

Confidence Counts

Equities continued their ascent as bond yields and gasoline prices retreated last week. For the week, the S&P 500 Index was +1.4%, the Dow Jones Industrials +0.9%, and the NASDAQ +2.9%. The Technology, Consumer Discretionary, and Materials sectors led the S&P 500 Index for the week, while the Energy, Consumer Staples, and Utility sectors lagged. The 10-year U.S. Treasury note yield was 4.439% at Friday's close versus 4.554% the previous week.

The American Automobile Association (AAA) reported the national average price for regular unleaded gasoline is currently \$4.336/gallon. This is 4.0% lower than a week ago, but 37.6% higher year-over-year. Gasoline prices have been a major focus for consumers since prices began rising in March at the onset of the conflict with Iran.

The April Personal Consumption Expenditures (PCE) Price Index was +0.4% month-over-month and +3.8% year-over-year. Excluding food and energy prices, core PCE was +0.2% month-over-month and +3.3% year-over-year. This inflation reading, along with labor market data, will be key items the Federal Reserve considers when it evaluates monetary policy at the June Federal Open Market Committee meeting. We will see labor market data on Friday with the release of the May Employment Situation report. Current CME Fed funds futures show no change in interest rates at the June through October meetings, and a near even split for no change or a 0.25% increase at the December meeting.

The first quarter earnings reporting period is essentially complete, with 97% of companies having already reported. This week 11 companies are scheduled to report results. First quarter earnings are expected to grow by 28.6% and quarterly revenue growth is expected at 11.8%. Full-year 2026 earnings are expected to grow by 22.6% with revenue growth of 10.7%.

In our Dissecting Headlines section, we look at the current state of the consumer.

Financial Market Update

<u>MARKET DATA</u>	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.4%	11.3%	Aggregate Bond Index	0.7%	0.6%
Dow Jones Industrial Average	0.9%	6.9%	U.S. Dollar Index	-0.3%	0.6%
NASDAQ 100	2.9%	20.5%	WTI Crude Oil	-9.6%	52.1%
Russell 2000 (Small Cap Index)	1.8%	18.2%	Gold	0.8%	5.3%
International Stocks (MSCI ex-US)	2.0%	14.6%	Real Estate (US REIT Index)	-1.3%	14.2%

Sources: S&P Global, FactSet

Dissecting Headlines: Consumer Confidence

The health and confidence of the consumer is a vital component of economic growth. Higher interest rates and, more recently, higher gasoline prices have tested the spending ability of the consumer.

The May Consumer Confidence report showed a decline in the index to 93.1 from an upwardly revised 93.8 in April. This is higher than the start of the year when the January reading was 89.0. Since then, gasoline prices have increased 53.8% to the current \$4.322 per gallon average nationwide.

One element that has aided the consumer in the first half of 2026 has been larger than normal income tax refunds as a result of the One Big Beautiful Bill. The IRS reports that the average refund this filing season has been \$3,268 versus \$2,945 last year. The larger refunds reflect over withholding due to the change being made in mid-2025. Tax payers should also be seeing lower current withholdings and higher relative take-home pay currently.

Still, many consumers are feeling the pressure of higher prices. As part of the May Consumer Confidence report, two-thirds of consumers cited cutting back on spending overall due to rising prices. Those who are cutting back said they bought fewer items and delayed expensive purchases. Items where consumers are cutting back include clothing and footwear, hobby items, and games/toys.

A resolution to the conflict with Iran and lower energy prices would go a long way toward improving consumer confidence.

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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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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