

Hot Jobs

Better than expected job growth put an end to the equity market’s winning streak last week. For the week, the S&P 500 Index was -2.5%, the Dow Jones Industrials -0.2%, and the NASDAQ -4.5%. The Energy, Health Care, and Real Estate sectors led the S&P 500 Index for the week, while the Consumer Discretionary, Technology, and Communications Services sectors lagged. The 10-year U.S. Treasury note yield was 4.546% at Friday’s close versus 4.439% the previous week.

The May Employment Situation report showed a net gain of 172,000 jobs versus an expectation of 96,000 jobs. April jobs were revised up by 64,000 to 179,000 from 115,000 and March jobs were revised up by 29,000 to 214,000 from 185,000. The May unemployment rate was unchanged at 4.3%. This strength in the labor market increases the likelihood the Federal Reserve can remain patient on any monetary policy changes and possibly increase rates later this year if both labor market strength and inflation persist. This helped trigger the Friday selloff in the equity market.

We should get a clearer sense of monetary policy direction when the Federal Reserve publishes its updated Summary of Economic Projections at the June 17th FOMC meeting. Current CME Fed funds futures show the potential for a 0.25% increase at the October FOMC meeting.

The first quarter earnings should close out with a year-over-year gain of 28.8% and revenue growth of 11.8%. This week two companies are scheduled to report results. Second quarter earnings are expected to grow by 21.7% and quarterly revenue growth is expected at 12.0%. Full-year 2026 earnings are expected to grow by 22.8% with revenue growth of 10.8%.

In our Dissecting Headlines section, we look at factors of labor market stability.

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	-2.5%	8.4%	Aggregate Bond Index	-0.5%	0.1%
Dow Jones Industrial Average	-0.2%	6.6%	U.S. Dollar Index	1.2%	1.8%
NASDAQ 100	-4.5%	15.0%	WTI Crude Oil	3.6%	57.7%
Russell 2000 (Small Cap Index)	-2.9%	14.7%	Gold	-4.7%	0.3%
International Stocks (MSCI ex-US)	-1.6%	12.8%	Real Estate (US REIT Index)	0.9%	15.2%

Sources: S&P Global, FactSet

Dissecting Headlines: Labor Market Analysis

Strength in the labor market may seem confusing as headline concerns of tariff uncertainty and AI-induced layoffs would point to much weaker job creation. That felt like the case in February when the initial employment report saw a net loss of 92,000 jobs and was later revised lower to a net loss of 156,000 jobs. Starting in March, the labor market improved and the past three months have seen strong job growth of 214,000 in March (revised up from an initial 178,000), 179,000 in April (revised up from 115,000), and now 172,000 jobs in May.

The monthly jobs data is always “net jobs”, meaning the net of job losses and new hires. The environment has been described as “low hire, low fire”, so the impact of new job growth appears stronger in a low job loss scenario. Layoffs have been relatively lower, workers quitting jobs has declined, and older workers are not retiring at the same rate. At the same time, we are seeing steady hiring in several sectors to include health care where there is a structural need for workers due to aging population. May also saw an increase in leisure and hospitality and anecdotal evidence from Federal Reserve surveys point to both a resilient consumer and anticipated hiring ahead of the FIFA World Cup. Local government hiring was also a source of strength in May and can be attributable to a post-pandemic shortage of municipal worker positions now being filled and population growth in the southern states requiring more local government workers.

A last element may be “unretirement”, Americans over the age of 55 either delaying retirement or returning to work for economic reasons, as well as longer life expectancy and sense of purpose. This is a post-pandemic trend for some workers that may have taken early retirement or forced out of work during the pandemic period coming back into the labor market.

These factors have combined to create a labor market that has shown resiliency the past few months.

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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