

## De-Stressed

Equity markets rose last week and closed out a higher first half of the year. The weekly return for the S&P 500 Index was +2.4%, the Dow was +2.0%, and the NASDAQ was +1.9%. The 10-year U.S. Treasury note yield increased to 3.819% at Friday's close versus 3.739% the previous week.

The May Personal Consumption Expenditures (PCE) Price Index showed a 0.1% month-to-month increase in prices and core PCE, which excludes food and energy prices, was 0.3% higher month-to-month. Year-over-year, PCE was +3.8% and core PCE was +4.6%. The next major data point for the Federal Open Market Committee (FOMC) is the June employment report scheduled for this Friday. Current probabilities for the July 26th FOMC meeting show an 89.9% chance of a 0.25% increase in the Fed funds rate, up from 74.4% last week.

All 23 large banks that participated in the Fed's annual stress test passed. Several banks announced dividend increases and the resumption of share repurchase programs following the results.

Companies in the S&P 500 Index start reporting second quarter earnings results next week. Current second quarter expectations for the S&P 500 Index is a 5.7% year-over-year earnings decline on a revenue decline of 0.6%. Current expectations for full year 2023 earnings are an increase of 1.3% on revenue growth of 1.8%.

In our *Dissecting Headlines* section, we look at the bank stress tests.

## Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.4%	16.9%	Aggregate Bond Index	-0.2%	2.3%
Dow Jones Industrial Average	2.0%	4.9%	U.S. Dollar Index	0.0%	-0.6%
NASDAQ 100	1.9%	39.4%	WTI Crude Oil	2.1%	-12.0%
Russell 2000 (Small Cap Index)	3.7%	8.1%	Gold	-0.1%	5.2%
International Stocks (MSCI ex-US)	1.3%	9.5%	Real Estate (US REIT Index)	5.0%	3.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Stress Tests

The results of the Federal Reserve's latest bank stress tests showed that all 23 banks tested have sufficient capital and safeguards in place to weather a severe recession and could continue to lend. The Federal Reserve began the stress test program in 2011 in response to the 2008-2009 financial crisis. The tests seem especially important this year given the failures of Silicon Valley Bank and Signature Bank of New York earlier in the year and concern the Federal Reserve's actions to stem inflation could cause a recession.

Under the Fed's 2023 stress scenarios, the banks would lose a combined \$65 billion from a 40% drop in the commercial real estate market and \$541 billion overall in a severe recession, but they would still be healthy enough to lend money under those conditions.

This year, 23 banks were tested versus 34 banks in 2022. The Fed decided in 2019 to allow banks with between \$100 billion and \$250 billion in assets to be tested every other year.

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## 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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