

## Sticky Prices

The S&P 500 Index had only its second weekly loss year-to-date but did stay above the 5,000 level. For the week, the S&P 500 Index was -0.3%, the Dow was just a touch positive, and the NASDAQ was -1.5%. The S&P 500 Index was led by the Energy, Materials, and Utility sectors, while the Technology, Consumer Discretionary, and Communication Services sectors lagged. The 10-year U.S. Treasury note yield increased to 4.295% at Friday's close versus 4.187% the previous week.

The Consumer Price Index (CPI) and Producer Price Index (PPI) reports for January showed inflation remained sticky. CPI was +0.3% month-over-month (m/m) and +3.1% year-over-year (y/y). Core CPI, which excludes food and energy prices, was +0.4% m/m and +3.9% y/y. PPI was +0.3% m/m and +0.9% y/y. Core PPI was +0.6% m/m and +2.6% y/y. The reports have caused a shift in investor expectations that the Federal Reserve may not lower short-term interest rates until June. CME Fed funds futures imply a 90% probability that rates remain in the 5.25% to 5.50% target range for March and 61.6% for May. The probability for a first rate cut in June is 53.7%.

We are in the tail-end of the fourth quarter earnings reporting period with 395 companies in the S&P 500 Index already reported. An additional 33 companies are scheduled to report earnings this week. Current fourth quarter expectations for the S&P 500 Index are earnings growth of 9.6% and revenue growth of 3.3%. For full-year 2023, S&P 500 Index earnings are expected to grow by 4.0% with revenue growth of 2.1%. For full-year 2024, earnings are expected to grow by 9.5% with revenue growth of 4.8%.

In our *Dissecting Headlines* section, we breakdown the CPI to see where inflation is impacting the economy.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-0.3%	5.1%	Aggregate Bond Index	-0.5%	-1.7%
Dow Jones Industrial Average	0.0%	2.8%	U.S. Dollar Index	0.2%	2.9%
NASDAQ 100	-1.5%	5.2%	WTI Crude Oil	3.1%	10.5%
Russell 2000 (Small Cap Index)	1.2%	0.4%	Gold	-0.5%	-2.4%
International Stocks (MSCI ex-US)	1.6%	0.5%	Real Estate (US REIT Index)	0.3%	-3.1%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Inside the CPI

January CPI showed consumer prices 3.1% higher y/y. While most price categories remain higher, they are partially offset by some deflationary categories.

If a recent trip to the supermarket felt expensive and eating out felt even more expensive, you would be correct. Food away from home (i.e., restaurants) is 5.1% higher y/y whereas food at home (i.e., grocery purchases) is only 1.2% higher y/y with some categories such as meat (-0.9% y/y) and dairy (-1.1% y/y) helping stem overall price increases.

Pump prices at the gas station might look lower with gasoline prices 6.4% lower y/y. At home, your utility bill may be a mix with electricity prices 3.8% higher y/y, but natural gas services 17.8% lower y/y.

In the core inflation areas, shelter prices remain inflationary, +6.0% y/y. This is an important category since it counts for more than one-third of the overall CPI. Other inflationary categories in the core include hospital services +6.7%, motor vehicle maintenance and repair +6.5%, and motor vehicle insurance +20.6% y/y. These are partially offset by used vehicle prices -3.5% and airline fares -6.4%.

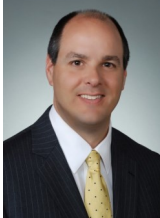
Taking a trip, by car or plane, looks attractive, but it will cost more to eat when you get there.

## 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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Steven is a Vice President at NovaPoint. Prior to joining NovaPoint, Steven's financial experience includes corporate finance at The Home Depot, contributing on Seeking Alpha, and leading investments in real estate projects. Prior to starting his business career, he served in the U.S. Army as a Special Forces Medic with 1st Special Forces Group. Steven is currently attending the Georgia Institute of Technology, Scheller College of Business for his MBA. He also has a Master of Science in Finance degree from Auburn University and a Bachelor of Science in Mechanical Engineering degree from Georgia Southern University. He is currently a member of a local Special Forces Association Chapter.

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