Weekly Market Commentary

June 6, 2022

Tightening

The S&P 500 Index had a small relapse last week after its big advance the week prior. The S&P 500 ended the week -1.2%, the Dow was -0.8%, and the NASDAQ was -1.0%. The 10-year U.S. Treasury note yield increased to 2.941% at Friday's close versus 2.743% the previous week.

As reflected in the May employment report, job growth remained strong, thus likely keeping the Federal Reserve on track to continue raising interest rates. May nonfarm payrolls were +390,000 versus an expectation of +325,000. The unemployment rate held steady at 3.6%. The leisure and hospitality industry continued to lead job growth this year, adding 84,000 jobs in May. Professional and business services added 75,000 jobs, transportation and warehousing added 47,000 jobs, education and health services added 74,000 jobs, construction added 36,000 jobs, and the government added 57,000 jobs. The motor vehicle industry and retail industries shed jobs during the month. We believe job growth should slow in coming months as the Federal Reserve's focus on stemming inflation may cause some economic slowing, prompting companies to pause hiring. This has already occurred in some companies in the technology sector.

With the first quarter earnings reporting period almost complete, the current consensus for 1Q22 is 11.3% 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 495 companies in the S&P 500 that have already reported first quarter earnings, 77.4% have reported earnings above analyst estimates. This coming week three companies in the S&P 500 Index are scheduled to report earnings. Looking ahead, the current consensus for 2Q22 earnings growth is 5.3%, with CY2022 earnings growth forecasted at 9.4%.

In our *Dissecting Headlines* section, we look at the Federal Reserve's quantitative tightening program.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-1.2%	-13.2%	Aggregate Bond Index	-0.8%	-8.6%
Dow Jones Industrial Average	-0.8%	-8.6%	U.S. Dollar Index	0.5%	6.4%
NASDAQ 100	-1.0%	-22.8%	WTI Crude Oil	3.3%	58.1%
Russell 2000 (Small Cap Index)	-0.2%	-15.7%	Gold	-0.1%	1.2%
International Stocks (MSCI ex-US)	0.4%	-11.3%	Real Estate (US REIT Index)	-1.9%	-15.5%

Sources: S&P Global, Thomson Reuters

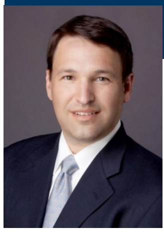
Dissecting Headlines: Quantitative Tightening

Quantitative tightening is a contractionary monetary policy tool designed to decrease the amount of liquidity in the economy. The Federal Reserve can induce quantitative tightening by selling off assets on its balance sheet into the financial markets. This can also partially be accomplished by letting fixed income securities mature and not reinvesting the proceeds.

The Federal Reserve is beginning its quantitative tightening program this month. For the next three months, June through August, the Federal Reserve will reduce its balance sheet by $47.5 billion per month. It will sell, or let mature, $30 billion of Treasury securities and $17.5 billion of mortgage securities each month. Starting in September, the monthly amount is planned to increase to $95 billion, composed of $60 billion of Treasury securities and $35 billion of mortgage securities.

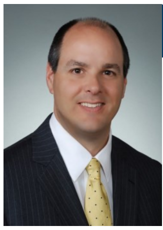
During the COVID-19 pandemic, the Federal Reserve expanded its balance sheet from $4.2 trillion to $8.9 trillion to provide liquidity in the financial markets and help the government fund various programs to support the economy. The Fed is now reversing that quantitative easing policy to both fight inflation and reduce its balance sheet risk. Given the magnitude of the quantitative easing during COVID, the duration of the quantitative tightening cycle could last several years at a $95 billion per month rate.

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / 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

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

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

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

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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