

## Choppy Waters

Equities rose sharply last week on the U.S. – Iran ceasefire announcement, but unsuccessful talks in Pakistan over the weekend bring back uncertainty. For the week, the S&P 500 Index was +3.6%, the Dow Jones Industrials +3.1%, and the NASDAQ +4.5%. The Communication Services, Consumer Discretionary, and Technology sectors led the S&P 500 Index for the week, while the Energy, Health Care, and Consumer Staples sectors lagged. The 10-year U.S. Treasury note yield was 4.319% at Friday’s close versus 4.304% the previous week.

The March Consumer Price Index (CPI) showed headline inflation +0.9% month/month and core CPI (ex food and energy) was +0.2% month/month. On a year/year comparison, CPI was +3.3% and core CPI was +2.6%. The main items causing the steep monthly rise were energy commodities with gasoline prices 21.2% higher for the month and fuel oil 30.7% higher.

The Federal Reserve is likely to take no action on interest rates at its April policy meeting as it evaluates the impact of the U.S.—Iran conflict on the economy. Current CME Fed funds futures show no changes to short-term interest rates for the remainder of the year.

The quarterly earnings reporting period begins this week with 28 companies in the S&P 500 Index scheduled to report earnings results. First quarter earnings are expected to grow by 12.6% and quarterly revenue growth is expected at 9.8%. Full-year 2026 earnings are expected to grow by 17.6% with revenue growth of 9.0%.

In our Dissecting Headlines section, we look at the Volatility Index as a mirror of market sentiment.

## Financial Market Update

<u>MARKET DATA</u>	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	3.6%	-0.1%	Aggregate Bond Index	0.2%	0.4%
Dow Jones Industrial Average	3.1%	0.2%	U.S. Dollar Index	-1.4%	0.3%
NASDAQ 100	4.5%	-0.3%	WTI Crude Oil	-13.4%	68.2%
Russell 2000 (Small Cap Index)	4.0%	6.3%	Gold	1.6%	10.1%
International Stocks (MSCI ex-US)	5.5%	7.5%	Real Estate (US REIT Index)	3.3%	10.0%

Sources: S&P Global, FactSet

## Dissecting Headlines: Volatility Index

When it feels like financial markets can turn on a dime based on global news flow, one way to take the market’s pulse is the Volatility Index, or VIX. The VIX is a measure of investor expectations of market volatility over the next 30-days. The VIX was created by the Chicago Board Options Exchange (CBOE) and is derived from prices of S&P 500 Index options. The VIX is sometimes referred to as the Fear Gauge because when it rises this reflects rising investor fear, or pessimism, on the direction of the market.

Between the February 27th start of hostilities with Iran to the announcement of the ceasefire on April 7th, the VIX rose from 19.86 to 25.78, and it had been as high as 31.05 at its peak during the period. The long term average for the VIX, indicating a “normal” market, is the 19 to 20 range. The VIX ended last week at 19.23, back in the normal range, but elevated tensions over a breakdown in U.S.—Iran talks over the weekend and a coming blockade of the Strait of Hormuz could elevate volatility this week.

To put current events in context, the VIX rose to 89.5 in October 2008 during the Global Financial Crisis, 82.7 during the March 2020 COVID shutdown, 50.0 during the February 2018 volatility spike, 49.0 during the May 2010 Flash Crash, and 49.0 when the markets re-opened after the September 11th Attacks. Volatility can sometimes be caused by financial events and sometimes by geopolitical events.

The VIX does fall once the crisis passes, so the indicator can often be a contrarian signal, meaning that it is advantageous to buy when fear is high to benefit from the post-crisis recovery.

## 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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