

## Solstice

The S&P 500 Index fell again last week as the Federal Reserve continued to tighten monetary policy. The S&P 500 ended the week -5.7%, the Dow was -4.7%, and the NASDAQ was -4.8%. The 10-year U.S. Treasury note yield increased to 3.231% at Friday's close versus 3.165% the previous week.

The Federal Open Market Committee raised the Fed funds target rate by 0.75% to a 1.50% to 1.75% range. Fed Chairman Jerome Powell also indicated a 0.50% to 0.75% increase would occur at the next meeting in July. Monetary policy is likely to continue to tighten until there are clear signs that the pace of inflation is cooling.

As we head into the end of the second quarter, the current consensus for second quarter earnings growth is 5.6% on 10.3% revenue growth. For the full-year 2022, earnings growth is currently forecast at 9.7% on 11.2% revenue growth.

In our *Dissecting Headlines* section, we review the recent FOMC meeting.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-5.7%	-22.3%	Aggregate Bond Index	-0.9%	-10.6%
Dow Jones Industrial Average	-4.7%	-16.9%	U.S. Dollar Index	0.5%	9.1%
NASDAQ 100	-4.8%	-30.7%	WTI Crude Oil	-9.2%	45.7%
Russell 2000 (Small Cap Index)	-7.4%	-25.4%	Gold	-1.7%	0.6%
International Stocks (MSCI ex-US)	-5.6%	-19.2%	Real Estate (US REIT Index)	-4.9%	-24.2%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: FOMC Meeting Review

The June Federal Open Market Committee (FOMC) raised the Fed funds target rate by 0.75% to a 1.50% to 1.75% range. The 0.75% increase in June was seeded into the financial news networks Monday afternoon and by early Wednesday, the futures had fully anticipated the 0.75% increase. Chairman Powell indicated in his post-meeting press conference that an increase of 0.50% or 0.75% is likely for the July meeting.

The updated Summary of Economic Projections from the June meeting indicated the median Fed funds target for the end of 2022 is 3.4%, translating to a 3.25% to 3.50% target range. This means the Fed is currently anticipating another 1.75% in short-term rate increases left for the year. We could map that over the remaining four meetings: July 0.75%, September 0.50%, November 0.25% and December 0.25%. This is one potential path and depends on how economic conditions evolve over the next few months. At the September meeting the FOMC will update its projections again.

The Summary also indicates 2022 GDP growth to be lower than anticipated in March (1.7% versus 2.8%) and that GDP growth is forecast to be below 2% for both 2023 and 2024. Unemployment is projected to increase to 3.7% in 2022, 3.9% for 2023, and 4.1% for 2024. These levels indicate a still very healthy labor market and we believe the Fed is willing to let the unemployment rate drift up as a consequence of bringing down inflation. On inflation, the Fed is currently projecting PCE inflation at 5.2% for 2022, 2.6% for 2023, and 2.2% for 2024.

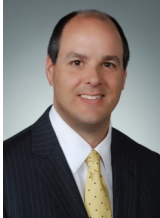
The Fed has begun its balance sheet reduction with an expected trimming of \$47.5 billion in June. Most of the reduction will be met with maturing securities that will not be reinvested. We should see reductions of \$47.5 billion per month from June through August, and reductions of \$95 billion per month from September to November. The Fed will likely adjust or announce the plan beyond November at some point over the next two FOMC meetings.

## 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).



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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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