

## Trade Offs

Equity markets rose on Friday to close higher for the week following the Supreme Court decision to overturn the Trump Administration’s use of unilateral emergency tariffs. For the week, the S&P 500 Index was +1.1%, the Dow Jones Industrials +0.3%, and the NASDAQ +1.2%. The Communication Services, Industrials, and Consumer Discretionary sectors led the S&P 500 Index for the week, while the Consumer Staples, Health Care, and Utility sectors lagged. The 10-year U.S. Treasury note yield was 4.082% at Friday’s close versus 4.051% the previous week.

Following the Supreme Court decision on the tariffs, the Administration announced a replacement across-the-board global tariff using Section 122 of the Trade Act of 1974, which allows up to 15% for up to 150 days to address large and serious balance of payments issues. Outside the tariff news, fourth quarter advance Gross Domestic Product (GDP) increased at an annual rate of +1.4% versus +4.4% in the third quarter. The government shutdown had a significant impact as federal spending contracted 16.6% and was a 1.15 percentage point drag on GDP. Both imports and exports contracted but were a net positive with a larger contraction in imports.

This week 55 companies in the S&P 500 Index scheduled to report earnings. Quarterly earnings are expected to grow by 13.2% and quarterly revenue growth is expected at 9.0%. Full-year 2025 earnings are expected to grow by 13.3% with revenue growth of 7.5% and 2026 full-year earnings are expected to grow by 14.4% with revenue growth of 7.5%.

In our Dissecting Headlines section, we look at the Supreme Court tariff ruling.

## Financial Market Update

|                                   | <u>Weekly Return</u> | <u>YTD Return</u> |                             | <u>Weekly Return</u> | <u>YTD Return</u> |
|-----------------------------------|----------------------|-------------------|-----------------------------|----------------------|-------------------|
| S&P 500 Index                     | 1.1%                 | 1.1%              | Aggregate Bond Index        | -0.1%                | 1.2%              |
| Dow Jones Industrial Average      | 0.3%                 | 3.4%              | U.S. Dollar Index           | 0.9%                 | -0.5%             |
| NASDAQ 100                        | 1.2%                 | -0.9%             | WTI Crude Oil               | 5.6%                 | 15.6%             |
| Russell 2000 (Small Cap Index)    | 0.7%                 | 7.4%              | Gold                        | 1.1%                 | 18.2%             |
| International Stocks (MSCI ex-US) | 0.9%                 | 9.4%              | Real Estate (US REIT Index) | 0.3%                 | 10.1%             |

Sources: S&P Global, FactSet

## Dissecting Headlines: Tariff Decision

In a 6–3 decision, the Supreme Court struck down the Trump administration’s sweeping global emergency tariffs imposed under the International Emergency Economic Powers Act (IEEPA), saying that the IEEPA does not authorize the President to impose tariffs.

The majority opinion, presented by Chief Justice John Roberts, cited that tariffs are “Duties/Imposts” tied to Congress’s Article I taxing power, and that allowing IEEPA’s broad language about regulating importation to support unbounded tariffs would require clear congressional authorization. The dissenting opinion, presented by Justice Brett Kavanaugh, criticized the majority’s reliance on the major questions doctrine, arguing neither the statutory text nor the Constitution supports invalidating the President’s action and that the Court was improperly narrowing executive authority in foreign economic affairs.

The ruling did not instruct the government to issue refunds, nor did it explain how refunds should work. That topic was explicitly left unanswered and returned to lower courts and administrative processes. Over \$175 billion of collected revenue is at issue for refunds.

Following the decision, the Trump Administration announced a replacement across the board global tariff using Section 122 of the Trade Act of 1974, which allows up to 15% for up to 150 days to address large and serious balance of payments issues.

The Court decision and subsequent replacement tariffs announced keep the issue of trade and tariffs in flux for the near-term.

## 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 currently holds the Federal Retirement Consultant designation.

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