

Wall of Worry

Equities closed the holiday shortened week higher. For the week, the S&P 500 Index was +1.8%, the Dow Jones Industrials +2.0%, and the NASDAQ +0.7%. The Communication Services, Financials, and Consumer Discretionary sectors led the S&P 500 Index for the week, while the Real Estate, Utility, and Energy sectors lagged. The 10-year U.S. Treasury note yield was 4.471% at Thursday's close versus 4.370% the previous week.

Energy prices continue to decline. The national average price for regular unleaded gasoline peaked at \$4.56 per gallon on May 21st before declining 16.6% to \$3.80. Diesel fuel prices peaked at \$5.40 per gallon on the same date and have since fallen 11.5% to \$4.78.

The June Employment Situation report showed a net gain of 57,000 jobs versus an expectation of 110,000, and both with May and April job growth was revised lower. The June unemployment rate fell to 4.2% from 4.3% in May due to a declining labor force participation rate. This weaker labor report combined with lower energy prices could slow some of the recent hawkish posture of the Federal Reserve. Current CME Fed funds futures currently show a single 0.25% interest rate increase at the September meeting, inline with the recent policy projection from the Federal Open Market Committee.

There are three companies in the S&P 500 Index scheduled to report earnings this week. Second quarter earnings are expected to grow by 23.3% and quarterly revenue growth is expected at 12.2%. Full-year 2026 earnings are expected to grow by 24.1% with revenue growth of 10.8%.

In our Dissecting Headlines section, we look at investor sentiment to start the second half of the year.

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	1.8%	10.0%	Aggregate Bond Index	-0.5%	0.7%
Dow Jones Industrial Average	2.0%	11.0%	U.S. Dollar Index	-0.5%	2.6%
NASDAQ 100	0.7%	16.5%	WTI Crude Oil	-0.8%	19.6%
Russell 2000 (Small Cap Index)	-0.4%	21.4%	Gold	1.0%	-4.5%
International Stocks (MSCI ex-US)	0.8%	13.8%	Real Estate (US REIT Index)	-0.4%	19.6%

Sources: S&P Global, FactSet

Dissecting Headlines: Investor Sentiment

Despite projections for 20%+ earnings growth and falling energy prices, investor sentiment is Bearish entering the second half of the year. The American Association of Individual Investors Sentiment Survey has Bearish sentiment at 42.3% versus Bullish sentiment at 31.4% in its recent weekly survey. The survey measures whether investors think the stock market will be higher or lower in the next six months. Bullish sentiment is below its historical average of 37.5%. Bearish sentiment is well above its historical average of 31.0%. Periods of unusually bearish investor sentiment have often preceded above-average equity returns over the following six to twelve months, while excessive optimism has tended to be associated with more muted forward returns.

The CNN Fear & Greed Index currently has a reading of 34 which signals "Fear". This index is made up of seven indicators to include stock price strength, market breadth, the put-call ratio, market volatility, difference in stock and bond returns, and junk bond demand.

Investor sentiment can swing quickly based on market movement or news. In the first half of 2026, the AII index has seen Bullish sentiment as high as 49.5% and as low as 30.4% and the Bearish sentiment has been as high as 52.0% and as low as 27.0%. Likewise, year-to-date, the CNN Index has been as high as 71 indicating "Greed" and as low as 6 indicating "Extreme Fear".

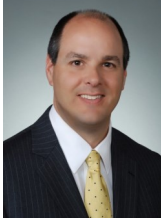
Markets can perform well when investors are climbing a wall of worry.

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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