

Earnings Splash

The equity markets appeared to be headed for a dismal week following back-to-back inflationary Consumer Price Index (CPI) and Producer Price Index (PPI) reports. Friday's rally reduced most of the week's decline. The S&P 500 Index was -0.9% for the week, the Dow was -0.2%, and the NASDAQ was -1.2%. The 10-year U.S. Treasury note yield decreased to 2.930% at Friday's close versus 3.101% the previous week.

The June CPI report showed prices 9.1% higher y/y and core prices 5.9% higher y/y. The PPI report showed prices 11.3% higher y/y and core prices 6.4% higher y/y. The next Federal Open Market Committee (FOMC) is July 26th-27th and an increase in the Fed funds rate of 0.75% is likely.

For the 35 companies in the S&P 500 Index that have reported earnings for the second quarter, 80% have exceeded consensus estimates. The current consensus for second quarter 2022 earnings growth is 5.6% on 10.8% revenue growth. This is a small downward revision to earnings growth versus 5.7% last week, and a small upward revision to last week's 10.6% revenue growth projection. For full-year 2022 earnings, growth is currently forecasted at 9.3% on 11.3% revenue growth. Most of the banks that reported last week were impacted by taking reserves for future loan losses. This week 72 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the decline in the price of retail gasoline over the past few weeks.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.9%	-18.3%	Aggregate Bond Index	0.7%	-9.3%
Dow Jones Industrial Average	-0.2%	-13.0%	U.S. Dollar Index	1.0%	12.6%
NASDAQ 100	-1.2%	-26.2%	WTI Crude Oil	-6.9%	29.8%
Russell 2000 (Small Cap Index)	-1.4%	-21.8%	Gold	-2.0%	-6.7%
International Stocks (MSCI ex-US)	-2.5%	-20.3%	Real Estate (US REIT Index)	-0.5%	-21.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Gasoline Decline

Based on data from the American Automobile Association (AAA), the average retail price for regular unleaded gasoline is \$4.521 per gallon. This is 9.9% lower than the recent peak price of \$5.016 per gallon seen on June 14th. The price of diesel fuel is down 4.8% from its recent peak price of \$5.816 on June 19th. That said, fuel prices are still significantly higher year-over-year. Regular unleaded gasoline, for example, is still 42.7% higher year-over-year and diesel fuel is 69.1% higher.

While the June CPI and PPI data showed strong price inflation across all major categories year-over-year, the current downtrend in fuel prices is providing consumers with some noticeable relief during the peak summer vacation travel season. This can be helpful in maintaining other categories of consumer spending.

Worth noting, diesel fuel has not declined as much as gasoline recently, so that keeps inflationary pressure in the supply chain for the transportation of all types of goods. A more significant decline in diesel prices could contribute meaningfully to reducing inflation across several parts of the economy.

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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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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