

Stop and Go

The major equity indices rebounded from the initial down week of 2024. For the week, the S&P 500 Index was +1.9%, the Dow was +0.4%, and the NASDAQ +3.2%. The S&P 500 Index was led by the Technology, Communication Services, and Consumer Staples sectors, while the Energy, Utility, and Materials sectors lagged. The 10-year U.S. Treasury note yield decreased to 3.950% at Friday's close versus 4.042% the previous week.

Economic data has been mixed with the Consumer Price Index (CPI) showing a stronger inflation and the Producer Price Index (PPI) showing weaker inflation. There may be some near-term volatility until data starts to align in a clear direction consistent with the Federal Reserve's projections to provide confidence in monetary policy direction. The probabilities of an initial 0.25% rate cut in March are currently to 69.0% from 60.8% last week, based on CME Fed funds futures.

Twenty companies in the S&P 500 Index are scheduled to report earnings this week. Current fourth quarter expectations for the S&P 500 Index are earnings growth of 4.4% and revenue growth of 2.6%. For full-year 2023, S&P 500 Index earnings are expected to grow by 2.9% with revenue growth of 1.9%. For full-year 2024, earnings are expected to grow by 11.0% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we look at inflation, deflation, and disinflation.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.9%	0.3%	Aggregate Bond Index	0.8%	-0.2%
Dow Jones Industrial Average	0.4%	-0.2%	U.S. Dollar Index	0.0%	1.1%
NASDAQ 100	3.2%	0.1%	WTI Crude Oil	-1.5%	1.4%
Russell 2000 (Small Cap Index)	0.0%	-3.7%	Gold	0.2%	-0.7%
International Stocks (MSCI ex-US)	0.4%	-1.1%	Real Estate (US REIT Index)	1.1%	-0.5%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Inflation, Deflation, and Disinflation

The December CPI report showed consumer prices 3.4% higher year-over-year. Core prices, which exclude food and energy, were 3.9% higher year-over-year. The PPI report showed wholesale prices 1.0% higher year-over-year and core prices 2.5% higher. The Indices measure different sets of goods and services and both show that overall prices are still higher on an annual basis. This is what we generally recognize as inflation with prices higher year-over-year. A moderate level of inflation is seen by most economists as a sign of healthy growth and the Federal Reserve views 2% annual inflation as normal.

The Fed has been striving for the past two years to slow the rate of inflation, or create a path of disinflation. A disinflationary economy can still experience growth, but in an environment of better price stability. This is the path we are currently experiencing with Gross Domestic Product seeing moderate but positive growth and aggregate prices returning to a more moderate level of annual inflation. If we look back at December 2022, the CPI was 6.5% higher year-over-year and December 2021 CPI was 7.0%. This makes the 3.4% growth in prices disinflationary relative to the previous periods.

The 3.4% rise in consumer prices in 2023 compounds on the previous periods of rising prices, so while being disinflationary, prices have not gone down. A decline in prices is defined as deflation. Moderating economic growth, in aggregate, typically exhibits disinflation rather than deflation. Within specific categories, however, deflation exists. In 2023, used vehicle prices declined 1.3% and medical care declined 0.5%, helping contribute to overall disinflation while categories such as shelter prices rose 6.2%. Energy prices also declined 2.0% in 2023, and it is usually commodity prices such as energy and food that can exhibit more volatile inflation and deflation cycles. This is why food and energy are excluded when measuring core prices. We also see deflation in products or services experiencing substitution or obsolescence. Prices can also fall for a product as it reaches greater consumer penetration and mass production has allowed it to be produced cheaper.

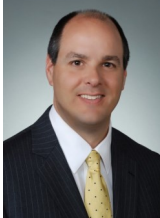
Look for a continued path of disinflation toward a 2% annual rate as the end goal for the current Fed monetary policy cycle.

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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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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