

## Summer Solstice

Conflict in the Middle East put a pause in the market advance last week. For the week, the S&P 500 Index was -0.4%, the Dow Jones Industrials -1.3%, and the NASDAQ -0.6%. The Energy, Health Care, and Utilities sectors led the S&P 500 Index for the week, while the Financial, Industrial, and Consumer Staples sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.412% at Friday's close versus 4.505% the previous week.

Recent inflation reports have yet to show a meaningful upward impact on prices due to tariffs. The May Consumer Price Index (CPI) was +0.1% month-over-month and +2.4% year-over-year. Core CPI, which excludes food and energy prices, was +0.1% month-over-month and +2.8% year-over-year. The May Producer Price Index (PPI) was +0.1% month-over-month and +2.6% year-over-year. Core PPI, which excludes food, energy, and trade prices, was +0.1% month-over-month and +2.7% year-over-year.

The Federal Reserve is holding its Federal Open Market Committee (FOMC) meeting this week. It is widely expected the FOMC will 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.

This week six companies in the S&P 500 Index are scheduled to report earnings results with one for the first quarter and five for the second quarter. First quarter should end with 13.3% earnings growth year-over-year and 4.9% revenue growth. Second quarter earnings are expected to grow 4.9% with revenue growth of 4.1%. Full-year 2025 earnings are expected to grow by 9.0% with revenue growth of 5.0%.

In our *Dissecting Headlines* section, we look at what is presented as part of the Summary of Economic Projections and the dot plot.

## 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%	2.2%	Aggregate Bond Index	0.6%	2.7%
Dow Jones Industrial Average	-1.3%	0.0%	U.S. Dollar Index	-1.0%	-9.5%
NASDAQ 100	-0.6%	3.3%	WTI Crude Oil	13.0%	1.8%
Russell 2000 (Small Cap Index)	-1.5%	-5.2%	Gold	3.7%	30.8%
International Stocks (MSCI ex-US)	0.2%	16.0%	Real Estate (US REIT Index)	-0.4%	0.3%

Sources: S&P Global, FactSet

## Dissecting Headlines: The Dot Plot

Each quarter, the members of the Federal Reserve's Federal Open Market Committee (FOMC) update their forecasts of where they see interest rates over the next few years. The forecasts are assembled into a "dot plot" and the mid-point of each plot is seen as the likely target level for interest rates for each period.

Investors will be watching the dot plot scheduled for release after this week's FOMC meeting for potential changes in the policy path for interest rates based on how the Committee sees the economy shaping up over the remainder of the year. At the March meeting, the appropriate target for year-end 2025 for the Fed funds rate was seen at 3.75% to 4.00%, or 0.50% lower than the current range of 4.25% to 4.50%. Multiple Federal Reserve officials have spoken about the potential for tariff and trade policy to be inflationary.

While the FOMC is not expected to make any change to the Fed funds rate at the meeting, any changes to their projected policy path or economic outlook for the remainder of the year could be market moving if it differs widely from the projections published in March. As of March, the projections for 2025 were for GDP growth of 1.7%, unemployment at 4.4%, PCE inflation at 2.7% and core PCE inflation at 2.8%.

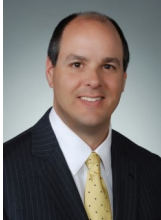
Following the meeting, the FOMC will publish its policy statement and the Summary of Economic Projections (which includes the dot plot). Federal Reserve Chairman Jerome Powell will also hold a press conference. The totality of information presented will help investors anticipate the FOMC's potential policy decisions with respect to interest rates. As of the current CME Fed funds futures market, reductions to the Fed funds rate of 0.25% each are expected at the September and December FOMC meetings.

## 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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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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