

Measuring the Economy

We're expecting a great deal of news flow this week with 189 companies in the S&P 500 Index scheduled to report second quarter earnings, the Federal Reserve meeting taking place on Wednesday, and the first look at Second Quarter Gross Domestic Product (GDP) scheduled for release on Thursday. Additionally, the enhanced unemployment benefits are scheduled to expire at the end of the month, so Congress will likely be making announcements on proposed stimulus packages.

Of the 128 companies in the S&P 500 Index that have reported second quarter earnings to date, 80.5% have reported results above consensus. This is better than the long-term average of 64.9%. The average surprise factor has been 11.9% to the upside. The second consecutive better than expected week has moved current consensus for second quarter S&P 500 earnings to negative 40.3% year-over-year (versus -43.2% last week) on a 10.6% revenue decline (versus -10.9% last week).

With the enhanced unemployment benefits set to expire on July 31st, the political wrangling over the next stimulus package should heat up this week. Some Americans are returning to work as evidenced in the continuing claims for unemployment which declined to 16.197 million from 17.304 million during the week of July 11th. Continuing claims have improved each week since the peak of 20.790 million during the week of May 9th. Initial claims for unemployment remain elevated with claims for the week of July 18th at 1.416 million which was an increase from 1.307 million the week prior. There is still a long way to go to get the economy back to pre-COVID levels.

In our *Dissecting Headlines* section, we look at the upcoming release of second quarter Gross Domestic Product (GDP).

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.3%	-0.5%	Aggregate Bond Index	0.5%	6.2%
Dow Jones Industrial Average	-0.7%	-7.2%	U.S. Dollar Index	-1.6%	-2.1%
NASDAQ 100	-1.5%	20.0%	WTI Crude Oil	1.7%	-32.4%
Russell 2000 (Small Cap Index)	-0.4%	-12.0%	Gold	5.1%	25.3%
International Stocks (MSCI ex-US)	0.0%	-7.6%	Real Estate (US REIT Index)	-0.6%	-20.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Gross Domestic Product

Gross Domestic Product, or GDP, is a measure of the total dollar value of all goods and services produced by a nation's economy. It can be calculated by summing consumption, fixed investment, government spending, and net exports. More than two-thirds of U.S. GDP is personal consumption of goods and services. Business and government spending each about equally make up the remainder, and net exports typically subtracts a few percentage points since the U.S. imports more than it exports. The U.S. economy is approximately \$20 trillion dollars, ranking it as the largest economy in the world, followed by China, Japan, and Germany.

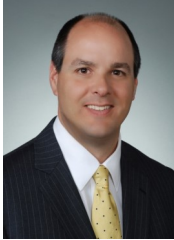
GDP is often expressed as an annual growth rate based on the sequential change between quarters. COVID-19 started impacting the economy significantly in March and first quarter GDP declined at a 5% rate. This Thursday is the first release of second quarter GDP. The current consensus is for GDP to decline 33.8% (within a range of -41.4% to -24.0%). While the steep decline is sobering, we know we are measuring the April through June timeframe which saw the greatest economic impact from the COVID. Recent economic data has improved. Current expectations for 3Q20 GDP is +17.8% and 4Q20 GDP is currently forecast at +6.5%.

The NovaPoint Capital 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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Jeff has 10 years of industry experience. Prior to joining NovaPoint, Jeff was a Vice President in the Private Banking and Investment Group at Merrill Lynch. Jeff also worked at Booz Allen Hamilton and the Department of Defense. Prior to his private sector career, Jeff was a Field Artillery officer in the U.S. Army. He holds a BA from the University of Texas and an MBA from the University of Maryland. Jeff is Chartered Financial Analyst (CFA).



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Frederick has over 25 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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Christina has 25 year of accounting experience. She earned her CPA license in 1998 while working as a Senior Accountant for Bennett Thrasher PC. She has also worked in accounting roles in the financial services, public relations, and manufacturing industries. She earned her BS in Accounting at Miami University in Oxford, Ohio magna cum laude. She is a member of the American Institute of Certified Public Accountants (AICPA) and a member of the Georgia Society of CPAs.

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