

Winter Recess

Equity markets took another ride last week. Optimism was high early in the week following a Consumer Price Index (CPI) report that showed slowing inflation, but pessimism returned following the Federal Open Market Committee (FOMC) meeting which indicated the final level on short-term interest rates is projected to be higher than previously expected.

The S&P 500 was -2.0% for the week, the Dow was -1.6%, and the NASDAQ was -2.8%. The 10-year U.S. Treasury note yield decreased to 3.482% at Friday's close versus 3.567% the previous week.

The November CPI report showed +0.1% month-to-month and core CPI, which excludes food and energy prices, was +0.2% month-to-month. The month-to-month change was lower (less inflationary) than expectations. Year-over-year, CPI was +7.1% and core CPI was +6.0%.

The FOMC increased the Fed funds rate by 0.50% to a 4.25% to 4.50% range. In the quarterly Summary of Economic Projections, the FOMC indicated its projected terminal Fed funds rate for the cycle is now 5.00% to 5.25% versus 4.50% to 4.75% previously.

In our *Dissecting Headlines* section, we look at the National Bureau of Economic Research and its position as the official organization able to declare a recession.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.0%	-17.9%	Aggregate Bond Index	0.7%	-10.2%
Dow Jones Industrial Average	-1.6%	-7.5%	U.S. Dollar Index	-0.1%	9.1%
NASDAQ 100	-2.8%	-30.5%	WTI Crude Oil	4.6%	-1.2%
Russell 2000 (Small Cap Index)	-1.8%	-20.4%	Gold	-0.2%	-2.0%
International Stocks (MSCI ex-US)	-2.2%	-16.3%	Real Estate (US REIT Index)	-2.6%	-26.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: National Bureau of Economic Research

A recession is defined as a significant decline in economic activity that is spread across the economy and lasts more than a few months. Many market watchers have used the indicator of two quarters of negative GDP growth to declare that economic condition. In reality, a handful of economists from the National Bureau of Economic Research (NBER), a private nonprofit organization, meet to consider many factors and declare whether the U.S. economy is in a recession or not based on the above definition.

The members of NBER's Business Cycle Dating Committee are Robert Hall of Stanford, Robert J. Gordon of Northwestern, James Poterba of MIT, Valerie Ramey of UCal - San Diego, Christina Romer of UCal - Berkeley, David Romer of UCal - Berkeley, James Stock of Harvard, and Mark W. Watson of Princeton.

These economists will consider additional factors such as employment, industrial production, and personal consumption to determine the depth, dispersion, and duration of a contraction in economic activity. They are the group that makes the official declaration of a recession. They are also the committee that declares when a recession is over.

Recessions are sometimes declared in hindsight, so fear of a recession is what can sometimes cause investors and consumers to change their behaviors, so the actual declaration of a recession may be a moot point except for pundits that want to say they predicted it correctly. Regardless, the stock market tends to be a forward-looking mechanism, and may rise to look beyond a recession, especially one that feels like the only thing it lacks is an official declaration.

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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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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