

## Big Bounce

An oversold market greeted some incrementally positive economic news last week and it led the S&P 500 Index to its strongest week of the year. The S&P 500 ended the week +6.6%, the Dow was +6.3%, and the NASDAQ was +7.2%. The 10-year U.S. Treasury note yield decreased to 2.743% at Friday's close versus 2.788% the previous week.

Investors took some comfort midweek that there were no surprises in the May Federal Open Market Committee (FOMC) meeting minutes that would indicate the Fed is considering any more drastic action than what is already laid out. A further boost to the market came on Friday when the April Personal Consumption Expenditures Price Index (PCE) indicated that some inflationary pressures may have peaked. The April PCE Index slowed to a 6.3% year-over-year increase in prices in April versus 6.6% increase in March. It was the first moderation in the index in a year and a half. The next FOMC meeting is scheduled for June 14th and 15th. The FOMC likely raises the Fed funds rate by another 0.50% at that meeting and future meetings until there is clear evidence that inflation has moderated.

With the first quarter earnings reporting period almost complete, the current consensus for the quarter is 11.2% earnings growth on 13.9% revenue growth versus 6.1% earnings growth on 10.9% revenue growth at the start of the earnings season. For the 488 companies in the S&P 500 that have already reported first quarter earnings, 77.5% have reported earnings above analyst estimates. This coming week seven companies in the S&P 500 Index are scheduled to report earnings.

Looking ahead, the current consensus for second quarter earnings growth is 5.4% and calendar year 2022 earnings growth is currently forecasted to be 9.4%.

In our *Dissecting Headlines* section, we look at the Personal Savings Rate.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	6.6%	-12.2%	Aggregate Bond Index	0.8%	-7.9%
Dow Jones Industrial Average	6.3%	-7.8%	U.S. Dollar Index	-1.4%	5.9%
NASDAQ 100	7.2%	-22.0%	WTI Crude Oil	1.6%	53.0%
Russell 2000 (Small Cap Index)	6.5%	-15.5%	Gold	0.4%	1.3%
International Stocks (MSCI ex-US)	2.7%	-11.7%	Real Estate (US REIT Index)	5.5%	-13.9%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Personal Savings Rate

The income that is left over after people spend money and pay taxes is their personal savings. One data point we get each month from the Personal Income and Outlays report is the Personal Savings Rate. In the three years leading up to the COVID-19 pandemic, the average personal savings rate in the U.S. was 7.6% each month. During the first 12-months of the pandemic (March 2020 to February 2021) that rate spiked to 17.8% due to a combination of government assistance and fewer options for spending, especially in travel and entertainment.

Pent-up demand for travel and entertainment in 2022, along with an inflationary spike in prices, has led to a decline in the rate of savings as consumers have spent the excess savings socked away during the pandemic. The average savings rate during the first four months of 2022 has been 5.3% and the most recent data for April showed a personal savings rate of 4.4%. It is concerning the overall dollar value of savings has declined below \$1 trillion for the first time since 2017. The health of the consumer relies on a combination the ability to earn money, manage credit, and save money. This could prompt some consumers to re-enter the work force, seek higher paying jobs, or moderate spending.

## The NovaPoint Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto: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](mailto: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.



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointcapital.com](mailto: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](mailto: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](mailto: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.

**NovaPoint Capital LLC** (referred to herein as "NovaPoint" or "the Company") is registered with the SEC as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

**Not an offer of advisory services or securities:** This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

**Investment risk:** The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

**Limitation of liability:** While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

**Trademarks and copyrights:** All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.