

## Energy Jolt

Stocks were mixed last week. The weekly return for the S&P 500 Index was -0.1%, the Dow was +0.1%, and the NASDAQ was -0.5%. The Utility, Consumer Discretionary, and Financial sectors led the market. The Technology, Industrial, and Materials sectors lagged. The 10-year U.S. Treasury note yield increased to 4.322% at Friday's close versus 4.256% the previous week.

The August Consumer Price Index (CPI) showed some mixed data on inflation. The consumer prices in August were +0.6% month-to-month and +3.7% year-over-year. Core CPI (which excludes food and energy) was +0.3% month-to-month and +4.3% year-over-year. Energy commodity prices were +10.5% month-to-month as crude oil and gasoline prices rose. This was the main driver for the overall CPI increase relative to the core CPI.

The current probability for the Federal Reserve to hold rates steady at its Federal Open Market Committee (FOMC) meeting this Wednesday is 99.0%. The committee's updated Summary of Economic Projections should give a good indication of future monetary policy.

In our *Dissecting Headlines* section, we look at the state of the Strategic Petroleum Reserve as oil prices are rising.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-0.1%	17.3%	Aggregate Bond Index	-0.3%	0.9%
Dow Jones Industrial Average	0.1%	6.1%	U.S. Dollar Index	0.2%	1.7%
NASDAQ 100	-0.5%	39.8%	WTI Crude Oil	3.7%	13.1%
Russell 2000 (Small Cap Index)	-0.2%	6.0%	Gold	0.3%	5.4%
International Stocks (MSCI ex-US)	1.7%	9.1%	Real Estate (US REIT Index)	0.6%	2.1%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Oil and the Strategic Petroleum Reserve

Crude oil broke above \$90 per barrel this month adding extra inflationary stressors on the economy. The energy commodities portion of the August CPI increased 10.5% year-over-year. Crude oil has risen an additional 8.1% since August, so there is the potential for headline inflation to continue to climb. The rise in prices is being driven by OPEC's production cuts and good demand in the U.S.

Gasoline prices for U.S. consumers are currently averaging \$3.881/gallon, up from \$3.678/gallon at this time last year. Diesel fuel prices at \$4.575/gallon are lower than the \$4.960/gallon last year, providing some relief in the price of shipping goods.

When crude oil prices rose at the outset of the Ukraine war last year, the U.S. released some oil from the Strategic Petroleum Reserve (SPR). Those sales of crude oil have depleted SPR levels to 350.6 million barrels as of last week which is the near the lowest the SPR has been since July of 1983. The SPR held 595 million barrels in December 2021, before the outbreak of the war in Ukraine.

The Strategic Petroleum Reserve was authorized in 1975 in a response to the global oil crisis. The plan was to create reserves that could be drawn on in the event of a severe supply disruption. The reserve is stored in underground salt domes along the Louisiana and Texas Gulf Coast and has a capacity of approximately 713.5 million barrels.

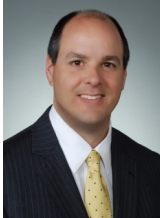
The currently depleted levels of the SPR could put a long-term floor under oil prices as there is a need to replenish the reserve levels over time.

## The NovaPoint 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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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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