

## Transition

A more constructive outlook on inflation gave equity markets a boost last week. For the week, the S&P 500 Index was +2.9%, the Dow Jones Industrials +3.7%, and the NASDAQ +1.2%. The S&P 500 Index was led by the Energy, Financials, and Materials sectors, while the Health Care, Consumer Staples, and Communication Services sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.610% at Friday's close versus 4.767% the previous week.

Retail inflation, as measured by the Consumer Price Index (CPI) was +0.4% month-over-month and +2.9% year-over-year. Core CPI, which excludes food and energy prices, was +0.2% month-over-month and +3.2% year-over-year. This gave investors some confidence that rate reductions from the Federal Reserve could still materialize as inflation eases over time. The Fed is likely to pause the rate reductions for the next few meetings while it waits for data to better gauge the new administration's impact on the economy. A peaceful transition between the Biden administration and Trump administration should ease some stress. The next 100 days are important to see what progress the new administration can make to benefit consumers as promised on the campaign trail.

The fourth quarter earnings reporting period presses on this week with 43 companies in the S&P 500 Index scheduled to report earnings. Fourth quarter earnings growth is currently forecast at 12.5% year-over-year with revenue growth of 4.7%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 9.4% with revenue growth of 4.9%. Full-year 2025 earnings are expected to grow by 14.8% with revenue growth of 5.9%.

In our *Dissecting Headlines* section, we look at the executive orders signed by President Trump with economic implications.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	2.9%	2.0%	Aggregate Bond Index	0.9%	0.0%
Dow Jones Industrial Average	3.7%	2.3%	U.S. Dollar Index	-0.3%	0.8%
NASDAQ 100	1.2%	0.4%	WTI Crude Oil	1.7%	8.6%
Russell 2000 (Small Cap Index)	4.0%	2.1%	Gold	0.4%	2.9%
International Stocks (MSCI ex-US)	1.7%	0.7%	Real Estate (US REIT Index)	3.8%	0.0%

Sources: S&P Global, FactSet

## Dissecting Headlines: Executive Orders

Following the inauguration, President Trump started signing executive orders. Several could have economic impact over the next few months.

**Energy:** The president declared a national energy emergency and instructed the Department of the Interior to offer new drilling and extraction leases on federal lands. The goal is to bring down energy prices and benefit the U.S. as an exporter of energy. He also revoked the electric vehicle mandate and halted permitting for wind energy projects.

**Government Spending:** He authorized the establishment of the Department of Government Efficiency (DOGE) to maximize government efficiency and productivity. He also authorized a temporary hiring freeze on federal workers and signed an order requiring federal employees to return to the office. The goal is to reduce government spending.

**Climate and Health:** He signed orders to exit both the Paris Climate Accords and the World Health Organization. The first could benefit U.S. manufacturers with environmental compliance.

**Tariffs:** No tariff orders were signed, but the president said he planned on tariffs up to 25% on certain goods to be imposed on Mexico and Canada starting in February. No new tariffs were imposed on China until the president has an opportunity to speak and negotiate with Xi Jinping. Both these actions reinforce the view that the tariffs are a negotiating tool, and their degree of implementation and economic impact are yet unknown.

More executive orders and policy announcements are likely to come rapidly as the new administration begins getting cabinet levels positions approved and filled.

## 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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