

## Early Optimism

Equity markets continued their advance last week. The S&P 500 was +2.7%, the Dow was +2.0%, and the NASDAQ was +4.5%. The 10-year U.S. Treasury note yield decreased to 3.551% at Friday's close versus 3.571% the previous week.

The December Consumer Price Index (CPI) declined 0.1% month-to-month and core CPI, which excludes the Food and Energy categories, rose 0.3% month-to-month. Year-over-year, CPI was +6.5% and core CPI was +5.7%. Both Food and Energy have trended in a less inflationary direction. The sticky part of the core CPI is Shelter costs which were +0.5% month-to-month and +7.5% year-over-year.

The current consensus for fourth quarter earnings for the S&P 500 Index is a 2.2% decline in year-over-year earnings on 4.2% revenue growth. For full-year 2022, current consensus is 5.4% year-over-year earnings growth on 11.2% revenue growth. The early look for full-year 2023 is a consensus expectation of 3.9% earnings growth on 2.2% revenue growth. Twenty-six companies in the S&P 500 Index are scheduled to report earnings this week.

In our *Dissecting Headlines* section, we look at the fourth quarter earnings forecasts by sector within the S&P 500 Index.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.7%	4.2%	Aggregate Bond Index	0.8%	2.5%
Dow Jones Industrial Average	2.0%	3.5%	U.S. Dollar Index	-1.6%	-1.3%
NASDAQ 100	4.5%	5.5%	WTI Crude Oil	8.3%	-0.5%
Russell 2000 (Small Cap Index)	5.3%	7.2%	Gold	2.9%	5.3%
International Stocks (MSCI ex-US)	4.2%	7.2%	Real Estate (US REIT Index)	4.1%	5.8%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Sector Level Earnings

Current consensus earnings for the S&P 500 Index is a 2.2% year-over-year decline. Within the Index, four sectors are forecast to have positive year-over-year earnings growth and the remaining seven sectors are expected to see an earnings decline of various magnitudes according to I/B/E/S data from Refinitiv.

For the growing sectors, the Energy sector is forecast to have the highest earnings growth at +63.4% year-over-year. This is followed by the Industrial sector at +42.1% earnings growth, the Real Estate sector at +6.9%, and the Utilities sector at +3.6%. The Energy sector should benefit from higher oil and gas prices, through as we have seen from the CPI report above, those prices have retreated recently.

For the declining sectors, Materials sector is forecast to see earnings decline 22.6% year-over-year. This is followed by the Communication Services sector at -21.6%, the Consumer Discretionary sector at -15.8%, the Information Technology sector at -8.7%, the Financial sector at -7.6%, the Health Care sector at -6.4%, and the Consumer Staples sector at -2.8%.

The forecasts are well known heading into the earnings reporting period and individual stock winners and losers are often determined by whether their earnings and forward outlooks exceed or fall short of these expectations. The stock market is a forward looking mechanism and stocks tend to react to both company results and commentary on future expectations.

## The NovaPoint Capital 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).



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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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