

## Examining Midterms

Stocks declined last week as the Federal Reserve did not indicate it was ready to cease its interest rate increase cycle. For the week, the S&P 500 was -3.3%, the Dow was -1.4%, and the NASDAQ was -5.9%. The 10-year U.S. Treasury note yield increased to 4.158% at Friday's close versus 4.010% the previous week.

The Federal Open Market Committee (FOMC) raised the Fed fund target range by 0.75% to a 3.25% to 4.00% range. The FOMC is not done raising rates but is likely to begin a more moderate pace of increases soon. The equity markets had a relief rally on Friday after the October employment report showed 216,000 jobs were created for the month and the unemployment rate increased to 3.7%. The labor market is straddling an interesting line where too much good news likely means more interest rate increases, but too much bad news would be bad for consumer spending and GDP growth.

We are on the downslope of third quarter earnings reporting with 428 companies in the S&P 500 Index complete. This week, 31 companies in the S&P 500 Index are scheduled to report earnings. The current consensus expectation for the third quarter is 4.3% earnings growth on 11.0% revenue growth. For CY2022 earnings growth is currently forecast at 6.0% on 11.3% revenue growth.

Major data points this week are the October Consumer Price Index (CPI) report scheduled for Thursday and the results of the mid-term elections which should start rolling in very late on Tuesday night.

In our *Dissecting Headlines* section, we look at the upcoming midterm elections and its historical impact on equity markets.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-3.3%	-19.8%	Aggregate Bond Index	-0.7%	-14.8%
Dow Jones Industrial Average	-1.4%	-9.3%	U.S. Dollar Index	0.1%	15.5%
NASDAQ 100	-5.9%	-33.0%	WTI Crude Oil	5.4%	23.1%
Russell 2000 (Small Cap Index)	-2.5%	-19.0%	Gold	2.3%	-8.1%
International Stocks (MSCI ex-US)	2.1%	-22.8%	Real Estate (US REIT Index)	-1.8%	-27.7%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Election Impact

Heading into the U.S. midterm elections, the polls are currently predicting the Republican Party to take control of the House of Representatives. The race for control of the U.S. Senate is much closer with some polls predicting the Democratic Party retains control (outright or through a tie) and some predicting the Republicans can take control.

If the election plays out consistent with the current polling, we will wind up with a Democrat in the White House, since President Biden is not up for reelection, and either Republican control of both legislative chambers or at least one. Historically, this should be a positive for the stock market.

In the modern era, the average annual return of the S&P 500 Index with a Democrat in the White House and Republican control of both chambers of Congress is 13.0% and if a Democrat is in the White House and Congress is split the average annual return is 13.6%.

Having one party control the government (White House and Congress) has historically produced good returns as well with an average annual return of 12.9% for the S&P 500 Index when Republicans control the government and 9.8% when Democrats control the government.

The worst relative returns are produced when a Republican is in the White House and Democrats control both chambers of Congress for a 4.9% average annual return, or when the Democrats control at least one chamber for a 5.2% return.

While this may be partially simple correlation, we can attribute some causation given the impact of government policy on the economy and, subsequently, on stock market returns.

## 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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointcapital.com](mailto:aconner@novapointcapital.com)**

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).



**Allan Duncan / Investment Adviser / [aduncan@novapointcapital.com](mailto:aduncan@novapointcapital.com)**

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.

**NovaPoint Capital LLC** (referred to herein as "NovaPoint" or "the Company") is registered with the SEC as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

**Not an offer of advisory services or securities:** This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

**Investment risk:** The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

**Limitation of liability:** While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

**Trademarks and copyrights:** All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.