

## Trough

Second quarter Gross Domestic Product (GDP) for the U.S. saw a record contraction of 32.9% as the April through June time period was hit by the COVID induced business shutdowns and stay at home orders. While the large decline is sobering, it is also likely to be short-lived as economic data has been improving. We still have a long way to go to get economic activity back to pre-COVID levels, but the second quarter GDP likely marks the trough in the economy. The current estimate for third quarter GDP growth is +17.8%.

Congress is currently debating a next round of stimulus measures. The enhanced unemployment benefits designed to help families hit by job loss during COVID expired on July 31st. A next round is highly likely but needs to go through the typical debate and grandstanding that we have seen in previous actions by Congress here in 2020.

The weekly initial unemployment claims and continuing claims have started to stall their recent improvement. Initial unemployment claims for the week of July 25th increased to 1.434 million versus 1.422 million the week prior. Continuing claims for the week of July 18th were 17.018 million versus 16.151 million the week prior. Continuing claims peaked at 20.790 million during the week of May 9th. The July Employment Report will be released this coming Friday with a forecast of 2 million net new jobs being added for the month. The May report showed 2.5 million jobs created and the June report showed 4.8 million. Maintaining job creation and business reopening remain key factors to economic recovery.

Similar to economic activity, corporate earnings also likely troughed in the second quarter. Of the 312 companies in the S&P 500 Index that have reported second quarter earnings to date, 82% have reported results above consensus. This is better than the long-term average of 64.9%. The average surprise factor has been 21.7% to the upside. The third consecutive better than expected week has moved current consensus for second quarter S&P 500 earnings to negative 33.8% year-over-year (versus -40.3% last week) on a 10.4% revenue decline (versus -10.6% last week).

In our *Dissecting Headlines* section, we look at Back-to-School Shopping.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.8%	1.2%	Aggregate Bond Index	0.2%	6.4%
Dow Jones Industrial Average	-0.1%	-7.4%	U.S. Dollar Index	-1.1%	-3.1%
NASDAQ 100	4.0%	24.9%	WTI Crude Oil	-2.5%	-34.0%
Russell 2000 (Small Cap Index)	0.9%	-11.3%	Gold	3.9%	30.2%
International Stocks (MSCI ex-US)	-0.9%	-8.4%	Real Estate (US REIT Index)	4.9%	-16.8%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Back-to-School Shopping

Preparing for the school year has traditionally prompted spending on apparel, shoes, school supplies, and technology. This could prove to be a unique back-to-school shopping season given the uncertainty between on-campus, remote and combined learning on tap.

According the National Retail Federation, families with elementary and secondary school children are expected to spend an average \$789.49 per family, an increase of 13.3% from 2019. College students are expected to spend an average \$1,059.20 per family, an increase of 8.4% from 2019. Total spending for K-12 and college is projected to be \$101.6 billion, an increase of 25.9%.

Due to uncertainty surrounding decisions on classroom and remote learning, 72% of survey respondents believe they will need to buy items like computers, home furnishings or other supplies to accommodate learning. Sixty-three percent of K-12 families expect to buy computers and other electronics this year, up from 54% last year. Apparel spending is expected to be flat and school supplies up slightly.

## The NovaPoint Capital Team



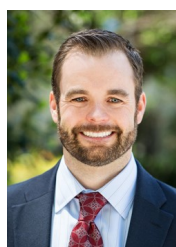
**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto:jsroka@novapointcapital.com)**

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).



**Alan J. Conner / President and Chief Compliance Officer / [aconner@novapointcapital.com](mailto:aconner@novapointcapital.com)**

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).



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

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).



**Christina McGeehen, CPA / Managing Director – Accounting & Tax Strategies / [cmcgeehen@novapointcapital.com](mailto:cmcgeehen@novapointcapital.com)**

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.

**NovaPoint Capital LLC** (referred to herein as "NovaPoint" or "the Company") is registered with the SEC as an investment adviser, but registration does not imply any certain level of skill or training. The information contained in this document has not been filed with, reviewed by or approved by any regulatory or self-regulatory authority.

**Not an offer of advisory services or securities:** This document is limited to the dissemination of general information about the services provided by the Company and is provided for informational purposes only. This document is intended for residents of the United States only and the information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or other financial instruments in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other applicable laws of such jurisdiction. Nothing contained in this document constitutes tax, legal or investment advice. Responses to any inquiry which may involve the rendering of personalized investment advice for compensation or effecting or attempting to effect transactions in securities will not be made absent compliance with state broker-dealer, investment adviser, broker-dealer agent or investment adviser representative registration requirements, or applicable exemptions or exclusions from such requirements.

**Investment risk:** The Company makes no representation, and it should not be assumed, that past investment performance is any indication of future results. Moreover, wherever there is the potential for profit there also is the possibility of loss. Certain of the Company's strategies may involve investments that are illiquid, are subject to a substantial risk of loss and are not suitable for certain investors.

**Limitation of liability:** While the Company uses reasonable efforts to include accurate and up-to-date information in this document, errors or omissions sometimes occur. The Company makes no warranties or representations as to the accuracy of this document. Opinions expressed herein are subject to change without notice. Under no circumstances shall the Company or any party involved in creating, producing, or delivering this document be liable for any direct, incidental, consequential, indirect, or punitive damages that result from the use of the information contained in this document, even if the Company's authorized representative has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply to you.

**Trademarks and copyrights:** All trademarks, service marks, trade names, logos, and icons are proprietary to the Company. Nothing contained in this document should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any trademark displayed in this document without the prior written permission of the Company or such third party that may own the trademarks displayed in this document. Your use of the trademarks displayed in this document, or any other content in this document, except as provided herein, is strictly prohibited.