

## Balancing Act

The equity markets had a volatile week as risk appetite fluctuated with developments in the banking sector. The S&P 500 Index end the week +1.5%, the Dow was -0.1%, and the NASDAQ was +5.8%. The 10-year U.S. Treasury note yield decreased to 3.423% at Friday's close versus 3.699% the previous week.

The Federal Open Market Committee (FOMC) is scheduled to announce its next monetary policy decision on Wednesday afternoon. The Fed now has the task of balancing its fight against inflation with maintaining stability in the banking system. This makes a 0.25% rate increase likely and prompts an update of its outlook in the Summary of Economic Projections due to the recent developments in the banking system. The Fed started to reduce the size of its balance sheet in June, but needed to increase it last week by about \$300 billion dollars to support the Bank Term Funding Program and other liquidity options for the banking system.

Regarding inflation, the February Consumer Price Index (CPI) rose 0.4% month-to-month with core CPI, which excludes food and energy prices, +0.5%. Year-over-year CPI increased 6.0% and core CPI increased 5.5%. Shelter costs remained inflationary, rising 0.8% month-to-month and 8.1% year-over-year. The Producer Price Index (PPI) showed more moderation with February PPI declining 0.1% month-to-month and core PPI rising 0.2%. Year-over-year PPI increased 4.6% and core PPI increased 4.4%.

Following the closures of Silicon Valley Bank and Signature Bank, eleven major banks put deposits into Republic National Bank this past week. The latest banking development over the weekend was the announcement that UBS will be acquiring Credit Suisse at the insistence of the Swiss government.

In our *Dissecting Headlines* section, we look at the potential revisions for the quarterly Summary of Economic Projections that the FOMC is scheduled to release on Wednesday along with its interest rate decision.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.5%	2.4%	Aggregate Bond Index	1.3%	2.8%
Dow Jones Industrial Average	-0.1%	-3.4%	U.S. Dollar Index	-0.8%	0.2%
NASDAQ 100	5.8%	14.7%	WTI Crude Oil	-13.0%	-16.8%
Russell 2000 (Small Cap Index)	-2.6%	-1.7%	Gold	6.4%	9.0%
International Stocks (MSCI ex-US)	-2.3%	1.5%	Real Estate (US REIT Index)	-1.3%	-2.6%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Summary of Economic Projections

The FOMC publishes its Summary of Economic Projections each quarter. This is the collective roadmap for how Federal Reserve officials view the economy unfolding over the next two to three years and what monetary policy actions they view as likely based on these economic projections. The projections are updated at the FOMC meetings each March, June, September, and December.

The key data points in the summary include Gross Domestic Product (GDP) growth, unemployment, and inflation measured by Personal Consumption Expenditures (PCE) prices. The summary also shows the FOMC's projected path of monetary policy in changes to the fed funds rate. The past few summaries showed quarterly adjustments of more persistent inflation and incrementally higher interest rates with the current terminal fed funds rate target range of 5.00% to 5.25%.

The upcoming summary should help us understand the FOMC's view on the impact of the recent banking system issues and its projected impact on the economy. It should also show whether the FOMC keeps moving forward on a path of higher interest rates to curb inflation as indicated by an increase in the terminal fed funds rate, or if it takes a more cautious view and leaves the current terminal rate unchanged as it balances the task of fighting inflation with the task of maintaining stability in the banking system.

## 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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