

## Halftime

The S&P 500 Index limped into the end of the quarter on Thursday, then staged a small, late-day rally on the first day of the new quarter ahead of the holiday weekend. The S&P 500 ended the week -2.2%, the Dow was -1.3%, and the NASDAQ was -4.3%. For the half-year ending June 30th, the S&P 500 Index declined 20.0%, the Dow declined 14.4%, and the NASDAQ declined 29.2%. The 10-year U.S. Treasury note yield decreased to 2.904% at Friday's close versus 3.124% the previous week.

The major economic report from last week was the May Personal Consumption Expenditures (PCE) Price Index. The Index showed year-over-year inflation +6.3% and core inflation, ex food and energy, at +4.7%. The PCE is the Federal Reserve's preferred inflation gauge and the Summary of Economic Projections, released after the June FOMC meeting, forecasts 2022 year-end PCE at 5.2% and core at 4.3%. The current inflation data likely leads the Fed to raise interest rates by 0.75% at the next Federal Open Market Committee (FOMC) meeting on July 26th—27th.

Second quarter earnings reporting begins in earnest next week. The current consensus for 2Q22 earnings growth is 5.6% on 10.4% revenue growth, while CY2022 earnings growth is currently forecast at 9.5% on 11.2% revenue growth. In addition to the impact of inflation on demand and input costs, headwinds from foreign currency translation may impact some companies with high foreign revenue.

In our *Dissecting Headlines* section, we look at price peaks in some commodity categories that could indicate a peak in inflationary pressures.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.2%	-19.1%	Aggregate Bond Index	1.1%	-9.2%
Dow Jones Industrial Average	-1.3%	-13.5%	U.S. Dollar Index	0.9%	9.6%
NASDAQ 100	-4.3%	-28.7%	WTI Crude Oil	0.8%	44.2%
Russell 2000 (Small Cap Index)	-2.1%	-22.5%	Gold	-0.9%	-1.0%
International Stocks (MSCI ex-US)	-1.9%	-19.0%	Real Estate (US REIT Index)	-0.5%	-20.1%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Prices Peaking

The trio of inflation gauges for May all showed the pace of inflation well above normal. The Consumer Price Index was +8.6% year-over-year and +6.0% ex food and energy, the Producer Price Index was +10.8% year-over-year and +6.8% ex food and energy, and the Personal Consumption Expenditure Price Index was +6.3% year-over-year +4.7% ex food and energy. While the annual increases are still significantly higher than normal, there are signs that some categories may be peaking.

Demand exceeding supply typically increases prices, and the opposite is also true. The slowdown in demand caused by higher prices can in turn lead to lower prices. Many key input prices have fallen from their peaks seen earlier this year. In the energy sector, the price of crude oil is up 44.1% year-over-year, but down 12.3% from its peak in March. The price of natural gas is up 56.6% year-over-year, but down 38.5% from its peak in June.

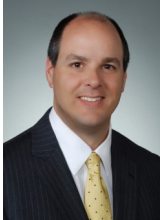
Other input price categories have declined as well. Corn is up 35.8% year-over-year, but down 10.2% from its peak in April. Copper is down 15.7% year-over-year and down 27.0% from its peak in March. Lumber is down 10.6% year-over-year and down 55.1% from its peak in March. If prices moderate across more categories, whether caused by increased supply or slowing demand, the rate of inflation is likely to subside.

## 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.

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