

Tight Enough

Equities rallied and bond yields declined as the Federal Reserve projected a decrease in the Fed funds rate for 2024 as the pace of inflation is declining. The weekly return for the S&P 500 Index was +2.5%, the Dow was +2.9%, and the NASDAQ was +3.4%. The S&P 500 Index was led by the Real Estate, Materials, and Industrials sectors. The Utility and Communication Services sectors lagged. The 10-year U.S. Treasury note yield decreased to 3.928% at Friday’s close versus 4.245% the previous week.

The Federal Open Market Committee (FOMC) held the Fed funds rate steady at its 5.25% to 5.50% target range at its December meeting and projected that the short-term interest rate could decline by 0.75% in 2024. This was widely seen as confirming evidence the FOMC was done raising rates for this cycle. While the “higher for longer” posture is still in place, current CME Fed funds futures anticipate an initial reduction in the Fed funds rate as early as March 2024.

The S&P 500 Index finished the third quarter earnings reporting period with 7.2% year-over-year earnings growth and revenue growth of 1.7%. This is a substantial increase from the 1.6% earnings and 0.8% revenue growth forecasted at the start of the earnings reporting period. For full-year 2023, S&P 500 Index earnings are expected to grow by 2.5% on revenue growth of 2.0%. Looking ahead, current consensus for full-year 2024 is 11.4% earnings growth on 5.1% revenue growth.

In our *Dissecting Headlines* section, we look at the changes in the FOMC’s Summary of Economic Projections from last week’s meeting.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.5%	24.9%	Aggregate Bond Index	2.0%	5.2%
Dow Jones Industrial Average	2.9%	14.7%	U.S. Dollar Index	-1.5%	-0.9%
NASDAQ 100	3.4%	53.2%	WTI Crude Oil	1.2%	-11.0%
Russell 2000 (Small Cap Index)	5.6%	14.4%	Gold	0.7%	10.6%
International Stocks (MSCI ex-US)	2.6%	13.6%	Real Estate (US REIT Index)	6.0%	12.9%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: FOMC Projections

The FOMC left the Fed funds target rate at its current 5.25% to 5.50% target range. The significant change was made in its quarterly Summary of Economic Projections where it changed its 2024 projection for the Fed funds target rate to 4.50% to 4.75% versus its previous projection of 5.00% to 5.525% that it published at the September meeting.

Most of the other underlying assumptions for 2024 were little changed from the September meeting. 2024 Gross Domestic Product (GDP) is currently forecast at 1.4% growth versus 1.5% in September and the unemployment rate projection was held consistent at 4.1%. The projections for inflation measured by Personal Consumption Expenditures (PCE) prices of 2.4% and core inflation, which exclude food and energy prices, of 2.4% were also little changed versus 2.5% and 2.6% from the September meeting.

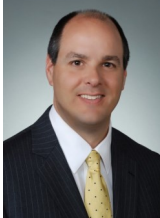
The changes in the Fed funds rate projection was enough to give investors confidence the FOMC was complete with the current monetary policy tightening cycle. While we know the direction the Fed funds rate is likely to take, speculation remains around timing. The FOMC is likely to remain diligent against a reacceleration of inflation. This could cause some market volatility in early 2024 until the timing of interest rate declines becomes clearer.

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. Larry is a certified Enrolled Agent, recognized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service.

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