

## Comeback Story

It was a record week as the S&P 500 Index completed its comeback from the COVID-induced selloff in the Spring. On Tuesday, the S&P 500 closed at 3,389 which exceeded the previous high set back on February 19th and ended the week at 3,397. While the unknown social and economic impact of COVID-19 caused fear earlier in the year, the optimism of gradually increasing improvement in the economy and more knowledge about the virus has kept investors continuously looking ahead.

With 475 companies in the S&P 500 Index having reported earnings, we are just about done for the second quarter reporting period. Projected earnings for 2Q improved this week with current consensus for second quarter S&P 500 earnings at down 30.5% year-over-year (versus -33.6% last week) on an 8.9% revenue decline (versus -9.4% last week). Expectations were for earnings to be down 44% year-over-year when the reporting season kicked off in early July. An additional 16 companies in the S&P 500 Index are scheduled to report this week.

The current estimate for calendar year 2020 earnings is -20.1% and the estimate for calendar year 2021 earnings is +28.1%. While anything can happen, the comeback in the market was rooted, initially, in things being “less worse” and finding a bottom in the Spring. As parts of the economy started to reopen and COVID impact peaked in early Summer, the market catalyst switched to optimism of an economic recovery in 2021.

With the second of the two major political party conventions being held this week, we expect politics and the election to be a major backdrop to events between now and November.

In our *Dissecting Headlines* section, we look at weekly rail traffic data.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.8%	5.1%	Aggregate Bond Index	0.3%	5.6%
Dow Jones Industrial Average	0.1%	-2.1%	U.S. Dollar Index	0.2%	-3.3%
NASDAQ 100	3.5%	32.3%	WTI Crude Oil	0.8%	-30.7%
Russell 2000 (Small Cap Index)	-1.6%	-7.0%	Gold	-0.2%	27.8%
International Stocks (MSCI ex-US)	-0.4%	-5.4%	Real Estate (US REIT Index)	-0.4%	-17.3%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Rail Traffic

Approximately 28% of freight in the United States moves by railroads. Rail traffic volumes can be analyzed each week with data provided by the Association of American Railroads. Most raw materials such as forest products, agricultural goods, coal, metals, and petroleum are transported via rail. Motor vehicles are also transported by rail. Most other finished goods travel by rail inside shipping containers which can travel from ship to rail to truck, and this is known as intermodal freight.

With the COVID-imposed economic downturn in 2020, the demand for rail freight declined sharply early in the crisis and had been on a slow recovery since. The most current week’s traffic was down 6.9% year-over-year with higher traffic in agricultural grains and intermodal freight and lower traffic in coal, metals, and petroleum. Year-to-date traffic is down 12.2%. The raw material inputs give us insight to demand from manufacturers, utilities, and food processing. Intermodal freight gives us insight to demand from retailers and consumers.

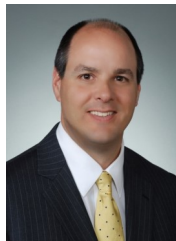
Weekly rail traffic data is released each Wednesday at the Association of American Railroads website.

## The NovaPoint Capital Team



**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto:jsroka@novapointcapital.com)**

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.



**Jeffery Wright, CFA / Managing Director & Portfolio Manager / [jwright@novapointcapital.com](mailto:jwright@novapointcapital.com)**

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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