

## Naughty or Nice?

Equity markets retrenched last week after the November Producer Price Index (PPI) showed inflation to be stickier than anticipated. The S&P 500 was -3.3% for the week, the Dow was -2.7%, and the NASDAQ was -3.6%. The 10-year U.S. Treasury note yield increased to 3.567% at Friday’s close versus 3.503% the previous week.

The November PPI was +0.3% month-to-month and core PPI was also +0.3% month-to-month. The month-to-month change was slightly above the +0.2% expectation for PPI and core PPI. Year-over-year, PPI was +7.4% and core PPI was +4.9%. This is a continued downward trend from the +8.1% PPI and +5.4% core PPI seen in October. The November Consumer Price Index (CPI) is scheduled for release on Tuesday and provides the last major economic data point before this week’s Federal Open Market Committee (FOMC) meeting.

The FOMC meets this Tuesday and Wednesday. A 0.50% increase in the Fed funds rate is widely expected. When the FOMC met in September, the updated Summary of Economic projections indicated the terminal Fed funds rate for the current cycle would be 4.50% to 4.75%. With current Fed funds at 3.75% to 4.00%, a 0.50% increase takes rates to 4.25% to 4.50%. There is a likelihood we see an increase in the terminal Fed funds rate projection to above 5%. This could potentially push the rate cycle past the first quarter of 2023.

In our *Dissecting Headlines* section, we look at the historical performance of the Santa Claus Rally.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-3.3%	-16.2%	Aggregate Bond Index	-0.3%	-10.9%
Dow Jones Industrial Average	-2.7%	-6.0%	U.S. Dollar Index	0.3%	9.2%
NASDAQ 100	-3.6%	-28.6%	WTI Crude Oil	-11.2%	-5.6%
Russell 2000 (Small Cap Index)	-5.1%	-18.9%	Gold	-0.1%	-1.7%
International Stocks (MSCI ex-US)	-0.3%	-14.4%	Real Estate (US REIT Index)	-1.9%	-24.4%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Santa Claus Rally

With Christmas on the way, one investing question that comes along this time of year is whether or not there will be a Santa Claus Rally in the stock market. The Santa Claus Rally is a year-end phenomenon where investors are looking for better than coal in their investment stockings.

According to the Stock Trader’s Almanac, the time period to measure the rally is the five final trading days of the year and the first two trading days of January. Since 1950, the S&P 500 Index has recorded a positive return on 57 occasions, or 80% of the time, during that time period. The average increase over those seven trading days has been +1.3%.

Whether it is optimism surrounding the U.S. consumer spending money, institutional positioning ahead of the new year, or just the holiday spirit, the impact has been a positive one over the years. The FOMC meeting this week could determine if the last few weeks of the year are naughty or nice to investors.

## 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.



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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).



**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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