased 42% year-over-year. The one bright spot is that car rental prices have declined 16% year-over-year.

Consumer spending on goods and services, to include travel, makes up approximately two-thirds of the economy, so a consumer willing to stretch their legs and their wallet to travel is a positive benefit to 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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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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