

Eclipsed

Stocks were eclipsed by strong economic data to start the second quarter. For the week, the S&P 500 Index was -0.9%, the Dow was -2.2%, and the NASDAQ was -0.8%. The best performing sectors in the S&P 500 Index were the Energy, Communication Services, and Materials sectors, while the Health Care, Real Estate, and Consumer Discretionary sectors lagged. The 10-year U.S. Treasury note yield increased to 4.395% at Friday's close versus 4.206% the previous week.

The Personal Consumption Expenditures (PCE) Price Index for February was released on the Good Friday holiday and showed core inflation still above the Federal Reserve's target levels. This past Friday's Employment Situation Report for March showed 303,000 new jobs created for the month well ahead of expectations for a gain of 200,000. This data coupled with comments from Fed officials about being patient on making an initial interest rate cut has pushed out market expectations from June to July for an initial rate cut.

Key economic data points this week include the March Consumer Price Index (CPI) and Producer Price Index (PPI).

The first quarter earnings reporting period begins this week with nine companies in the S&P 500 Index scheduled to report earnings. The current first quarter consensus forecast for the S&P 500 Index is 3.2% earnings growth with revenue growth of 3.5%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 10.9% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we examine the outlook for first quarter earnings.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.9%	9.5%	Aggregate Bond Index	-0.9%	-1.4%
Dow Jones Industrial Average	-2.2%	3.8%	U.S. Dollar Index	-0.2%	2.9%
NASDAQ 100	-0.8%	7.9%	WTI Crude Oil	4.5%	21.3%
Russell 2000 (Small Cap Index)	-2.9%	2.2%	Gold	4.3%	12.8%
International Stocks (MSCI ex-US)	-0.7%	4.0%	Real Estate (US REIT Index)	-2.9%	-3.3%

Sources: S&P Global, FactSet

Dissecting Headlines: First Quarter Earnings

The first quarter earnings reporting period begins this week with several major banks reporting at week's end. The current first quarter consensus forecast for the S&P 500 Index is 3.2% earnings growth. This would be the third straight quarter of year-over-year growth for the index from the earnings recession that occurred in the first and second quarters of 2023.

Breaking the earnings growth down by sectors, the S&P 500 sectors with expectations for year-over-year growth in earnings are the Utility sector with 23.7% growth, Technology with 20.4%, Communication Services with 19.4%, Consumer Discretionary with 15.0%, Real Estate with 4.7%, and Financials with 0.7%. The remaining five sectors are expected to see a year-over-year earnings decline with Industrials expected to decline 0.5%, Consumer Staples with -0.7%, Health Care with -7.2%, Materials with -24.1% and Energy with -25.8%.

Earnings growth is forecast to continue to improve over the year with current 2nd quarter earnings growth forecast at 9.4%, third quarter at 8.5%, and fourth quarter at 17.5%. Companies better adjusting to the inflation spikes seen in 2021 and 2022 and a normalization of interest rates should help earnings during the year. The recent surge in oil prices year-to-date could impact profitability for some energy dependent industries if prices move higher or stay elevated for a prolonged period. On the flipside, higher oil prices would improve the earnings outlook for many companies in the Energy sector.

The strength of consumer spending is an important factor to assess as companies reporting earnings as it has a great impact across multiple sectors, not just the Consumer Discretionary and Staples sectors.

The NovaPoint 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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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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Steven is a Vice President at NovaPoint. Prior to joining NovaPoint, Steven's financial experience includes corporate finance at The Home Depot, contributing on Seeking Alpha, and leading investments in real estate projects. Prior to starting his business career, he served in the U.S. Army as a Special Forces Medic with 1st Special Forces Group. Steven is currently attending the Georgia Institute of Technology, Scheller College of Business for his MBA. He also has a Master of Science in Finance degree from Auburn University and a Bachelor of Science in Mechanical Engineering degree from Georgia Southern University. He is currently a member of a local Special Forces Association Chapter.

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