Weekly Market Commentary

February 6, 2023

Gobs of Jobs

The Federal Open Market Committee's (FOMC) decision to slow the pace of rate increases to 0.25% increments gave markets an optimistic boost mid-week, but the gains were tempered on Friday when the January employment report showed a still hot job market. For the week, the S&P 500 Index was +1.6%, the Dow was -0.2%, and the NASDAQ was +3.4%. The 10-year U.S. Treasury note yield increased to 3.532% at Friday's close versus 3.518% the previous week.

The FOMC raised the fed funds target rate by 0.25% to a range of 4.50% to 4.75%. This, along with comments from Fed Chair Jerome Powell that the battle against inflation was making progress, gave stocks a lift as it was widely viewed that the end of the Fed tightening cycle could be in sight soon. January's employment report may have retraced some of that enthusiasm as we have yet to see any slack in the labor market sufficient to make the Fed ease policy. January saw 517,000 net new jobs created and the unemployment rate down at 3.4%.

Fourth quarter earnings reports continue this week with 93 companies in the S&P 500 Index scheduled to report earnings. The current consensus for fourth quarter earnings for the S&P 500 Index is a 2.7% decline in year-over-year earnings on 4.6% revenue growth. Of the 250 companies in the S&P 500 that have reported earnings to date, 69.6% 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 11.3% revenue growth. The early look for full-year 2023 is a consensus expectation of 2.3% earnings growth on 1.9% revenue growth.

In our *Dissecting Headlines* section, we look at inflation, deflation, and disinflation.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.5%	6.1%	Aggregate Bond Index	0.1%	2.8%
Dow Jones Industrial Average	1.8%	2.6%	U.S. Dollar Index	-0.1%	-1.5%
NASDAQ 100	4.7%	11.2%	WTI Crude Oil	-2.0%	-0.7%
Russell 2000 (Small Cap Index)	2.4%	8.6%	Gold	0.0%	5.6%
International Stocks (MSCI ex-US)	1.4%	9.0%	Real Estate (US REIT Index)	3.6%	9.8%

Sources: S&P Global, Thomson Reuters

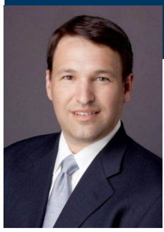
Dissecting Headlines: Inflation, Deflation, and Disinflation

One of the key mandates of the Federal Reserve is price stability. The Fed has stated that an acceptable level of price stability is a 2% annual rate of inflation across an economic cycle. The extreme levels of inflation seen during 2022 were disruptive to price stability, so the Fed enacted a more restrictive monetary policy by raising short-term interest rates. The objective was to slow the rate of inflation via demand destruction for goods and services by making the cost of funds more expensive.

By slowing the rate of inflation, the Fed was striving for disinflation. A disinflationary economy can still experience growth, but in an environment of better price stability. The economy, in aggregate, typically exhibits disinflation rather than deflation. Deflation is a drop in the price of goods and services. Widespread deflation would likely indicate an economy in a severe contraction. More often, individual products and services experience deflation in prices rather than the economy as a whole. We often see this in volatile commodities, such as energy prices or food prices. This is why price changes in those categories are often separated from the rate of core inflation. We also see deflation in products or service experiencing substitution or obsolescence. Prices can also fall for a product as it reaches greater consumer penetration and mass production has allowed it to be produced cheaper.

Look for a continued path of disinflation toward a 2% annual rate as the end goal for the current Fed monetary policy cycle.

The NovaPoint Capital Team



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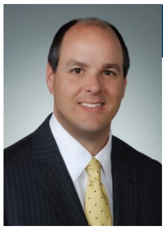
Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and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

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).

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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.