Weekly Market Commentary

January 9, 2023

Melt Up

Equity markets kicked off the new year with an advance. The S&P 500 was +1.5%, the Dow was +1.5%, and the NASDAQ was +0.9% as Friday's release of the December employment report sparked a strong rally to end the week. The 10-year U.S. Treasury note yield decreased to 3.571% at Friday's close versus 3.831% the previous week.

The December employment report showed continued strength in the labor market with 223,000 new jobs created versus an expectation of 200,000. While above expectations, investors had a positive takeaway from lower growth in average hourly earnings (+0.3% month-to-month versus +0.4% month-to-month expectations) and a downward revision in November's month-to-month average hourly earnings from 0.6% to 0.4%. The unemployment rate for December declined to 3.5% from a revised 3.6% in November. High levels of job openings had been creating labor cost inflation and a slowing of that metric could reduce overall inflation expectations moving forward.

Fourth quarter 2022 earnings reporting starts this month. The current consensus for the S&P 500 Index is for a 2.2% decline in year-over-year earnings on 4.1% revenue growth. For full-year 2022, current consensus is 5.5% year-over-year earnings growth on 11.2% revenue growth. The early look for full-year 2023 is a consensus expectation of 4.1% earnings growth on 2.2% revenue growth. Nine companies in the S&P 500 Index are scheduled to report earnings this week.

In our *Dissecting Headlines* section, we draw the distinction between a hard landing and soft landing for the economy.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.5%	1.5%	Aggregate Bond Index	1.7%	1.7%
Dow Jones Industrial Average	1.5%	1.5%	U.S. Dollar Index	0.3%	0.3%
NASDAQ 100	0.9%	0.9%	WTI Crude Oil	-8.1%	-8.1%
Russell 2000 (Small Cap Index)	1.8%	1.8%	Gold	2.3%	2.3%
International Stocks (MSCI ex-US)	2.9%	2.9%	Real Estate (US REIT Index)	1.7%	1.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Hard Landing versus Soft Landing

Following the December employment report, the financial news restarted the debate of a hard landing versus a soft landing for the economy. A "soft landing" is a slowdown in economic growth that avoids a recession as the Federal Reserve can use the monetary policy tools at its disposal to raise interest rates enough to slow inflation without causing a severe downturn. By contrast, a "hard landing" is a rapid slowdown in growth that causes a recession or severe downturn across a broad swath of the economy.

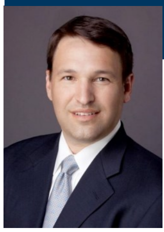
The Fed's insistence that it would continuing raising short-term interest rates and keep them at a restrictive level for some time until real signs emerge on the progress of slowing inflation has kept most market watchers forecasting a hard landing, with a mix of calls for a shallow recession or just avoiding a recession in 2023. As we have previously discussed, the actual declaration of a recession is in the hands of the economists at the National Bureau of Economic Research.

A decline in the rate of inflation toward the Fed's 2% target without severe economic damage in areas such as employment, industrial production, and consumer spending would result in a soft landing. A broad, severe decline across those economic inputs would likely cause NBER to declare a recession, solidifying a hard landing.

The airplane landing analogy works, if we assume that the Federal Reserve is the only pilot. The issue in the current economic environment is that several passengers (politicians, bureaucrats, foreign trade partners, and other institutions) have been able to jostle the controls.

Our next data point to watch is the December Consumer Price Index (CPI) report due for release this Thursday.

The NovaPoint Capital Team



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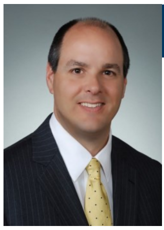
Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and 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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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.