Weekly Market Commentary

July 17, 2023

Swift Impact

A slowing in the rate of inflation and a good start to the earnings reporting season boosted stocks last week. The weekly return for the S&P 500 Index was +2.4%, the Dow was +2.3%, and the NASDAQ was +3.5%. The 10-year U.S. Treasury note yield decreased to 3.820% at Friday's close versus 4.048% the previous week.

The June Consumer Price Index (CPI) was +0.2% month-to-month and core CPI, which excludes food and energy, was +0.2% month-to-month. Year-over-year, CPI was +3.0% and core CPI was +4.8%. This gave investors confidence inflation was coming under control and the Fed would be nearing the end of its tightening cycle. Multiple Fed officials have commented that two 0.25% increases in the Fed funds rate would be adequate for the remainder of the year. Current probability for a 0.25% increase in the Fed funds rate at the July 26th Federal Open Market Committee meeting is 96.1% versus 93.0% a week ago.

Earnings reporting continues to ramp up this week with 68 companies in the S&P 500 Index scheduled to report earnings. Of the 30 companies in the S&P 500 that have reported earnings, 80.0% have reported earnings above analyst estimates. This compares to a long-term average of 66.4% and prior four quarter average of 73.4%. Second quarter earnings expectations for the S&P 500 Index is an 8.1% year-over-year earnings decline on a revenue decline of 0.9%. Current expectations for full year 2023 earnings are an increase of 0.3% on revenue growth of 1.6%.

In our *Dissecting Headlines* section, we look at the impact of the Taylor Swift tour and Hollywood strike on the U.S. economy.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.4%	18.4%	Aggregate Bond Index	1.7%	2.9%
Dow Jones Industrial Average	2.3%	5.3%	U.S. Dollar Index	-2.3%	-3.5%
NASDAQ 100	3.5%	42.9%	WTI Crude Oil	2.1%	-6.0%
Russell 2000 (Small Cap Index)	3.6%	10.5%	Gold	1.6%	7.2%
International Stocks (MSCI ex-US)	4.5%	12.5%	Real Estate (US REIT Index)	3.1%	6.5%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Taylor, Hollywood, and the Economy

The entertainment industry and economy are experiencing two distinct events. The positive is the impact of the Taylor Swift concert tour on each city it visits. The negative is the impact of the Hollywood writers and performers strike.

According to the Common Sense Institute, Taylor Swift's U.S. tour could generate $4.6 billion in total consumer spending which is larger than the GDP of 35 countries. Beyond tickets and merchandise sales, the tour has impacted the hotel and restaurant revenue in cities that have hosted the singer. The Federal Reserve's Beige Book even mentioned the singer last week in its regional commentary from the Federal Reserve Bank of Philadelphia. "Despite the slowing recovery in tourism in the region overall, one contact highlighted that May was the strongest month for hotel revenue in Philadelphia since the onset of the pandemic, in large part due to an influx of guests for the Taylor Swift concerts in the city."

On the flip side, the current Hollywood strike could see a greater than $3 billion negative impact to the economy. The strike of both the Writers Guild and Screen Actors Guild is happening concurrently for the first time in 63 years. The 100-day strike in 2007 of only the writers had an estimated $2.1 billion negative impact.

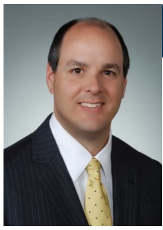
The key issues in the strike include the impact of Artificial Intelligence (AI) and residual pay for streaming. These two tech industry disruptions are hitting home in an industry that had previously welcomed tech innovations such as Computer Generated Imagery (CGI) to make the onscreen experience more impactful.

The Taylor Swift impact goes beyond concert tickets and helps the hospitality, transportation, and other related industries, while the Hollywood strike puts film and television support staff out of work to include carpenters, caterers, hair/makeup/wardrobe workers, and other supporting industries.

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.