

Speed Bump

After a long recovery back to record levels, the S&P 500 Index hit a speed bump last week, especially among some of the stocks in the information technology and other technology related sectors that had posted large gains since the market bottom in March. Thursday was the worst downside day of the week, down 3.5%, and losses were likely curtailed on Friday following good August employment data.

The August Employment Report showed a net increase of 1.371 million jobs. This was the fourth consecutive month of substantial job increases following the job losses in March and April. The COVID shock to the economy and resulting forced business closures caused just over 22 million job losses by the end of April. Over the past four months that has been almost halved with 10.6 million net jobs created. Many of these jobs created were likely furloughed employees returning to work. Job increases should continue as the economy continues to re-open in coming months. Some job loss is likely permanent, but new business formations are also likely to create jobs as well as established companies that grow with the economic recovery.

The unemployment rate for August declined to 8.4%. The U.S. has gone from a 3.5% unemployment rate in February to a 14.7% unemployment rate by April back to 8.4% currently. The level of unemployment should continue to decline as the economy recovers.

With 498 of 500 companies done with second quarter earnings, the S&P 500 finished with second quarter earnings down 29.7% year-over-year. Expectations were for earnings to be down 44% when the reporting season kicked off in early July, so while the earnings for the period were negative, they were initially projected to be much worse. The current estimate for calendar year 2020 earnings is -19.8% and the estimate for calendar year 2021 earnings is +27.9%.

In our *Dissecting Headlines* section, we look at the two surveys that make up the monthly Employment Report and the key data that each survey provides.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.3%	6.1%	Aggregate Bond Index	0.3%	5.1%
Dow Jones Industrial Average	-1.7%	-1.4%	U.S. Dollar Index	0.4%	-3.5%
NASDAQ 100	-3.1%	33.1%	WTI Crude Oil	-7.6%	-34.9%
Russell 2000 (Small Cap Index)	-2.7%	-8.0%	Gold	-1.6%	27.4%
International Stocks (MSCI ex-US)	-1.9%	-5.2%	Real Estate (US REIT Index)	-0.5%	-15.9%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Employment Surveys

There are two employment surveys that are conducted each month, the Current Population Survey (aka Household Survey) and the Current Employment Statistics (aka Establishment Survey). Each survey provides potentially market moving data.

The Household Survey contacts individuals to measure the labor force status, including unemployment, labor force participation, hours worked, and earnings. This survey produces the unemployment rate which currently stands at 8.4% based on the August data.

The Establishment Survey contacts employers to measure nonfarm employment, hours worked, and earnings of workers on payroll. It provides the increase/decrease in nonfarm payroll employment each month. Farm employment is extremely seasonal, so it is excluded from the Establishment Survey.

Both surveys are important to measure the health of the economy and the American worker. They provide data that can impact the decisions of policy makers, financial institutions, and investors.

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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