

Rotation

The rotation away from large cap tech stocks and into small cap stocks continued last week. The S&P 500 Index was -1.9%, the Dow was +0.7%, and the NASDAQ was -4.0%. The Russell 2000 Index was +1.7% for the week. Within the S&P 500 Index, the Energy, Financial, and Real Estate sectors led, while the Technology, Communication Services, and Consumer Discretionary sectors lagged. The 10-year U.S. Treasury note yield increased to 4.239% at Friday's close versus 4.225% the previous week.

Investors have a lot to digest this week. A steep ramp up of companies reporting second quarter earnings results, the June PCE Price Index scheduled for Friday, and the political volatility following President Biden's exit from the 2024 election announced on Sunday.

The next Federal Open Market Committee (FOMC) meeting is scheduled for July 30-31st. CME Fed funds futures show a 95.3% probability that the Fed funds rate stays in its 5.25% to 5.50% range. There is currently a 96.2% probability for an initial 0.25% rate cut at the September meeting.

We are entering the peak weeks of the Second quarter earnings reporting season. There are 138 companies in the S&P 500 Index scheduled to report earnings this week. For the second quarter, earnings growth is expected be 9.7% higher year-over-year with revenue growth of 4.7%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 11.0% with revenue growth of 5.0%.

In our *Dissecting Headlines* section, we look at the new uncertainty of the presidential election.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-1.9%	16.3%	Aggregate Bond Index	-0.2%	0.8%
Dow Jones Industrial Average	0.7%	8.0%	U.S. Dollar Index	0.3%	3.0%
NASDAQ 100	-4.0%	16.5%	WTI Crude Oil	-2.5%	11.8%
Russell 2000 (Small Cap Index)	1.7%	8.6%	Gold	-0.5%	16.2%
International Stocks (MSCI ex-US)	-2.4%	7.9%	Real Estate (US REIT Index)	1.7%	5.2%

Sources: S&P Global, FactSet

Dissecting Headlines: Political Changes

For most of the year, it felt that the 2024 presidential election was the furthest thing from people's minds. Over the past ten days, that has heated up to major focus. The assassination attempt on Donald Trump, followed by the Republican convention, and Sunday's withdrawal from the race by President Biden has pushed politics and the elections into investors' minds.

While some of the shock value of President Biden's withdrawal has been muted due to the repeated calls for him to stepdown from the race over the past few weeks, it now presents additional uncertainty. The Democratic convention starts on August 19th, so the next few weeks are likely to see speculation on potential Democratic Party candidate combinations. Based on early endorsements from Sunday, Vice President Harris is the only indicated candidate currently. That could change over the next few days.

While we expect the focus of investors to remain on fundamental earnings results, as well as economic data to gauge the direction of monetary policy, the uncertainty injected into the political process is likely to lurk in the background. It is still 105 days until election day and we are likely to see occasional bouts of volatility as attention grabbing headlines related to the election emerge between now and election day. In the long run, the weighing machine should be more important than the voting machine.

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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