

## In Like a Lion

Stocks have come into March like a lion year-to-date with the S&P 500 Index +8.0%. For the week, the S&P 500 Index was +1.0%, the Dow was flat, and the NASDAQ was +2.1%. The S&P 500 Index was led by the Technology, Real Estate, and Consumer Discretionary sectors, while the Health Care, Consumer Staples, and Utility sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.182% at Friday's close versus 4.260% the previous week.

Optimism was provided by the January Personal Consumption Expenditures (PCE) Price Index which showed inflation levels similar to the Consumer Price Index (CPI) which was released earlier in the month. Year-over-year inflation in the PCE was +2.4% and core inflation, which excludes food and energy prices, was +2.8%. The core PCE Price Index is the data that the Federal Reserve uses to measure inflation and its 2% annualized target. The current data likely keeps the Fed on hold for the March Federal Open Market Committee (FOMC) meeting and CME Fed funds futures current imply a 97.0% probability that rates remain in the 5.25% to 5.50% target range for March. CME futures also show a 73.6% probability that the Fed funds rate does not move at the May meeting. The probability for a first rate cut in June is 54.3%.

The fourth quarter earnings reporting period is almost complete with 487 companies in the S&P 500 Index already reported. An additional five companies are scheduled to report earnings this week. Current fourth quarter expectations for the S&P 500 Index are earnings growth of 9.8% and revenue growth of 3.7%. For full-year 2023, S&P 500 Index earnings are expected to grow by 4.0% with revenue growth of 2.4%. For full-year 2024, earnings are expected to grow by 9.7% with revenue growth of 4.6%.

In our *Dissecting Headlines* section, we look at the money spent during an election cycle.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.0%	8.0%	Aggregate Bond Index	0.4%	-1.0%
Dow Jones Industrial Average	0.0%	4.1%	U.S. Dollar Index	-0.1%	2.5%
NASDAQ 100	2.1%	8.9%	WTI Crude Oil	4.5%	11.6%
Russell 2000 (Small Cap Index)	2.5%	2.2%	Gold	2.3%	1.0%
International Stocks (MSCI ex-US)	0.4%	2.2%	Real Estate (US REIT Index)	1.4%	-1.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Election Spending

We are all used to politicians spending our money. During an election year, they also spend their donors' money. Whether small individual donors or PACs and Billionaires, money flows into campaigns and is spent to raise candidate profiles, amplify messages, and influence voters who to pull the lever for.

The 2020 election cycle in the United States was the most expensive on record with spending of \$14.4 billion, based on data from the Federal Election Commission. This crushed the 2016 spending total of \$6.5 billion. Of the \$14.4 billion total, \$5.7 billion was spent on the presidential candidates and \$8.7 billion was spent on the senate and congressional candidates. By political party, \$8.4 billion was spent by the Democrats in 2020, \$5.3 billion was spent by Republicans, and the remainder by other third parties. Part of the large spend in 2020 was due to the Georgia senate election and subsequent special election which cost a total of \$873 million.

Most of the money goes toward advertising spending, which totaled \$9.0 billion in 2020, including \$3.3 billion spent on down ballot state and local races and other initiatives. Ad spend for the 2024 race is expected to increase to \$10.2 billion, and could be as high as \$15 billion higher if there are run-offs or races look tight in key battleground states.

Who benefits other than the politicians? Advertising and media companies, especially local broadcast television, billboard, print, and direct mail. An increasing allocation also goes toward digital advertising.

## The NovaPoint Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointgroup.com](mailto:jsroka@novapointgroup.com)**

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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