

## Earnings Tsunami

The third quarter reporting season moves into its second big week with 91 companies in the S&P 500 Index scheduled to report earnings. Of the 49 companies that have already reported, 85.7% have exceeded consensus expectations versus the long-term average of 65.1%. This has raised the current forecast for earnings to be down 18.7% year-over-year versus an expectation of down 21.0% heading into last week. While there is still uncertainty from the impact of COVID in the third quarter reporting, we think the expected earnings decline should continue to shrink over the course of the reporting period. The current estimate for calendar year 2020 earnings is down 18.9% and the estimate for calendar year 2021 earnings is growth of 26.3%.

Employment continues to be the most significant data we watch each week to judge the health of the economic recovery from the COVID-induced recession seen the past two quarters. The weekly initial unemployment claims have been sticky in the mid-to-high 800,000 range for the past few weeks. Initial unemployment claims for the week of October 10th were 898,000 versus the previous week at 845,000. Continuing Claims for the week of October 3rd were 10.018 million versus 11.183 million the week prior. The U.S. economy has recovered approximately half the jobs that were lost during the peak of the COVID in the Spring, but still has a long way to go.

In our *Dissecting Headlines* section, we look at how the S&P 500 Index has performed during each presidential election.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.2%	7.8%	Aggregate Bond Index	0.3%	4.9%
Dow Jones Industrial Average	-0.3%	0.2%	U.S. Dollar Index	0.9%	-2.8%
NASDAQ 100	1.5%	35.7%	WTI Crude Oil	0.4%	-33.2%
Russell 2000 (Small Cap Index)	0.1%	-2.1%	Gold	-1.6%	25.2%
International Stocks (MSCI ex-US)	-1.4%	-4.2%	Real Estate (US REIT Index)	-2.2%	-16.6%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Market Reactions to Presidential Elections

We looked at the returns for the S&P 500 after the past eight presidential elections. The one-day reaction is a mixed bag (5 negative/3 positive), but the one-year returns are all positive except for Bush 43 in 2000, but that is more likely attributed to the 9/11 attacks in Sept 2001. Four-year returns were substantial for all but Bush 43's two terms.

From a high-level view, our take-away is that the market adjusts to whatever the outcome, and black swan events (9/11 or COVID) and recessions are more likely to impact the market than who specifically is in the White House.

				Returns after					
Winner	Party	Incumbent	S&P 500 Index	1-Day	1-Month	3-Months	6-Months	1-Year	4-Years
Trump	Republican	No	2,131.52	1.49%	5.42%	8.15%	13.72%	24.03%	
Obama	Democrat	Yes	1,417.26	-1.60%	-0.26%	7.30%	15.22%	27.17%	60.28%
Obama	Democrat	No	966.30	-1.40%	-9.53%	-12.56%	-7.80%	11.06%	59.96%
Bush	Republican	Yes	1,130.51	1.12%	5.59%	5.75%	3.64%	9.91%	-7.66%
Bush	Republican	No	1,432.19	-1.60%	-5.51%	-5.30%	-11.03%	-20.88%	-13.21%
Clinton	Democrat	Yes	706.73	2.53%	5.66%	12.22%	16.13%	35.58%	114.01%
Clinton	Democrat	No	422.75	-1.33%	2.08%	5.45%	5.54%	14.01%	85.09%
Bush	Republican	No	273.93	-0.22%	1.88%	10.36%	14.26%	26.55%	74.35%

Source: S&P 500 Index Data from Refinitiv

## 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.

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