

Another Quarter Down

The equity markets closed out their third consecutive down quarter last week. For the week, the S&P 500 was -2.9%, the Dow was -2.9%, and the NASDAQ was -3.0%. The 10-year U.S. Treasury note yield increased to 3.804% at Friday's close versus 3.697% the previous week. For the third quarter, the S&P 500 Index was -4.9%, the Dow was -6.2%, and the NASDAQ was -4.4%. The U.S. Aggregate Bond Index was -4.0% for the third quarter.

The key data point on this week's calendar is the September employment report scheduled for Friday. We are likely to see a gradual uptick in unemployment over the coming months as the Federal Reserve's focus remains on restoring price stability rather than maintaining full employment.

Looking ahead to Q3 earnings, the current consensus expectation is 4.5% earnings growth on 9.7% revenue growth. For CY2022 earnings growth is currently forecast at 7.7% on 11.6% revenue growth. This week four companies in the S&P 500 Index are scheduled to report earnings.

In our *Dissecting Headlines* section, we look at the recent Personal Consumption Expenditures (PCE) Price Index report.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.9%	-23.9%	Aggregate Bond Index	-1.0%	-13.5%
Dow Jones Industrial Average	-2.9%	-19.7%	U.S. Dollar Index	-0.9%	16.8%
NASDAQ 100	-3.0%	-32.4%	WTI Crude Oil	1.0%	5.7%
Russell 2000 (Small Cap Index)	-0.8%	-25.1%	Gold	1.0%	-9.2%
International Stocks (MSCI ex-US)	-1.9%	-26.5%	Real Estate (US REIT Index)	-4.0%	-30.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Personal Consumption Expenditures

The Personal Consumption Expenditures (PCE) Price Index is a measure of price changes for consumer goods and services. Like the Consumer Price Index (CPI), it measures prices of goods and services commonly purchased by households. While the CPI often captures the headlines when it is reported, the Federal Reserve focuses on the PCE as its primary gauge for consumer inflation.

The August PCE Price Index, reported last week, was +6.2% year-over-year and the core PCE, which excludes food and energy prices, was +4.9%. Based on the recent Summary of Economic Projections, the Federal Reserve is targeting the PCE Price Index to get to a +5.4% level by the end of 2022 and core PCE to a +4.5% level. For 2023, the Federal Reserve is forecasting the PCE Price Index at +2.8% versus 2022 and core PCE at +3.1% versus 2022.

Part of the reduction on a year-over-year comparison occurs because we start comparing a moderating inflation environment versus a higher inflation environment. When inflation first spiked, we were comparing a high inflation environment versus a lower inflation environment, so the year-over-year comparisons were steep. The other contributor to lower inflation is a reduction in demand for goods and services as consumers are forced to make choices such as gasoline versus coffee or beef versus chicken. In aggregate, choices and substitutions can help lower prices for certain goods. Lastly, corporations will also likely make economic decisions, such as we have seen with hiring freezes and workforce reductions. Slack in the labor market can help reduce the rate of inflation as lower compensation creates a lower level of labor price inflation that needs to be passed along to consumers.

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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