Weekly Market Commentary

May 6, 2024

Cool Jobs

A steady Federal Reserve and a moderating labor market helped stocks rise for a second consecutive week. For the week, the S&P 500 Index was +0.6%, the Dow was +1.1%, and the NASDAQ was +1.0%. Within the S&P 500 Index, the Utility, Real Estate, and Technology sectors led the advance, while the Energy, Financials, and Materials sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.503% at Friday's close versus 4.668% the previous week.

The Federal Reserve kept the Fed funds rate in the 5.25% to 5.50% target range at its meeting last week. The next change in interest rates is likely lower, but the Fed emphasized it needs to see better progress on inflation before lowering rates. The April Employment Situation Report showed growth of 175,000 jobs versus an expectation of 240,000 and the unemployment rate rising to 3.9%. This could signal some of the economic slowing needed to bring inflation in-line with the Fed's goals. CME Fed Funds futures are predicting no change in monetary policy at the next two Federal Open Market Committee (FOMC) meetings in June and July. The current probability for an initial rate cut is in September.

We are on the backside of the earnings season with 80% of companies in the S&P 500 Index having reported results. 77% of companies reporting have reported a positive earnings surprise and 61% have reported a positive revenue surprise. For the coming week, 56 in the S&P 500 Index are scheduled to report earnings. The current first quarter consensus forecast for the S&P 500 Index is 5.0% earnings growth with revenue growth of 4.1%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 11.0% with revenue growth of 4.9%.

In our *Dissecting Headlines* section, we look at the current state of the labor market.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	0.6%	8.0%	Aggregate Bond Index	1.1%	-1.6%
Dow Jones Industrial Average	1.1%	3.2%	U.S. Dollar Index	-0.9%	3.6%
NASDAQ 100	1.0%	6.6%	WTI Crude Oil	-6.8%	9.0%
Russell 2000 (Small Cap Index)	1.7%	0.9%	Gold	-1.5%	11.5%
International Stocks (MSCI ex-US)	1.6%	4.5%	Real Estate (US REIT Index)	1.4%	-5.5%

Sources: S&P Global, FactSet

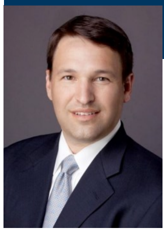
Dissecting Headlines: Labor Market

Strength in the labor market and demands for higher wages have been a contributing factor to overall inflation. When employees are paid more to perform a service, the increased cost of that service is eventually going to be reflected in the prices charged by that company. The labor market has seen a strong recovery since the pandemic spike to 14.8% unemployment in April 2020. Information Technology and other sectors that benefited from the economic shift during the pandemic were in a war for talent, working from home brought workers back onto the job rolls, and travel and hospitality eventually recovered as states re-opened.

Last week's Employment Situation Report for April may be starting to show the reasonable slowing needed to create some slack in the labor market and ease wage inflation. The 175,000 net new jobs created in April was the lowest growth year-to-date and only the third month below 200,000 new jobs over the past twelve months. There is supporting evidence the war for talent may be easing as companies in several pandemic-era growth areas are starting to realign their workforces to current economic conditions. Companies like Peloton, Snapchat, Instacart, and Wayfair have announced layoffs. Big tech companies like Microsoft, Amazon, Alphabet, and Tesla have also trimmed staff. This aligns with the Employment Situation Report showing net job growth in the Information Technology sector at only +1,000 jobs year-to-date versus, for example, the Construction sector at +99,000 jobs year-to-date.

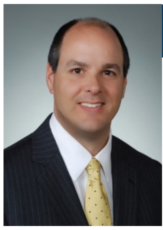
The April unemployment rate was 3.9%. This was the level in February 2024 as well, but otherwise it is the highest unemployment rate since we passed through 4.0% in January 2022. The March Summary of Economic Projections from the Federal Reserve forecasts the 2024 unemployment rate at 4.1%, so current cooling in the labor market needs to continue for the Fed to be comfortable easing monetary policy.

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointgroup.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.

Frederick Wright, CFA / Managing Director & Portfolio Manager / fwright@novapointgroup.com

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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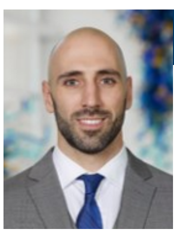
Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from 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.