

## Talks Continue to Continue

Markets ebbed and flowed with the progress of debt talks last week. S&P 500 Index ended the week +1.5%, the Dow was +0.5%, and the NASDAQ was +3.5%. The 10-year U.S. Treasury note yield increased to 3.692% at Friday’s close versus 3.463% the previous week.

House Speaker Kevin McCarthy is expected to meet with President Biden on Monday afternoon for more in-person discussions regarding the debt ceiling. The two had spoken by phone on Sunday as well. Treasury Secretary Janet Yellen has stated that June 1st is a likely deadline in order to keep the federal government current on all obligations.

The first quarter earnings season reporting period is almost complete. To date, 471 companies in the S&P 500 Index have reported first quarter earnings and an additional 15 companies scheduled for this week. For the first quarter, the S&P 500 Index is expected to see earnings decline 0.2% on revenue growth of 3.6%. The outlook for the quarter has improved since the start of earnings season several weeks ago when consensus was a 5.2% earnings decline on revenue growth of 1.6%. For full year 2023, S&P 500 Index earnings are expected to grow 1.2% on revenue growth of 1.8%.

In our *Dissecting Headlines* section, we look at the progress on the debt ceiling negotiations.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.5%	9.9%	Aggregate Bond Index	-1.2%	2.1%
Dow Jones Industrial Average	0.5%	1.7%	U.S. Dollar Index	0.5%	-0.3%
NASDAQ 100	3.5%	26.6%	WTI Crude Oil	2.2%	-10.9%
Russell 2000 (Small Cap Index)	1.9%	1.3%	Gold	-1.7%	8.3%
International Stocks (MSCI ex-US)	0.4%	8.6%	Real Estate (US REIT Index)	-2.2%	-1.0%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Debt Ceiling Negotiations

Debt ceiling negotiations initially stalled Friday afternoon causing the equity markets to close modestly lower on the day. Negotiations resumed on Saturday and House Speaker McCarthy and President Biden spoke by phone on Sunday. While there is still no agreement, both sides expressed optimism after the call and the two are expected to meet on Monday afternoon.

While we think a deal ultimately gets done prior to any critical payment issues by the federal government, this is a politically charged negotiation because of the divided government. The Republican-led Congress is seeking lower levels of spending with discretionary spending returning to 2022 levels and capped at one-percent growth annually. They are also seeking to claw back unused COVID relief funds, repeal most of the energy and climate tax credits from the Inflation Reduction Act, as well as the increased IRS enforcement spending. The Democrat-led White House wants to increase the corporate income tax rate to 28% from 21% currently and increase taxes on high income earners.

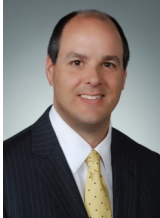
As the deadline draws near, both sides will likely need to give in on some of their proposal points. A poll conducted by AP-NORC Center for Public Affairs Research showed 63% of Americans polled want increases in the debt ceiling to be coupled with agreed upon terms for reducing the federal budget deficit. With an important election cycle coming in 2024, neither side wants to be blamed for any failure on the debt ceiling or economy.

## The NovaPoint Capital 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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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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