

Labor Days

The S&P 500 Index built on its recent record and closed above 3500 for the first time last week. Data indicating that COVID-19 is on the downslope, a supportive Federal Reserve, and a view that the recent second quarter corporate earnings are a likely trough for this cycle all contributed to the optimism.

We believe the labor market remains the key determinant of a sustainable economic recovery. Moving from a 3.5% unemployment rate in February to a 14.7% unemployment rate by April due to COVID-related shutdowns was a severe blow to the labor market. Monthly job creation has been robust as the economy has gradually re-opened and by July unemployment declined to 10.2%. The August employment report is scheduled for release on Friday. The expectation is for the unemployment rate to fall to 9.8%.

The second quarter reporting period has just a handful of companies left to release results. Projected earnings for the quarter improved this week with current consensus for second quarter S&P 500 earnings at down 29.8% year-over-year (versus -30.5% last week) on an 8.8% revenue decline (versus -8.9% last week). Expectations were for earnings to be down 44% when the reporting season kicked off in early July. The current estimate for calendar year 2020 earnings is -19.9% and the estimate for calendar year 2021 earnings is +28.0%.

With both major political parties finished their conventions, the next major event in the election cycle should be the first Presidential debate scheduled for September 29th.

At the annual Economic Policy Symposium, Federal Reserve Chairman Jerome Powell discussed the Fed's shift to average inflation targeting. We explain this in our *Dissecting Headlines* section.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	3.3%	8.6%	Aggregate Bond Index	-0.5%	5.1%
Dow Jones Industrial Average	2.6%	0.4%	U.S. Dollar Index	-0.9%	-4.2%
NASDAQ 100	3.8%	37.4%	WTI Crude Oil	1.6%	-29.5%
Russell 2000 (Small Cap Index)	1.7%	-5.4%	Gold	1.3%	29.5%
International Stocks (MSCI ex-US)	2.1%	-3.4%	Real Estate (US REIT Index)	2.3%	-15.5%

Sources: S&P Global, Thomson Reuters

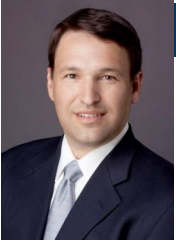
Dissecting Headlines: Average Inflation Targeting

Fed Chair Powell's speech at the Economic Policy Symposium highlighted a shift to average inflation targeting. Rather than the Fed's traditional 2% "line in the sand", they are implementing a framework where inflation can rise above 2% for short periods of time with the goal of averaging 2% over the long-term.

The Fed has normally preemptively raised short-term rates to cool inflation. With average inflation targeting, they can keep rate increases on hold to give the economy time to solidify a recovery even if inflation rises. Given the current high levels of unemployment, the Fed is placing the need to get Americans back to work above the need to immediately blunt an increase in inflation.

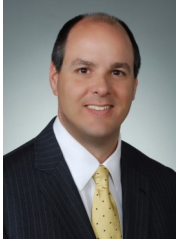
This is a dovish policy stance that should be bullish for the equity market. Without fear that a rate hike is imminent, low rates and high liquidity should bolster the economy and also favor equities.

The NovaPoint Capital Team



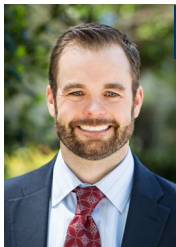
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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked 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.



Jeffery Wright, CFA / Managing Director & Portfolio Manager / 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

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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