

Time to Negotiate

The S&P 500 Index ended the week -2.6%, the Dow was -1.2%, and the NASDAQ was +0.1%. The 10-year U.S. Treasury note yield decreased to 3.446% at Friday's close versus 3.452% the previous week.

As expected, the Federal Reserve raised the Fed funds rate by 0.25% to a 5.00% to 5.25% range. It left future policy open and data dependent. April's employment report showed 253,000 net new jobs created versus an expectation of 180,000. The unemployment rate was 3.4%. Hourly wages rose 0.5% month-to-month and 4.4% year-over-year.

Leadership from the House and Senate are scheduled to attend a meeting with the President on Tuesday to discuss the looming debt ceiling. The House has passed a debt ceiling resolution with multiple spending cuts attached. The White House has been dismissive so far but is likely trying to negotiate a solution with help from the Senate.

We are on the downslope of the first quarter earnings reporting with 419 companies in the S&P 500 Index complete and an additional 31 companies scheduled for this week. For the first quarter, the S&P 500 Index is expected to see earnings decline 0.7% on revenue growth of 3.5%. The outlook for the quarter has improved since the start of earnings season three weeks ago when consensus was a 5.2% earnings decline on revenue growth of 1.6%. Of the 419 companies that have reported so far, 77.1% have reported earnings above consensus. For full year 2023, S&P 500 Index earnings are expected to grow 1.5% on revenue growth of 2.0%.

In our *Dissecting Headlines* section, we look at the debt ceiling and upcoming meeting between Congressional leaders and the President.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.6%	6.4%	Aggregate Bond Index	-0.1%	3.5%
Dow Jones Industrial Average	-1.2%	2.3%	U.S. Dollar Index	-0.4%	-2.2%
NASDAQ 100	0.1%	21.5%	WTI Crude Oil	-7.1%	-11.1%
Russell 2000 (Small Cap Index)	-0.5%	0.4%	Gold	1.4%	10.5%
International Stocks (MSCI ex-US)	0.3%	9.0%	Real Estate (US REIT Index)	0.4%	2.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Debt Ceiling

The United States' debt ceiling is the maximum amount of money the government can borrow. The debt ceiling was initially created to limit borrowing under the Second Liberty Bond Act in 1917 at \$11.5 billion. In 1939, Congress removed various separate debt limits and replaced it with a total limit of \$65 billion. The current debt ceiling is \$31.4 trillion and Treasury Secretary Janet Yellen recently warned that the ceiling needs to be raised by June in order to avoid a debt default. The House of Representatives passed a bill called the Limit, Save, Grow Act at the end of April to approve a \$1.5 trillion increase in the debt or through March 2024, whichever comes first. In exchange for this increase in borrowing authorization, the bill calls for caps on spending. This was initially dismissed by the White House, which stated the debt ceiling needed to be increased with no conditions.

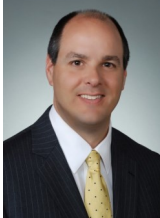
This week, the leadership from Congress (House Speaker McCarthy, Democratic House Leader Jeffries, Senate Majority Leader Schumer, and Minority Leader McConnell) is scheduled to meet with President Biden at the White House to discuss the stand-off. To raise the debt ceiling, both houses of Congress need to pass a bill, and the President needs to sign it. The recently passed House bill likely does not have enough support in the Senate. This should come down to a negotiation where the debt ceiling is raised, but with some of the spending reductions in the House bill. As time moves closer to the U.S. facing payment obligations higher than revenues, the need to find a solution becomes more urgent. Unfortunately, the politicians are likely to try and extract every measure of publicity benefit. While the debt ceiling has been raised many times without fanfare, this could drag out into the final days or hours as it did in 2011. Stay tuned.

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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