

Stubborn

Stubborn inflation data kept stocks muted last week. For the week, the S&P 500 Index was -0.1%, the Dow was flat, and the NASDAQ was -1.2%. The best performing sectors in the S&P 500 Index were the Energy, Materials, and Consumer Staples sectors, while the Real Estate, Consumer Discretionary, and Technology sectors lagged. The 10-year U.S. Treasury note yield increased to 4.308% at Friday’s close versus 4.077% the previous week.

The February Consumer Price Index (CPI) rose 0.4% month-over-month and 3.4% year-over-year. Core prices, which exclude the impact of food and energy prices, rose 0.4% month-over-month and 3.8% year-over-year. Stubborn inflation potentially delays the timing of Federal Reserve interest rate cuts. The highlight on this week’s calendar is the Federal Open Market Committee (FOMC) meeting on Tuesday and Wednesday. While a change in rates is unlikely at the meeting, the FOMC will publish its quarterly Summary of Economic Projections. This information could better align expectations for monetary policy for the remainder of the year. CME Fed funds futures currently forecast an initial rate cut in June.

The fourth quarter earnings reporting period is near complete with 498 companies in the S&P 500 Index already reported. Fourth quarter earnings growth for the S&P 500 Index should be 10.0% with revenue growth of 3.7%. For full-year 2023, S&P 500 Index earnings should grow by 4.1% with revenue growth of 2.4%. For full-year 2024, earnings are expected to grow by 9.8% with revenue growth of 4.7%.

In our *Dissecting Headlines* section, we look at the recent rise in oil prices.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-0.1%	7.6%	Aggregate Bond Index	-1.1%	-2.1%
Dow Jones Industrial Average	0.0%	3.2%	U.S. Dollar Index	0.7%	2.1%
NASDAQ 100	-1.2%	6.0%	WTI Crude Oil	2.9%	13.0%
Russell 2000 (Small Cap Index)	-2.0%	0.9%	Gold	-1.0%	4.6%
International Stocks (MSCI ex-US)	-0.2%	5.5%	Real Estate (US REIT Sector)	-2.8%	-2.5%

Sources: S&P Global, FactSet

Dissecting Headlines: Oil Prices

Oil prices have been on a stealthy rise this year. After trending below \$70/barrel in December, prices have recently topped \$80/barrel. Last week, the International Energy Agency (IEA) forecast oil markets will be in a deficit for 2024. IEA upped their demand growth by 110,000 barrels to 1.3 million barrels a day growth. Reasons cited included a stronger U.S. economic outlook and the increased need for ship fuel, as vessels take longer routes to avoid Houthi attacks in the Red Sea. Extended OPEC+ production cuts have continued to restrict supply.

While we are still a few months away from the summer driving season in the U.S., gasoline prices are on the rise. In January, the national average gasoline price, as measured by the American Automobile Association (AAA), was \$3.09/gallon. This has since risen to \$3.47/gallon (+12.3%). Prices are about even with this period in 2023, \$3.47/gallon versus \$3.45/gallon, and well below the spike seen in 2022 following the Russian invasion of Ukraine.

With inflation remaining stubborn in many areas such as housing and higher interest rates impacting consumer debt payments, higher gasoline prices can be an additional burden for consumers. One bright spot is that diesel prices are still lower year-over-year, \$4.03/gallon versus \$4.31/gallon, reducing supply chain and shipping costs for many consumer goods.

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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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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