NovaPoint CAPITAL LLC

Weekly Market Commentary

February 27, 2023

Shiver

The equity markets have gone cold in February with the S&P 500 Index declining for three consecutive weeks. Last week, the S&P 500 Index was -2.7%, the Dow was -3.0%, and the NASDAQ was -3.1%. The 10-year U.S. Treasury note yield increased to 3.949% at Friday's close versus 3.828% the previous week.

The January Personal Consumption Expenditures (PCE) Price Index increased 0.6% month-to-month and core PCE also increased 0.6% month-to-month. Year-over-year, PCE prices increased 5.4% and core PCE increased 4.7%. This report follows on the heels of higher Consumer Price Index (CPI) and Producer Price Index (PPI) for January and continues to inject some caution in investor sentiment due to actions the Federal Reserve may need to take to confront this reemergence of inflationary pressure in the economy.

Fourth quarter earnings reporting is nearing an end with 465 companies complete in the S&P 500 Index. Another 26 companies are scheduled to report earnings this week. The current consensus for fourth quarter earnings for the S&P 500 Index is a 3.2% decline in year-over-year earnings on 5.7% revenue growth. Of the 465 companies in the S&P 500 that have reported earnings to date, 67.5% 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 4.8% year-over-year earnings growth on 11.6% revenue growth. The current consensus expectation for full-year 2023 is 1.7% earnings growth on 1.5% revenue growth.

In our *Dissecting Headlines* section, we explain supercore inflation.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.7%	3.7%	Aggregate Bond Index	-0.8%	0.4%
Dow Jones Industrial Average	-3.0%	-0.7%	U.S. Dollar Index	1.3%	1.6%
NASDAQ 100	-3.1%	9.6%	WTI Crude Oil	0.0%	-4.9%
Russell 2000 (Small Cap Index)	-2.9%	7.5%	Gold	-1.4%	-0.7%
International Stocks (MSCI ex-US)	-2.5%	3.9%	Real Estate (US REIT Index)	-3.1%	5.3%

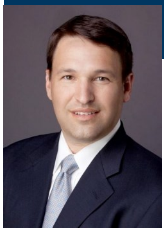
Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Supercore Inflation

The sticky point in reducing inflation continues to be higher wages. The Federal Open Market Committee (FOMC) minutes from the February 1st meeting mentioned that many supply bottlenecks have freed up. We have also seen prices for many commodities decline. The remaining issue is that two-thirds of the U.S. economy is service-based and higher wages have a direct inflationary impact in the service economy. Higher wages in a still strong job market are driving up prices in these service industries is what is now being called "supercore inflation" or the inflation in labor costs after we strip away food, energy, raw materials, and all other non-labor categories.

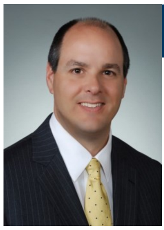
Similar to what has historically been known as the "wage-price spiral", the FOMC will need to create greater slack in the labor market to bring down overall prices in the economy. The January unemployment rate of 3.4% was near record lows. We will likely need to see a turn in the labor market to cool wage growth and reduce pressure on super-core inflation. The next labor market data point is the February employment report scheduled for March 10th. That report, along with the February CPI (scheduled for March 14th) and PPI (scheduled for March 15th) reports should set the stage for the March 22nd FOMC meeting.

The NovaPoint Capital Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / 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

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

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

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).

Allan Duncan / Investment Adviser / aduncan@novapointcapital.com

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.