

## Once More Unto the Breach

Equity markets ended the week down modestly and the year down substantially. For the week, the S&P 500 was -0.1%, the Dow was -0.2%, and the NASDAQ was -0.4%. The 10-year U.S. Treasury note yield increased to 3.831% at Friday's close versus 3.747% the previous week.

This week's major economic release is the December employment report scheduled for Friday. Strength in the labor market has been a factor working against the Federal Reserve's efforts to slow inflation.

Fourth quarter 2022 earnings reporting starts this month. The current consensus for the S&P 500 Index is for a 1.6% decline in year-over-year earnings on 4.1% revenue growth. For full-year 2022, current consensus is 5.6% year-over-year earnings growth on 11.3% revenue growth. The early look for full-year 2023 is a consensus expectation of 4.4% earnings growth on 2.3% revenue growth.

In our *Dissecting Headlines* section, we examine current investor sentiment from the American Association of Individual Investors survey.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-0.1%	-18.1%	Aggregate Bond Index	-0.7%	-12.0%
Dow Jones Industrial Average	-0.2%	-6.9%	U.S. Dollar Index	-0.8%	7.9%
NASDAQ 100	-0.4%	-32.4%	WTI Crude Oil	0.9%	6.7%
Russell 2000 (Small Cap Index)	0.1%	-20.4%	Gold	1.5%	-0.2%
International Stocks (MSCI ex-US)	0.1%	-16.0%	Real Estate (US REIT Index)	-0.7%	-27.0%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Investor Sentiment

When the market is going up, investors get bullish and eventually they are wrong. When the market is going down, investors get bearish and eventually they are wrong.

The current American Association of Individual Investors (AAII) survey indicates 47.6% of its weekly sentiment survey respondents are bearish and only 26.5% are bullish. The survey asks for investors opinion of where the stock market will be in the next six months. The survey is often seen as a contrarian indicator since above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism. While not a perfectly correlated indicator, we can see the value in being greedy when others are fearful and fearful when others are greedy (paraphrase from Warren Buffet).

If we look one year ago just prior to the start of 2022, 37.7% of respondents were bullish and only 30.5% were bearish. As we know, the S&P 500 Index has declined 18.1% over the past year.

In December 2018, the S&P 500 Index had declined 4.4% on the year and the Fed had been raising interest rates. Bearish sentiment was 50.3% and bullish sentiment was only 31.6%. The Fed reversed policy in 2019 and the S&P 500 Index ended the year up 31.5%.

A year is a long time and timing can be difficult, but with bullish levels of sentiment below historical averages (current 26.5% versus 37.5% historical average) and bearish sentiment higher than average (current 47.6% versus 31.0% historical average), we think the end of the rate increase cycle (potentially by mid-year) would be a strong catalyst for improved returns in 2023.

## 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).



**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).



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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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