

## Deal in Hand

Last week ended without a debt ceiling deal, but negotiations over the weekend finally yielded an agreement between the parties. The S&P 500 Index ended the week +0.3%, the Dow was -1.0%, and the NASDAQ was +3.0%. The 10-year U.S. Treasury note yield increased to 3.820% at Friday's close versus 3.692% the previous week.

House Speaker Kevin McCarthy and President Biden reached a deal on suspending the debt ceiling through January 2025 with several points from the original bill the House passed in April. The bill still needs to pass the House and Senate this week. Treasury Secretary Janet Yellen revised her deadline date to June 5th before the federal government may run too low on funds to meet all current obligations.

Outside of the votes on the debt ceiling agreement, the major item on the calendar this week is the May employment report scheduled for Friday. Despite the distracting drama of the debt ceiling negotiations, the economy likely remains too strong for the Federal Reserve and the odds of a 0.25% increase at the June 14th Federal Open Market Committee (FOMC) meeting has moved up to 66.4% from 25.7% a week ago.

The first quarter earnings season reporting period is almost complete. To date, 485 companies in the S&P 500 Index have reported first quarter earnings and an additional nine companies scheduled for this week. For the first quarter, the S&P 500 Index is expected to see earnings decline 0.1% on revenue growth of 3.6%. The outlook for the quarter has continuously 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 1.5% on revenue growth of 1.8%.

In our *Dissecting Headlines* section, we look at the components of the debt ceiling agreement.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.3%	10.3%	Aggregate Bond Index	-0.5%	1.6%
Dow Jones Industrial Average	-1.0%	0.7%	U.S. Dollar Index	1.0%	0.7%
NASDAQ 100	3.6%	31.2%	WTI Crude Oil	1.6%	-9.5%
Russell 2000 (Small Cap Index)	0.0%	1.3%	Gold	-1.5%	6.7%
International Stocks (MSCI ex-US)	-1.8%	6.6%	Real Estate (US REIT Index)	-1.0%	-2.0%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Debt Ceiling Agreement

House Speaker Kevin McCarthy and President Biden announced an agreement on a debt-ceiling deal. It still requires passage by the House and Senate and those votes likely happen mid-week.

The deal suspends the debt ceiling through January 2025 before another debt-ceiling increase would need congressional approval. This pushes the issue beyond the 2024 election. In exchange, there is a limit on discretionary spending to be roughly flat in 2024 versus 2023, excluding defense, and growth of 1% the year after. The bill also requires Congress to approve 12 annual spending bills or face a snapback to spending limits from the previous year, which would mean a 1% cut.

The bill would rescind approximately \$30 billion in unspent COVID relief money. It would also rescind about \$10 billion of the \$80 billion that had been allocated to the IRS. It also raises some work requirements for individuals to receive assistance under the Supplemental Nutrition Assistance Program (SNAP).

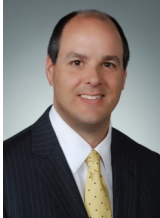
New energy projects would be placed under a single lead agency to help speed up environmental reviews. The bill also ends the pause on student debt repayment and keeps the cancellation proposal legality with a pending decision by the Supreme Court. A repeal of clean energy sector tax credits did not make it into the final bill.

## 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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointcapital.com](mailto:aconner@novapointcapital.com)**

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).



**Timothy Benbow, CFP / Managing Director & Portfolio Manager / [tbenbow@novapointcapital.com](mailto:tbenbow@novapointcapital.com)**

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).



**Allan Duncan / Investment Adviser / [aduncan@novapointcapital.com](mailto:aduncan@novapointcapital.com)**

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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