

Taking Stock

A refocus on corporate earnings across a broad set of industries boosted equity markets last week. The S&P 500 Index was +2.6% for the week, the Dow was +2.0%, and the NASDAQ was +3.4%. The 10-year U.S. Treasury note yield decreased to 2.781% at Friday's close versus 2.930% the previous week.

The next Federal Open Market Committee (FOMC) meeting is July 26th-27th and an increase in the Fed funds rate of 0.75% is likely. This would move the Fed fund target rate from 1.50% - 1.75% to 2.25% - 2.50%. Two key economic data points are scheduled for release later in the week, after the FOMC meeting, with Second Quarter Advance Gross Domestic Product (GDP) on Thursday and the Personal Consumption Expenditures (PCE) Price Index on Friday.

For the 106 companies in the S&P 500 Index that have reported earnings for Q2, 75.5% have exceeded consensus estimates. The current consensus for 2Q22 earnings growth is 6.2% on 11.3% revenue growth. This is an upward revision to last week's consensus of 5.6% earnings growth on 10.8% revenue growth. For the full year 2022, earnings growth is currently forecast at 9.2% on 11.5% revenue growth. This week 172 companies in the S&P 500 Index are scheduled to report earnings, including several of the mega cap technology companies.

In our *Dissecting Headlines* section, we look at the upcoming advance release of second quarter GDP.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.6%	-16.2%	Aggregate Bond Index	1.1%	-8.3%
Dow Jones Industrial Average	2.0%	-11.2%	U.S. Dollar Index	-1.2%	11.2%
NASDAQ 100	3.4%	-23.7%	WTI Crude Oil	-3.0%	25.9%
Russell 2000 (Small Cap Index)	3.6%	-19.0%	Gold	1.2%	-5.6%
International Stocks (MSCI ex-US)	4.0%	-17.1%	Real Estate (US REIT Index)	3.3%	-18.6%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: GDP

Gross Domestic Product, or GDP, is a measure of the total dollar value of all goods and services produced by a nation's economy. It can be calculated by summing consumption, fixed investment, government spending, and net exports. More than two-thirds of U.S. GDP is personal consumption of goods and services. Business and government spending each about equally make up the remainder, and net exports typically subtracts a few percentage points since the U.S. imports more than it exports. The U.S. economy is approximately \$20 trillion dollars, ranking it as the largest economy in the world, followed by China, Japan, and Germany.

GDP is often expressed as an annual growth rate based on the sequential change between quarters. A positive percentage indicates the economy is growing, while a negative percentage indicates the economic growth has declined. Two consecutive quarters of decline in GDP is classified as a recession. First quarter 2022 GDP was -1.6%. This coming Thursday, we get the advanced data for second quarter GDP. The current consensus for second quarter GDP is for 0.6% growth, which would avoid being deemed a recession.

The first quarter's GDP was a small decline and led by lower government spending and higher net imports. If the second quarter GDP winds up being negative, it will also likely be a small decline. Strength in the labor market has been a pleasant surprise year-to-date and while some consumers are likely tightening their belts due to higher food and energy costs, high employment levels are keeping overall consumer spending in reasonably good shape. The duration of the Federal Reserve's need to focus on reducing inflation may be the main factor impacting economic growth for the remainder of the year.

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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