

## Trade Up

An initial trade deal with the United Kingdom and an uneventful Federal Reserve meeting held markets to a small decline last week after back-to-back positive weeks. For the week, the S&P 500 Index was -0.4%, the Dow Jones Industrials -0.1%, and the NASDAQ -0.2%. The S&P 500 Index was led by the Industrial, Consumer Discretionary, and Utilities sectors, while the Health Care, Communication Services, and Consumer Staples sectors lagged. The 10-year U.S. Treasury note yield increased to 4.369% at Friday's close versus 4.308% the previous week.

Announcement of an initial trade deal with the U.K. has opened the door for trade deals with other countries as momentum builds in negotiations. The 90-day drop in tariffs with China announced over the weekend should further build on this momentum.

The Federal Reserve held the Fed funds target rate at 4.25% to 4.50%. The Federal Open Market Committee (FOMC) continues to take a wait-and-see approach to economic data as the impact of current tariff and trade actions has yet to show in any meaningful way. The Fed will likely need to take a stand on its outlook by the June 18th FOMC meeting when an update to the Summary of Economic Projections is due. The March outlook showed a total of 0.50% in reductions to the Fed funds target rate was appropriate. After the tariff and trade news with the UK and China, this is inline with the current CME Fed funds futures for the year. This week's reports on inflation with the Consumer Price Index (CPI) and Producer Price Index (PPI) may show impact from initial tariff implementations.

We are on the downslope of the first quarter earnings season. This week 12 companies in the S&P 500 Index scheduled to report earnings results. First quarter 2025 earnings growth is currently forecast at 13.4% year-over-year with 4.8% revenue growth. Full-year 2025 earnings are expected to grow by 9.3% with revenue growth of 4.9%.

In our *Dissecting Headlines* section, we provide details of the UK and China trade agreements.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.4%	-3.3%	Aggregate Bond Index	-0.1%	2.1%
Dow Jones Industrial Average	-0.1%	-2.5%	U.S. Dollar Index	0.3%	-7.5%
NASDAQ 100	-0.2%	-4.3%	WTI Crude Oil	4.7%	-14.9%
Russell 2000 (Small Cap Index)	0.1%	-8.9%	Gold	2.7%	26.8%
International Stocks (MSCI ex-US)	0.1%	11.1%	Real Estate (US REIT Index)	-0.5%	-0.6%

Sources: S&P Global, FactSet

## Dissecting Headlines: UK and China Trade

Progress on tariff and trade policy saw some initial movement with a trade agreement with the U.K. The U.K. is the U.S.'s 7th largest trading partner.

As part of the agreement, the U.K. gets a reduced tariff from 27.5% to 10% on up to 100,000 U.K.-made cars annually, tariffs on British steel and aluminum are eliminated with a tariff-free quota of 13,000 tons granted to U.K. producers, tariffs are removed on British aerospace parts, including Rolls-Royce engines, and there is a tariff-free quota of 13,000 tons for U.K. beef export to the U.S.

The U.S. gets the 19% tariff on U.S. ethanol exports to the U.K. eliminated and a removal of tariffs on U.S. beef. The U.K. will reduce its average tariff on U.S. goods from 5.1% to 1.8%, covering more than 2,500 American-made products. The agreement also benefits U.S. companies in the U.K.'s procurement market and streamlines customs procedures.

The U.S. and China agreed to a 90-day pause on their recently escalated tariffs. China is the U.S.'s 3rd largest trading partner. The U.S. agreed to cut China tariffs to 30% from 145%. The 30% was expressed as 20% fentanyl tariffs plus 10% reciprocal tariffs. China agreed to cut retaliatory tariffs from 125% to 10%. These new rates take effect Wednesday. Both sides will continue discussions during the 90-day period.

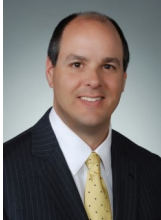
These deals likely open the door for more countries to follow. Once multiple trade agreements are completed with the first few trading partners, other countries may feel compelled to participate rather than risk being shutout.

## 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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