

## Cut Day

Stocks rallied back last week in anticipation of an easing in monetary policy to be announced this week. For the week, the S&P 500 was +4.1%, the Dow was +2.6%, and the NASDAQ was +6.0%. Within the S&P 500 Index, the Technology, Consumer Discretionary, and Communication Services sectors led the market. The Energy, Financial, and Consumer Staples sectors lagged. The 10-year U.S. Treasury note yield decreased to 3.659% at Friday's close versus 3.717% the previous week.

Inflation data for August did not contain any surprises to dissuade investors that the Federal Open Market Committee (FOMC) is still on track to lower interest rates this week. The August Consumer Price Index (CPI) was +0.2% month-over-month and +2.5% year-over-year. Core CPI, which excludes food and energy prices, was +0.3% month-over-month and +3.2% year-over-year. The August Producer Price Index (PPI) was +0.2% month-over-month and +1.7% year-over-year. Core PPI, which excludes food, energy, and trade prices, was +0.3% month-over-month and +3.3% year-over-year. The FOMC is widely expected to begin an easing of monetary policy at its meeting on Wednesday. CME Fed funds futures for September imply a 100% probability of a rate cut with 41% probability for a reduction of 0.25% and 59% probability for a reduction of 0.50%. Between now and year-end, a total of 1.25% in cuts is currently expected versus the current Fed funds range of 5.25% to 5.50%.

We are few weeks away from the start of the third quarter earnings reporting period. Third quarter earnings growth is currently forecast at 4.9% year-over-year with revenue growth of 4.8%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 10.2% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we look at the CME Fed funds futures.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	4.1%	19.1%	Aggregate Bond Index	0.5%	4.9%
Dow Jones Industrial Average	2.6%	11.4%	U.S. Dollar Index	-0.1%	-0.2%
NASDAQ 100	6.0%	16.7%	WTI Crude Oil	1.4%	-4.2%
Russell 2000 (Small Cap Index)	4.4%	8.7%	Gold	3.3%	25.0%
International Stocks (MSCI ex-US)	1.2%	10.0%	Real Estate (US REIT Index)	3.9%	16.3%

Sources: S&P Global, FactSet

## Dissecting Headlines: Back to the Futures

Each week we have been citing the CME Fed funds futures as a data point of investors' outlook for when and how much the Federal Reserve could eventually lower interest rates. Fed funds futures are financial contracts traded on the Chicago Mercantile Exchange (CME). These monthly contracts are used by banks and bond managers to hedge against changes in short-term interest rates. Speculators also use the contracts to profit on FOMC rate announcements and other economic events that can influence monetary policy such as data on inflation or employment.

The amount of contracts open at various price levels can be used as a probability tool to express the market's view on where Fed funds will be in the future ranging from one month to sixty months. The September contract, which we mention above, implies there is a 41% probability for a reduction of 0.25% and 59% probability for a reduction of 0.50%. These probabilities can constantly shift as investors absorb economic and market data. The near month contracts show more certainty whereas the farther out contracts are often spread across a greater range of outcomes. The September 2025 contract, for example, has outcomes across nine different levels for Fed funds ranging from a low range of 1.75% - 2.00% to a high range of 3.75% - 4.00%.

One key input to the outlook for Fed funds over the next few months will likely be the FOMC's Summary of Economic Projections which will be released at the conclusion of the FOMC meeting on Wednesday. The FOMC will layout its collective thinking for key economic data to include Gross Domestic Product (GDP), the unemployment rate, inflation, and most importantly, its outlook for Fed funds for the remainder of the year and into 2025 and 2026.

## 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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointgroup.com](mailto:aconner@novapointgroup.com)**

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.



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointgroup.com](mailto:fwright@novapointgroup.com)**

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).



**Larry Dixon, EA / Tax Managing Partner / [ldixon@novapointgroup.com](mailto:ldixon@novapointgroup.com)**

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.

**NovaPoint Capital LLC** (referred to herein as "NovaPoint" or "the Company") is registered with the SEC as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

**Not an offer of advisory services or securities:** This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

**Investment risk:** The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

**Limitation of liability:** While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

**Trademarks and copyrights:** All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.