

## Leveling Off

Stocks leveled off last week after a multi-week advance. For the week, the S&P 500 Index was flat, the Dow was -2.3%, and the NASDAQ was +0.4%. Within the S&P 500 Index, the Technology and Communication Services sectors were the only two with a weekly advance. The Energy, Real Estate, and Financial sectors were the biggest laggards. The 10-year U.S. Treasury note yield increased to 4.464% at Friday's close versus 4.422% the previous week.

The economic focus this week should be the April Personal Consumption Expenditures (PCE) Price Index scheduled for release on Friday. This is the economic data series the Federal Reserve favors in measuring and forecasting inflation. Current CME Fed funds futures show no changes in interest rates are likely for the June and July meetings. The probability for an initial cut in the Fed funds target rate in September is at 51.2%.

The first quarter earnings reporting season for the S&P 500 Index is 96% complete. For the coming week, nine companies in the S&P 500 Index are scheduled to report earnings. The current first quarter consensus forecast for the S&P 500 Index is 6.0% earnings growth with revenue growth of 4.2%. Looking ahead to the second quarter, earnings growth is expected to accelerate to 9.3% year-over-year with revenue growth of 4.9%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 11.4% with revenue growth of 5.0%.

In our *Dissecting Headlines* section, we look at a recent poll about how people see the economy.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.0%	11.8%	Aggregate Bond Index	-0.2%	-1.2%
Dow Jones Industrial Average	-2.3%	4.4%	U.S. Dollar Index	0.3%	3.3%
NASDAQ 100	0.4%	11.0%	WTI Crude Oil	-2.9%	8.5%
Russell 2000 (Small Cap Index)	-1.2%	2.6%	Gold	-3.3%	13.0%
International Stocks (MSCI ex-US)	-1.0%	7.1%	Real Estate (US REIT Index)	-3.4%	-4.8%

Sources: S&P Global, FactSet

## Dissecting Headlines: Main Street Disconnect

A poll conducted by Harris for *The Guardian* showed that many Americans have a more pessimistic view of the economy than economic data would support. The poll was conducted between May 10th and 12th.

The poll showed 55% of those surveyed believe the economy is shrinking and 56% think the U.S. is currently experiencing a recession. A recession has not been declared by the National Bureau of Economic Research and gross domestic product (GDP) has grown for the past seven quarters. The most recent decline in GDP was the first and second quarters of 2022.

Almost half, 49% of those surveyed, thought the S&P 500 Index was down for the year. Year-to-date of the survey period (May 10th) the S&P 500 was up 10.0%.

Almost half, 49% of those surveyed, believed that unemployment is at a 50-year high. The April Employment Situation report, released on May 3rd, showed the unemployment rate at 3.9%, near a 50-year low.

Most respondents, 72% of those surveyed, thought inflation is increasing. The rate of inflation, while above the Federal Reserve's target rate of 2%, has declined since its peak in mid-2022 and has been range-bound the past few months.

Our thought is that American consumers are feeling some emotional exhaustion. They went from the disorienting impact of the pandemic to a rapid increase in inflation and 2022's market decline. While the rate of inflation has subsided, prices in many categories have not declined. For younger Americans, higher mortgage rates and higher home prices have made some think that home ownership may never be possible. Lastly, layoffs are starting to occur, mainly in industries that over hired during the "war for talent" during the pandemic or among individuals that have been working from home and elected to not return to the office when required. In all, the past four years have been a succession of economic uncertainties that may have left many Americans with a more pessimistic view of the economy than official measurements would indicate.

## 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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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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Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from the U.S. Military Academy at West Point, where he was a four-year letterman on the football team. Larry is a certified Enrolled Agent, recognized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service.



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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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