

## Slow Play

Despite the rush of individual company earnings reports, the equity markets stayed nearly flat for the week. The S&P 500 Index ended the week -0.1%, the Dow was -0.2%, and the NASDAQ was -0.6%. The 10-year U.S. Treasury note yield increased to 3.572% at Friday's close versus 3.552% the previous week.

First quarter earnings reporting continues this week with 178 companies in the S&P 500 Index scheduled to report earnings. For the first quarter, the S&P 500 Index is expected to see earnings decline 4.7% on revenue growth of 1.9%. The outlook for the quarter has improved since the start of earnings season two weeks ago when consensus was a 5.2% earnings decline on revenue growth of 1.6%. Of the 88 companies that have reported so far, 76.1% have reported earnings above consensus. This is ahead of the long-term average of 66.3% and prior four quarter average of 73.5%.

For full year 2023, S&P 500 Index earnings are expected to grow 0.7% on revenue growth of 1.7%, a modest decline from two weeks ago when consensus was for 0.9% earnings growth for the year.

In our *Dissecting Headlines* section, we look at the difference between monetary policy and fiscal policy and how both may see impactful decisions in coming months.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-0.1%	8.2%	Aggregate Bond Index	-0.2%	2.8%
Dow Jones Industrial Average	-0.2%	2.6%	U.S. Dollar Index	0.3%	-1.6%
NASDAQ 100	-0.6%	19.2%	WTI Crude Oil	-5.6%	-3.0%
Russell 2000 (Small Cap Index)	0.6%	2.2%	Gold	-1.0%	8.7%
International Stocks (MSCI ex-US)	-0.6%	8.8%	Real Estate (US REIT Index)	2.2%	0.9%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Monetary Policy and Fiscal Policy

The Federal Reserve manages its part of the economy via monetary policy. This includes setting short-term interest rates and controlling the supply of money, or liquidity, in the economy. The Fed started raising short-term interest rates in early 2022 and is potentially nearing an end of that cycle of tightening economic conditions. The Fed is poised to increase the Fed funds rate by an additional 0.25% to a 5.00% to 5.25% range at its next meeting on May 3rd. Based on the impact of policy tightening to date and the impact of recent contraction in the banking industry, this could be the Fed's last increase. Outside of a declarative statement at the May 3rd meeting, the Fed's rate decision at the June 14th meeting coupled with the release of its quarterly summary of economic projections could end the tightening cycle. The current summary calls for the projected appropriate policy path to be a 5.00% to 5.25% Fed funds range.

The President, via the Department of Treasury, and Congress engage in fiscal policy. This includes tax and spending policy. With the U.S. up against its debt ceiling of \$31.4 trillion, it needs Congress to approve an increase in the government's borrowing capacity. House Speaker Kevin McCarthy announced a plan last week to raise the nation's debt ceiling by \$1.5 trillion in exchange for cutting government spending by \$4.5 trillion over the next ten years. The \$1.5 trillion increase proposed by McCarthy could cover the government's borrowing needs until early next year. The plan was quickly dismissed by President Biden, but sets the stage for negotiations between now and June when it may become urgent to get the debt ceiling legislation approved.

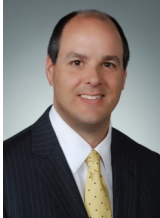
Both monetary and fiscal policy could see significant decisions over the coming two months that impact the economy and investors.

## 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.



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



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Tim has over 15 years of experience in the investment management industry. Prior to joining NovaPoint, Tim was the managing partner of Bull's Eye Wealth Management. Tim began his investment career at Raymond James & Associates and was a co-founder of Black Diamond Investment Partners. Following Black Diamond's merger with Waterloo Capital Management, Tim left to found Bull's Eye. He holds a BS from the University of South Carolina and an MBA from the University of Rochester. Tim is a Certified Financial Planner (CFP).



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Allan has over 7 years of investment industry experience. Prior to joining NovaPoint, he worked at an independent RIA firm. Allan began his investment advisory career with Edward Jones. He earned his BA from the University of West Georgia.

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