

Growing Economy

The S&P 500 Index hit a new record high inter-week before closing lower on Friday. For the week, the S&P 500 Index was +1.1%, the Dow was +0.6%, and the NASDAQ +0.6%. The S&P 500 Index was led by the Energy, Communication Services, and Financial sectors, while the Consumer Discretionary, Real Estate, and Health Care sectors lagged. The 10-year U.S. Treasury note yield increased to 4.160% at Friday’s close versus 4.146% the previous week.

Stronger than anticipated Gross Domestic Product (GDP) growth in the fourth quarter helped rally stocks and commodities such as crude oil. Fourth quarter GDP grew at a 3.3% annualized rate. CME Fed funds futures now imply a 50.4% probability that rates remain in the 5.25% to 5.50% target range for March and that the first rate cut happens in May. We will hear from the Federal Open Market Committee (FOMC) on Wednesday and see if they offer further insight to the current path for monetary policy. The Employment Situation Report for January is scheduled for Friday. Data between now and the March FOMC meeting should likely determine the timing of an initial interest rate cut.

The earnings report cadence continues this week with 86 companies in the S&P 500 Index scheduled to report earnings. Current fourth quarter expectations for the S&P 500 Index are earnings growth of 4.9% and revenue growth of 2.7%. For full-year 2023, S&P 500 Index earnings are expected to grow by 3.0% with revenue growth of 2.0%. For full-year 2024, earnings are expected to grow by 10.3% with revenue growth of 4.9%.

In our *Dissecting Headlines* section, we look at the recent GDP and Personal Consumption Expenditures reports.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.1%	2.6%	Aggregate Bond Index	0.1%	-1.1%
Dow Jones Industrial Average	0.6%	1.2%	U.S. Dollar Index	0.1%	2.1%
NASDAQ 100	0.6%	3.6%	WTI Crude Oil	6.3%	8.9%
Russell 2000 (Small Cap Index)	1.8%	-2.4%	Gold	-0.5%	-2.1%
International Stocks (MSCI ex-US)	1.8%	-1.5%	Real Estate (US REIT Index)	-0.7%	-3.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: GDP and PCE

Two key economic reports from last week demonstrate the economy is growing and inflation is moderating. The fourth quarter GDP report showed the economy growing at a 3.3% annual rate. This was lower than the 4.9% growth rate in the third quarter, but still above most expectations, and led to an overall 2.5% growth rate for the year.

Consumers continued to spend during the quarter with personal consumption expenditures growing at 2.8%. Spending on goods grew 3.8% and spending on services grew 2.4%. Areas such as dining out, travel, and health care all contributed to higher spending. A decrease in single family home construction was a drag on fixed investments. Growth in exports also exceeded growth in imports, led by energy and financial services.

At the same time the economy is growing, inflation continues to moderate. The core Personal Consumption Expenditures (PCE) Price Index for December grew 0.2% month-to-month and 2.9% year-over-year. While still above the Fed’s 2.0% target range, inflation has been trending down since its peak in mid-2022.

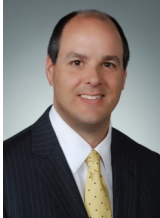
These reports provide reason for optimism, especially as the Federal Reserve is moderating its stance on interest rates.

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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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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