

## Still Running

Continued conflict in the Middle East and a weak labor market report pushed equities lower last week. For the week, the S&P 500 Index was -2.0%, the Dow Jones Industrials -2.9%, and the NASDAQ -1.2%. The Energy, Technology, and Consumer Discretionary sectors led the S&P 500 Index for the week, while the Materials, Consumer Staples, and Health Care sectors lagged. The 10-year U.S. Treasury note yield was 4.146% at Friday’s close versus 3.962% the previous week.

Oil prices have moved significantly higher since the start of the conflict in Iran, and this has sparked economic fears and pressured equity markets globally. The February Employment Situation report showed a net loss of 92,000 jobs versus an expectation of 60,000 jobs created and the February unemployment rate rose to 4.4% from 4.3% in January. The Federal Reserve’s focus moves to finding balance between the near-term inflation effect of higher oil prices versus the weakness in the labor market and potential slower economic growth. Current CME Fed funds futures are not anticipating a reduction in the Fed funds rate until the July FOMC meeting.

We are at the crossover period of quarterly earnings reports. This week four companies in the S&P 500 Index are scheduled to report fourth quarter earnings and three companies are scheduled to report first quarter earnings. Fourth quarter earnings are expected to grow by 14.0% and quarterly revenue growth is expected at 9.5%. Full-year 2025 earnings growth should finish at 13.5% with revenue growth of 7.6%. First quarter earnings are expected to grow by 11.5% and quarterly revenue growth is expected at 9.2%. Full-year 2026 earnings are expected to grow by 15.0% with revenue growth of 7.7%.

In our Dissecting Headlines section, we look at oil prices and major economies.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.0%	-1.3%	Aggregate Bond Index	-0.9%	0.8%
Dow Jones Industrial Average	-2.9%	-0.9%	U.S. Dollar Index	1.4%	0.7%
NASDAQ 100	-1.2%	-2.3%	WTI Crude Oil	35.6%	58.3%
Russell 2000 (Small Cap Index)	-4.0%	1.9%	Gold	-2.0%	19.8%
International Stocks (MSCI ex-US)	-6.5%	4.1%	Real Estate (US REIT Index)	-2.2%	8.8%

Sources: S&P Global, FactSet

## Dissecting Headlines: Oil Prices and Global Economies

The conflict in Iran has entered its second week and oil prices have continued to climb from supply disruptions in the Middle East. Current prices for Brent Crude and West Texas Intermediate Crude are 29.8% and 35.7% higher since the start of the conflict. This is creating near-term inflationary pressures in economies dependent on importing crude oil.

Oil and its derivatives are used widely in developed economies with 25% to 30% used for gasoline for passenger cars, 20% to 25% used for diesel fuel for trucks, buses, trains, and construction equipment, 7% to 8% used for jet fuel in aviation, 12% to 15% for plastics and chemicals, and lesser amounts for heating oil, marine fuel, asphalt, lubricants, and consumer products. Higher oil prices can significantly impact prices across a large swath of the economy.

Globally, Japan and South Korea are highly dependent on importing oil to fuel their economies. This is followed by other major countries to include Germany, Italy, India, and China. The United States is much less dependent on importing crude oil as net imports are only about 10% to 15% of consumption versus 70% to 95% for the other large countries mentioned. The U.S. is also less dependent on oil imports than it was a 20-years ago when approximately 60% of crude oil was imported.

Prior to the start of the conflict in Iran, oil supply and demand was well balanced and excess supply was available by OPEC+ countries if demand rose. The market is likely to stay volatile until the tempo of the conflict subsides and oil transport out of the Persian Gulf returns to normal.

## 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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Meghan is an Investment Associate focusing on financial planning. Prior to joining NovaPoint, Meghan spent 18 years in government service as an Operations Officer in military intelligence. She holds two Bachelor of Science degrees from the University of Maryland and a Master of Science from the Joint Military Intelligence College. Meghan has additional education specializing in financial planning and currently holds the Federal Retirement Consultant designation.

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