

Dog Days

The S&P 500 Index had its first back-to-back weekly gain since the end of March. The S&P 500 Index was +4.3% for the week, the Dow was +3.0%, and the NASDAQ was +4.5%. The 10-year U.S. Treasury note yield decreased to 2.642% at Friday's close versus 2.781% the previous week.

The market shrugged off a 0.75% Fed funds rate increase, a -0.9% 2Q Advance GDP reading, and an increase in the Personal Consumption Expenditures (PCE) Price Index to rally Wednesday through Friday. Better than expected earnings and outlooks from most companies left investors looking toward the eventual end to Fed rate increases and a return to betting on equities.

For the 279 companies in the S&P 500 Index that have reported earnings for the second quarter, 77.8% have exceeded consensus estimates. The current consensus for second quarter earnings growth is 7.7% on 12.1% revenue growth. This is an upward revision to last week's consensus of 6.2% earnings growth on 11.3% revenue growth. For full-year 2022 earnings, growth is currently forecast at 8.6% on 11.4% revenue growth. This week 153 companies in the S&P 500 are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the major economic events from last week.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	4.3%	-12.6%	Aggregate Bond Index	0.4%	-7.9%
Dow Jones Industrial Average	3.0%	-8.6%	U.S. Dollar Index	-0.8%	10.4%
NASDAQ 100	4.5%	-20.3%	WTI Crude Oil	4.1%	31.1%
Russell 2000 (Small Cap Index)	4.3%	-15.4%	Gold	2.2%	-3.5%
International Stocks (MSCI ex-US)	1.8%	-15.6%	Real Estate (US REIT Index)	4.9%	-14.6%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: A Closer Look at the Economic Data

There were several key economic events last week. The Federal Open Market Committee (FOMC) voted to raise the Fed funds rate by 0.75% to a range of 2.25% to 2.50%. The Fed commented the labor market was steady, inflation was still high, and there are some pockets of economic softening around the economy. The Fed's balance sheet reduction is in progress with \$47.5 billion of treasury and agency securities being runoff per month for June through August, then increasing to \$95 billion per month starting in September. There is no FOMC meeting in August, but we will likely hear from multiple Fed officials around the time of the Kansas City Fed's annual Jackson Hole Economic Symposium from August 25th to 27th. The next scheduled FOMC meeting is September 20th to 21st.

The first reading of Gross Domestic Product (GDP) for the second quarter showed a sequential, annualized decline of 0.9%. While not the final GDP reading, this likely indicates the second consecutive quarterly decline in real GDP. Despite the holistic assessment of a recession that was talked about in the government and media during the week, the consecutive decline in GDP is the technical definition of a recession. This has been a shallow decline, and the cause is not a financial crisis or collapse in consumer spending as has happened in some previous recessions. Personal consumption expenditures were positive. Fixed investment, both commercial and residential, was negative, as was government spending. Net exports were positive. The labor market also remains healthy, which is a key contributor to consumer spending. We will get an update on the labor market when the July employment report is released this coming Friday. The second estimate for GDP for the second quarter, based on more complete data, will be released on August 25th.

The Personal Consumption Expenditures (PCE) Price Index for June was released on Friday. It didn't have the headline grabbing attention that the FOMC meeting or the GDP release did. Despite an acceleration in prices, it got lost in the earnings news for the day. PCE prices were +6.8% higher year-over-year and, ex food and energy, prices were +4.8% year-over-year. At the June FOMC meeting, the FOMC's economic projections were targeting core PCE to fall to 4.3% by year-end.

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 / thenbow@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.

NovaPoint Capital LLC (referred to herein as "NovaPoint" or "the Company") is registered with the SEC as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

Not an offer of advisory services or securities: This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

Investment risk: The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

Limitation of liability: While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

Trademarks and copyrights: All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.