

Housing Developments

After a strong, four-week run, the market retreated last week. Weakness in housing market data, a mixed set of earnings from retailers, and commentary in the Federal Open Market Committee (FOMC) meeting minutes from July may have given some investors pause on where the economy goes from here. The S&P 500 was -1.2% for the week, the Dow was flat, and the NASDAQ was -2.3%. The 10-year U.S. Treasury note yield increased to 2.989% at Friday's close versus 2.849% the previous week.

The July FOMC minutes showed the committee was committed to continue raising rates as necessary to tame inflation. Fed Chair Jerome Powell is scheduled to speak at the Jackson Hole Economic Symposium this Friday. He could provide additional insight to the Federal Reserve's policy plans at that time. July housing data showed weakness with the pace of housing starts down 9.6% month-over-month and existing home sales down 5.9% month-over-month.

For the 474 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 8.8% on 13.7% revenue growth. This is a downward revision to last week's consensus of 9.7% earnings growth with the 13.7% revenue growth remaining consistent. For CY2022 earnings growth is currently forecast at 8.0% on 11.8% revenue growth. This week 12 companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at recent housing market data.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-1.2%	-10.4%	Aggregate Bond Index	-0.7%	-9.1%
Dow Jones Industrial Average	0.0%	-6.0%	U.S. Dollar Index	2.4%	12.7%
NASDAQ 100	-2.3%	-18.4%	WTI Crude Oil	-1.4%	20.7%
Russell 2000 (Small Cap Index)	-2.9%	-12.1%	Gold	-3.0%	-4.4%
International Stocks (MSCI ex-US)	-1.9%	-15.7%	Real Estate (US REIT Index)	-2.2%	-14.1%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: July Housing Data

Higher mortgage rates appear to finally be impacting the housing market. Thirty-year fixed rate mortgages started the year at 3.50%, rose to 6.00% by late June, and currently stand at 5.40%.

The pace of housing starts for July fell 9.6% month-over-month to a seasonally adjusted annual rate of 1.446 million units. Data for June was revised higher to a rate of 1.599 million units from the previously reported 1.559 million units. Single-family housing starts, which account for the biggest share of homebuilding, dropped 10.1% to a rate of 916,000 units, the lowest level since June 2020. Construction of new homes is important for replenishment of the housing stock. They also represent construction jobs and contribute to the residential fixed investment component of Gross Domestic Product (GDP).

Existing home sales for July were down 5.9% month-over-month and down 20.2% year-over-year. All four major U.S. regions recorded month-over-month and year-over-year declines. Existing home sales have declined for twelve consecutive months, but the current data represents an acceleration to the downside. Prices have held up in the face of rising interest rates but have slowed increases in recent months. The median sales price for existing homes was +10.8% year-over-year in July, but this is a slowing from +12.8% in June and +15.0% in May.

Both mortgage rates and employment factor into an individual's ability to afford a home. Price increases during the pandemic were buffered by lower mortgage rates. Now that mortgage rates have increased, employment remains a main component to a healthy housing market. If employment starts to slip, the housing market could see further deterioration.

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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