

## Crisis Averted

A debt ceiling deal and a healthy employment report rallied stocks last week. The S&P 500 Index ended the week +1.7%, the Dow was +2.2%, and the NASDAQ was +1.8%. The 10-year U.S. Treasury note yield decreased to 3.693% at Friday's close versus 3.820% the previous week.

The debt ceiling deal was passed by the House of Representatives and Senate and signed by President Biden ahead of the June 5th deadline. Next up is the June 14th Federal Open Market Committee (FOMC) rate decision. Recent comments by Fed officials about the possibility of a pause have reversed expectations from a week ago. Currently, there is a 77% expectation the FOMC takes a pause in the rate increase cycle at the June meeting. The last significant data point for Fed officials to consider is the May Consumer Price Index (CPI) report scheduled for June 13th prior to the FOMC meeting.

The U.S. economy produced 339,000 net new jobs in May versus an expectation of 190,000. The unemployment rate rose to 3.7% from 3.4% in April. Jobs gains were broad based across industries. Wage growth, while still healthy, slowed from April.

With 494 companies in the S&P 500 Index complete on first quarter earnings reporting, earnings for the period are expected to be nearly flat year-over-year with revenue growth of 3.6%. This is a healthy outperformance relative to initial expectations that earnings for the quarter would decline 5.2% year-over-year on revenue growth of 1.6%. Current expectations for full year 2023 earnings are an increase of 1.6% on revenue growth of 1.8%.

In our *Dissecting Headlines* section, we look at the student debt deadline.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.7%	10.8%	Aggregate Bond Index	0.8%	2.3%
Dow Jones Industrial Average	2.2%	2.9%	U.S. Dollar Index	-0.2%	0.5%
NASDAQ 100	1.8%	33.5%	WTI Crude Oil	-1.3%	-10.6%
Russell 2000 (Small Cap Index)	3.3%	4.6%	Gold	0.1%	6.8%
International Stocks (MSCI ex-US)	1.1%	7.7%	Real Estate (US REIT Index)	3.3%	1.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Student Loans

One point in the debt ceiling bill was an end to the student loan payment pause. The pause is scheduled to end 60 days after June 30th, making loan payments due at the end of August. By having the re-start codified in the debt ceiling bill, it eliminates the potential that the president could unilaterally extend it again.

The debt ceiling bill did not block the president's plan to cancel up to \$20,000 in student loans per borrower. That will be left to a Supreme Court decision that is likely to be released by late June or early July. The Congressional Budget Office estimates the cost of the cancellation program to be \$400 billion. Last week, the Senate voted to repeal the president's relief program, but it is likely to be vetoed.

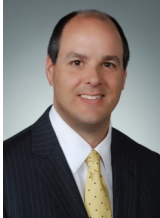
Federal student debt is approximately \$1.6 trillion dollars and monthly payments total several billion dollars across the borrower base. The re-start of payments could have a ripple in the economy as that cash flow has been directed to other discretionary uses since payments were paused in March 2020. It could alter multiple discretionary spending categories, increase private refinancing and debt consolidation, and potential shifts in the labor market by borrowers needing to increase their income.

## 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.



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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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