

## Investors can be Fickle

Investors did not show stocks much love last week as the market retreated after a strong start to the year. The S&P 500 Index was -1.1%, the Dow was -0.1%, and the NASDAQ was -2.1%. The 10-year U.S. Treasury note yield increased to 3.743% at Friday’s close versus 3.532% the previous week.

Last week had little economic data to influence market direction. This week we can see if investors have a change of heart with the release of the January Consumer Price Index (CPI) scheduled for Tuesday and Producer Price Index (PPI) scheduled for Thursday. A continuation of the disinflationary trend is likely needed to keep the romance with stocks alive.

We are heading into the later stages of the fourth quarter earnings period. Three hundred forty-four companies have already reported, and another 61 companies are scheduled to report earnings this week. The current consensus for fourth quarter earnings for the S&P 500 Index is a 2.8% decline in year-over-year earnings on 5.0% revenue growth. Of the 344 companies in the S&P 500 that have reported earnings to date, 69.2% have reported earnings above analyst estimates. This compares to a long-term average of 66.3% and prior four quarter average of 75.5%. For full-year 2022, current consensus is 5.2% year-over-year earnings growth on 11.4% revenue growth. The current consensus expectation for full-year 2023 is 1.5% earnings growth on 1.5% revenue growth.

In our *Dissecting Headlines* section, we look at the upcoming CPI and PPI reports.

## Financial Market Update

|                                   | Weekly Return | YTD Return |                             | Weekly Return | YTD Return |
|-----------------------------------|---------------|------------|-----------------------------|---------------|------------|
| S&P 500 Index                     | -1.1%         | 6.7%       | Aggregate Bond Index        | -1.2%         | 1.6%       |
| Dow Jones Industrial Average      | -0.1%         | 2.3%       | U.S. Dollar Index           | 0.7%          | 0.1%       |
| NASDAQ 100                        | -2.1%         | 12.6%      | WTI Crude Oil               | 8.6%          | -0.7%      |
| Russell 2000 (Small Cap Index)    | -3.3%         | 9.0%       | Gold                        | 0.0%          | 2.2%       |
| International Stocks (MSCI ex-US) | -1.7%         | 7.1%       | Real Estate (US REIT Index) | -1.9%         | 9.5%       |

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: January Inflation Data

While the year-over-year comparisons in retail prices (CPI) and wholesale prices (PPI) remain above the Fed’s target of 2% core inflation (as measured by the PCE Price Index), the month-to-month comparisons have been trending toward a more favorable comparison. December CPI showed a month-to-month decline of 0.1% and core CPI, which excludes food and energy, increased by 0.3%. December PPI showed a month-to-month decline of 0.5% and core PPI rose 0.1%. The data can be volatile month-to-month, but if the disinflationary trend continues, we should see closer to normalized year-over-year inflation levels by mid-year. A still strong labor market remains a sticking point as a tight supply of labor leads to wage inflation that is passed along in retail prices for goods and services.

A continuation of the disinflationary trends are needed to keep investors optimistic the Federal Reserve won’t move the terminal fed funds target rate at the March Federal Open Market Committee (FOMC) meeting scheduled for March 21st -22nd. As of the December FOMC meeting, the terminal rate target was at 5.00% to 5.25%, a 0.50% increase from the September projection. At the current fed funds range of 4.50% to 4.75%, the Federal Reserve has two 0.25% increases left in the current cycle, unless we see a reemergence of inflationary pressures between now and the March meeting which causes another upward revision to the terminal rate.

## 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.

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