

## Frankenstocks

Stocks have tried to come back from the dead, rallying for a second consecutive week and are on track to turn in a strong month for October. For the week, the S&P 500 was +4.0%, the Dow was +5.7%, and the NASDAQ was +2.1%. The 10-year U.S. Treasury note yield decreased to 4.010% at Friday's close versus 4.212% the previous week.

Economic data has been favorable with the September Personal Consumption Expenditures (PCE) Price Index showing inflation within expectations and the third quarter advance Gross Domestic Product (GDP) report showing growth in the U.S. economy after two quarters of contraction. The PCE Price Index was +0.3% month-to-month and +6.2% year-over-year. Excluding food and energy, the core PCE Price Index was +0.5% month-to-month and +5.1% year-over-year. This was generally inline with expectations following the Consumer Price Index data which was released earlier in the month. All eyes will be on the Federal Reserve with its scheduled update to monetary policy on Wednesday. A 0.75% increase in the Fed funds rate to a 3.75% to 4.00% target range is widely expected.

We are past the halfway point for third quarter earnings. Of the 263 companies that have reported earnings, 66.5% have exceeded consensus expectations. This week, 167 companies are scheduled to report earnings. The current consensus expectation for the third quarter is 4.1% earnings growth on 10.3% revenue growth. For CY2022 earnings growth is currently forecast at 6.3% on 11.3% revenue growth.

In our *Dissecting Headlines* section, we look at the components of the third quarter GDP report.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	4.0%	-17.1%	Aggregate Bond Index	1.4%	-14.2%
Dow Jones Industrial Average	5.7%	-8.1%	U.S. Dollar Index	-1.1%	15.4%
NASDAQ 100	2.1%	-28.8%	WTI Crude Oil	3.4%	16.9%
Russell 2000 (Small Cap Index)	6.0%	-16.9%	Gold	-0.9%	-10.2%
International Stocks (MSCI ex-US)	2.3%	-24.4%	Real Estate (US REIT Index)	6.2%	-26.4%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Third Quarter Advance GDP

Gross Domestic Product (GDP) measures the entirety of U.S. economic output. The major reported components are consumption, fixed investment, government spending, and net exports. More than two-thirds of U.S. GDP is personal consumption of goods and services. Business and government spending make up about an equal share of the remainder. The difference in the value of exports and imports, or net exports, typically adds or subtracts a small amount from the total.

After two quarters of economic contraction, -1.6% in the first quarter and -0.6% in the second quarter, the U.S. economy grew 2.6% in the third quarter. This data is subject to two revisions, but the typical level of revisions should not put the positive number in jeopardy.

For the third quarter, personal consumption was +1.4%, with a breakout of -1.2% for goods and +2.8% for services. Nonresidential fixed investment (business spending) was +3.7% and government spending was +2.4%. The sequential government spending increase was the first since the fourth quarter of 2020. Net exports were positive. Residential fixed investment (housing) declined 26.4% as higher interest rates have slowed construction.

Despite inflationary pressures and higher interest rates taking their toll in areas such as housing, employment continues to be a bright spot in the economy. Low unemployment is supportive of consumer spending. We believe the Federal Reserve is willing to let employment slow in an effort to reduce the pace of inflation. The tradeoff between the two may impact the personal consumption component of GDP over the next few quarters. Our next look at the health of the labor market is scheduled for this Friday with the October employment report.

## The NovaPoint Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto: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).



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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.



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointcapital.com](mailto: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 / [tbenbow@novapointcapital.com](mailto:tbenbow@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).



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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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