

Yield Sign

Rising bond yields put a halt to recent momentum in stocks last week. For the week, the S&P 500 Index was -2.6%, the Dow Jones Industrials -2.4%, and the NASDAQ -1.5%. All eleven S&P 500 sectors declined. The Consumer Staples, Communication Services, and Materials sectors declined the least and the Energy, Technology, and Real Estate sectors declined the most. The 10-year U.S. Treasury note yield increased to 4.508% at Friday's close versus 4.445% the previous week and the 30-year U.S. Treasury bond yield increased to 5.039 from 4.901 the previous week.

Domestic and international negotiations were in the news last week. The House passed the reconciliation bill (aka "The One Big Beautiful Bill") and that now heads to the Senate. The Trump administration announced tariffs of 50% on the EU for June 1st because talks had stalled but has since delayed them until July 9 as talks are planned to re-start.

The next waypoint for monetary policy comes this week with the April PCE Price Index data scheduled for Friday. This leads to the June 18th Federal Open Market Committee (FOMC) meeting where the committee is expected to keep the Fed funds rate steady in the current 4.25% to 4.50% target range but lay out a policy path for the remainder of the year. Current CME Fed funds futures show a total of 0.50% in reductions forecast for 2025.

The first quarter earnings reporting period is almost complete with 96% of companies having reported results. This week 12 companies in the S&P 500 Index are scheduled to report earnings results. First quarter 2025 earnings growth is currently forecast at 12.9% year-over-year with 4.9% revenue growth. Full-year 2025 earnings are expected to grow by 9.1% with revenue growth of 4.9%.

In our *Dissecting Headlines* section, we look at items included in the One Big Beautiful Bill.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.6%	-0.8%	Aggregate Bond Index	-0.4%	1.6%
Dow Jones Industrial Average	-2.4%	-1.6%	U.S. Dollar Index	-2.0%	-8.6%
NASDAQ 100	-1.5%	0.8%	WTI Crude Oil	-1.5%	-14.2%
Russell 2000 (Small Cap Index)	-3.4%	-8.1%	Gold	5.0%	28.0%
International Stocks (MSCI ex-US)	0.9%	14.0%	Real Estate (US REIT Index)	-3.6%	-2.5%

Sources: S&P Global, FactSet

Dissecting Headlines: One Big Beautiful Bill

The House of Representatives passed the reconciliation bill (aka "The One Big Beautiful Bill"). Next stop is the Senate with the goal of having the Bill approved for signature by July 4th. The version from the Senate is likely to see some changes.

Several components of the Bill reflect promises from the campaign trail from the 2024 election, to include an extension of the 2017 tax cuts for all income levels with an increased standard deduction, an elimination of tax on tips and overtime, and increasing deductions for seniors on the social security program. Additional tax benefits include making auto loan interest tax deductible, raising the State and Local Tax Deduction (aka SALT deduction) to \$40,000 for people making \$500,000 or less, and raising the child tax credit to \$2,500 from \$2,000 currently. There are also new tax credits for nuclear energy.

Some areas for targeting spending or eliminating tax benefits include elimination of several green energy tax break and ending the electric vehicle tax credit early, starting the Medicaid work requirement beginning in December 2026, eliminating tax benefits for college endowments and private foundations, and changing how pharmacy benefit managers do business with the government.

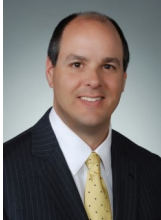
On the spending side, there is additional money marked for border security and a plan for savings accounts for children funded with \$1,000. The bill also raises the debt ceiling by \$4 trillion. The debt ceiling issue needs to be resolved by August.

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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Meghan is an Investment Associate focusing on financial planning. Prior to joining NovaPoint, Meghan spent 18 years in government service as an Operations Officer in military intelligence. She holds two Bachelor of Science degrees from the University of Maryland and a Master of Science from the Joint Military Intelligence College. Meghan has additional education specializing in financial planning and is a member of the Financial Planning Association.



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