

## Half-Time

Heading into the end of the first half of the year, all three major equity market averages have so far posted double-digit returns with the S&P 500 Index +14.8%, the NASDAQ +11.7% and the Dow +13.6%.

The PCE Price Index for May was +0.4% month-over-month and 3.9% year-over-year. Energy prices were 27.4% higher year-over-year and food prices were 0.4% higher year-over-year. This keeps the focus on the inflation debate, but equity market investors seemed to tilt to the transitory outcome this week, especially as some commodity prices have fallen recently. The U.S. 10-year Treasury bond yield increased to 1.524% at Friday's close versus 1.443% the previous week.

Ahead of the start of 2Q earnings in a few weeks, the current expectation is for S&P 500 earnings growth of 65.1%, with triple digit earnings growth from the sectors most impacted from COVID-19 a year ago with Industrials +566%, Consumer Discretionary +267%, Energy +225%, and Financials +100%.

Initial unemployment claims for the week of June 19th decreased to 411,000 versus the previous week at 418,000. Continuing claims for June 12th were 3.390 million versus 3.534 million the week prior. The march to pre-COVID employment levels continues and is likely a key measure for the Federal Reserve to considering a change in interest rate policy. The next key data point for the job market is Friday's release of the June employment report.

In our *Dissecting Headlines* section, we review the current level of savings among consumers.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	2.8%	14.8%	Aggregate Bond Index	-0.4%	-1.7%
Dow Jones Industrial Average	3.4%	13.6%	U.S. Dollar Index	-0.4%	2.1%
NASDAQ 100	2.1%	11.7%	WTI Crude Oil	3.4%	52.6%
Russell 2000 (Small Cap Index)	4.3%	18.7%	Gold	1.0%	-6.1%
International Stocks (MSCI ex-US)	2.1%	9.6%	Real Estate (US REIT Index)	1.9%	21.9%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Savings Rate

Once a consumer has paid their typical monthly obligations like mortgage, utilities, food and healthcare, the remaining funds can be spent on a discretionary basis for items like travel and entertainment. During much of 2020 there was very little ability to travel or attend entertainment events. That helped increase the savings rate.

The Savings Rate is the percentage of discretionary income that is not spent. Measured monthly by the U.S. Bureau of Economic Analysis, the May savings rate in the United States was 12.4%. This is below the record of 33.7% rate from April 2020 when the economy had initially shut down from COVID-19, but still well above the pre-COVID monthly range of 7% to 9%. Consumers saved \$2.9 trillion in 2020 and that money has been flowing back into the economy this year.

Consumer spending accounts for approximately two-thirds of economic activity, so a healthy consumer benefits the economy. We have already seen a pick-up in leisure air travel and dining out. Spectator sports and other venue-based entertainment has also been on the mend. Having a healthy consumer spending environment heading into the fall means available money for back-to-school shopping and holiday spending.

## The NovaPoint Capital Team



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



**Jeffery Wright, CFA / Managing Director & Portfolio Manager / [jwright@novapointcapital.com](mailto:jwright@novapointcapital.com)**

Jeff has 10 years of industry experience. Prior to joining NovaPoint, Jeff was a Vice President in the Private Banking and Investment Group at Merrill Lynch. Jeff also worked at Booz Allen Hamilton and the Department of Defense. Prior to his private sector career, Jeff was a Field Artillery officer in the U.S. Army. He holds a BA from the University of Texas and an MBA from the University of Maryland. Jeff is Chartered Financial Analyst (CFA).



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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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