

## Bounce

Despite comments from the Federal Reserve that it would keep raising rates until the job is done on inflation, equities rallied during the short four-day trading week. The S&P 500 was +3.7% for the week, the Dow was +2.7%, and the NASDAQ was +4.1%. The 10-year U.S. Treasury note yield increased to 3.321% at Friday’s close versus 3.191% the previous week.

A key economic event to watch this week is the August Consumer Price Index (CPI) report scheduled for Tuesday. Progress on the pace of inflation will be a key input for investors looking to handicap the Fed’s possible move on monetary policy at the September 20th-21st Federal Open Market Committee (FOMC) meeting. Barring any dramatic slowdown in economic activity or price levels, we think the FOMC raises rates by 0.75% at the September meeting.

Looking ahead to third quarter earnings, the current consensus expectation is 5.1% earnings growth on 9.8% revenue growth. For calendar year 2022 earnings growth is currently forecast at 7.9% on 11.7% revenue growth. This week two companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at some observations from the Beige Book.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	3.7%	-13.7%	Aggregate Bond Index	-0.6%	-10.7%
Dow Jones Industrial Average	2.7%	-10.2%	U.S. Dollar Index	-0.5%	13.6%
NASDAQ 100	4.1%	-22.4%	WTI Crude Oil	-0.1%	15.4%
Russell 2000 (Small Cap Index)	4.1%	-15.4%	Gold	0.3%	-6.1%
International Stocks (MSCI ex-US)	0.8%	-18.7%	Real Estate (US REIT Index)	4.1%	-17.4%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Beige Book

Each of the twelve Federal Reserve Banks gather regional data on economic conditions that is released eight times a year in a report titled the “Commentary on Current Economic Conditions”, more commonly known as the “Beige Book”. The Beige Book provides granular information and anecdotes through interviews with business contacts, economists, market experts, and other sources. It is a qualitative report and meant to characterize current dynamics and identify emerging trends in the economy.

Last week’s Beige Book release indicated that economic activity in total was unchanged since early July with five districts reporting modest growth and five reporting modest softening. The overall outlook for future economic growth remained weak, with a view toward further softening of demand over the next six to twelve months.

On the strengthening side, leisure travel was solid with some districts reporting an uptick in business travel as well. The labor market was also strong, with some improvement in labor availability. This coincides with the increase in work force participation seen in the August employment report.

Credit demand was mixed. Financial institutions saw greater demand for credit cards. This makes sense as COVID era financial assistance winds down and household are currently struggling with higher prices on most products and services. Residential loan demand was weaker as higher mortgage rates have slowed home purchase activity.

On the weakening side, residential real estate activity weakened in all twelve districts and residential construction remained constrained by input shortages. Automobile sales also remained weak due to limited inventory and higher prices.

These bottom-up reports from the Federal Reserve districts serve an important view to help qualify the economic activity that is collectively reflected in the larger data points which the Federal Reserve uses in its monetary policy decisions.

## 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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