

Flattening Prices

Markets rose last week as investors viewed the July Consumer Price Index (CPI) and Producer Price Index (PPI) reports as a sign the pace of inflation has peaked. The S&P 500 was +3.3% for the week, the Dow was +3.0%, and the NASDAQ was +2.7%. The 10-year U.S. Treasury note yield increased to 2.849% at Friday's close versus 2.840% the previous week.

The change in July CPI was flat month-to-month and +8.5% year-over-year. Excluding food and energy, the Index was +0.3% month-to-month and +5.9% year-over-year. The 4.6% decline in energy prices was the main factor in the flat rate of change month-to-month. Food prices were +1.1% month-to-month.

July PPI was -0.5% month-to-month and +9.8% year-over-year. Excluding food and energy, the Index was +0.2% month-to-month and +5.8% year-over-year. The 9.0% decline in energy prices was the main factor in the flat rate of change month-to-month. Food prices were +1.0% month-to-month.

Second quarter earnings reporting starts its last leg this week with several of the major retail companies set to report. For the 456 companies in the S&P 500 Index that have reported earnings for the second quarter, 77.6% have exceeded consensus estimates. The current consensus for second quarter earnings growth is 9.7% on 13.7% revenue growth. This is an upward revision to last week's consensus of 9.6% earnings growth on 13.4% revenue growth. Calendar-year 2022 earnings growth is currently forecast at 8.0% on 11.6% revenue growth. This week 20 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the Inflation Reduction Act.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	3.3%	-9.3%	Aggregate Bond Index	-0.1%	-8.7%
Dow Jones Industrial Average	3.0%	-6.0%	U.S. Dollar Index	-0.9%	10.1%
NASDAQ 100	2.7%	-16.5%	WTI Crude Oil	3.5%	22.4%
Russell 2000 (Small Cap Index)	5.0%	-9.5%	Gold	1.6%	-1.5%
International Stocks (MSCI ex-US)	2.1%	-14.0%	Real Estate (US REIT Index)	4.9%	-12.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Inflation Reduction Act

The Inflation Reduction Act has been passed by both the House and the Senate. It is expected to be signed by President Biden this week. The bill plans to increase revenue by \$739 billion through a combination of a 15% corporate minimum tax, a 1% excise tax on stock buybacks, and greater IRS tax enforcement. The greater IRS tax enforcement includes increasing funding to the IRS of \$80 billion over ten years to hire 87,000 additional personnel.

The bill will spend \$433 billion split between \$369 billion on energy security/climate change and \$64 billion on a three year extension of the Affordable Care Act. The bill also calls for Medicare to negotiate prescription drug prices.

Highlights of the energy and climate change portions of the bill include investing in solar, wind, hydrogen, nuclear, oil, and gas. Millions of acres of land are planned to be allocated for oil and gas production in order to offer wind and solar leases on Federal land and other locations. The \$7500 tax credit for electric vehicle purchases will be extended, but limited to cars priced under \$55,000 and trucks and SUVs priced under \$80,000. The bill also allocates \$60 billion in grants and tax credits to improve air quality monitoring, improve transportation, and invest in clean energy in poor and vulnerable communities.

The bill has created debate on both sides of the aisle and is likely to be one of many debate points heading into the 2022 mid-term elections.

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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