

Holding the Line

Stocks were mixed last week as the corporate earnings season winds down and Fed Chairman Jerome Powell held the line on being steadfast on inflation in his remarks at Jackson Hole. The weekly return for the S&P 500 Index was +0.8%, the Dow was -0.4%, and the NASDAQ was +1.7%. The Technology and Consumer Discretionary sectors led the market. The Energy and Consumer Staples sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.239% at Friday's close versus 4.251% the previous week.

Fed Chairman Jerome Powell stated that the Fed is prepared to raise interest rates further if appropriate and intends to hold policy at a restrictive level until the Federal Reserve is confident that inflation is moving sustainably down. He has not deviated from the 2% annualized inflation target. Current Fed funds futures point to a 78.5% probability the Federal Open Market Committee (FOMC) will keep rates unchanged at the September meeting, down from an 88.5% probability a week ago.

The second quarter earnings period is almost complete with 485 companies in the S&P 500 Index having reported. This week, another 12 companies are scheduled to report earnings. Second quarter earnings expectation for the S&P 500 Index is a 3.0% year-over-year earnings decline on a revenue increase of 0.5%. Current consensus for full year 2023 earnings is an increase of 2.2% on revenue growth of 2.0%. Both the second quarter and full-year outlook have increased since earnings reporting started in early July.

In our *Dissecting Headlines* section, we look at important data points to monitor between now and the September FOMC meeting.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	0.8%	16.0%	Aggregate Bond Index	0.2%	1.0%
Dow Jones Industrial Average	-0.4%	5.1%	U.S. Dollar Index	0.7%	0.5%
NASDAQ 100	1.7%	37.3%	WTI Crude Oil	-1.7%	-0.5%
Russell 2000 (Small Cap Index)	-0.3%	6.3%	Gold	1.4%	4.9%
International Stocks (MSCI ex-US)	0.1%	6.3%	Real Estate (US REIT Index)	0.7%	0.9%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Economic Data Points

One element of Federal Reserve decision making on monetary policy that Jerome Powell has stressed is being data dependent. Between now and the September 19th-20th FOMC meeting, there are several economic data points that can better inform the voting members of the FOMC, and investors, about the appropriate path for interest rates.

This week, the July Personal Consumption Expenditures (PCE) Price Index is scheduled for release on Thursday. This is the index the Federal Reserve benchmarks its inflation target on. The 2% annualized inflation target is core inflation (excludes food and energy) as measured by the PCE. Also this week is the August Employment report from the Department of Labor. Chairman Powell expects unemployment to rise, so continued strong employment data could contribute to the decision for additional interest rate increases between now and year-end.

The week of September 11th, reports for retail and wholesale inflation for August are scheduled for release. The Consumer Price Index (CPI) report is scheduled for September 13th and the Producer Price Index (PPI) is scheduled for September 14th. Continued moderation in the rate of inflation is essential to the FOMC considering a pause at the September meeting.

While the FOMC may not have substantial interest rate increases ahead relative to the large increases seen over the past year, the final fine tuning of interest rates will eventually lead to a discussion of how long short-term interest rates remain at elevated levels. That answer likely will also be data dependent as we move through the remainder of the year and into 2024.

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointgroup.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@novapointgroup.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@novapointgroup.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@novapointgroup.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).



Larry Dixon / Tax Managing Partner / ldixon@novapointgroup.com

Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from the U.S. Military Academy at West Point, where he was a four-year letterman on the football team.

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