

Peak Week

The third quarter earnings reporting season peaks this week with 180 companies in the S&P 500 Index scheduled to report earnings. The current third quarter consensus is for earnings to be down 16.7% year-over-year (versus down 18.7% last week and down 21.7% at the start of earnings season) on a 3.6% decline in revenue. Of the 135 companies that have reported, 83.7% have reported earnings above consensus versus the long-term average of 65.1%, and 80.7% have reported revenue above consensus versus the long-term average of 60.3%. Like in the second quarter, the lack of guidance from companies made many analysts too conservative in their forecasts. The current estimate for calendar 2020 earnings is -18.5% and the estimate for calendar 2021 earnings is +25.9%. The shrinking decline for 2020 is also causing a modest shrink in the relative gain predicted by analysts for 2021.

Initial unemployment claims for the week of October 17th were 787,000 versus the previous week at 842,000. Continuing Claims for the week of October 10th were 8.373 million versus 9.397 million the week prior. The employment situation continues to improve, but had been sticky in previous weeks.

In our *Dissecting Headlines* section, we look at the upcoming third quarter GDP report.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.5%	7.3%	Aggregate Bond Index	-0.4%	4.5%
Dow Jones Industrial Average	-0.9%	-0.7%	U.S. Dollar Index	-1.0%	-3.8%
NASDAQ 100	-1.3%	33.9%	WTI Crude Oil	-2.5%	-34.7%
Russell 2000 (Small Cap Index)	0.4%	-1.7%	Gold	0.1%	25.3%
International Stocks (MSCI ex-US)	0.5%	-3.7%	Real Estate (US REIT Index)	0.2%	-17.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Third Quarter GDP

The first estimate for third quarter Gross Domestic Product (GDP) is scheduled for release on Thursday. The COVID-19 induced economic shutdown sent second quarter GDP to a historic decline of -31.4% sequentially from the first quarter of 2020. Current forecasts for third quarter GDP have a mean of +31.9% and a range between +26.0% and +37.1%.

As a reminder, while the entirety of U.S. economic output rolls up into GDP, the major reported components are consumption, fixed investment, government spending, and net exports. More than two-thirds of U.S. GDP is personal consumption of goods and services. Business and government spending make up about an equal share of the remainder. Net exports typically subtract a few percentage points since the U.S. imports more than it exports.

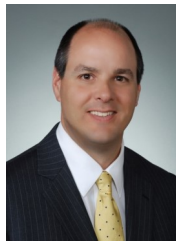
At the time the second quarter advance GDP was reported in July, the third quarter GDP estimate was +17.8%. We have seen sequential improvement and acceleration in many categories such as retail sales, housing, auto sales, rail traffic, and employment (and of course the Government has been spending a lot of money) which has moved the third quarter estimate higher over the past few months.

The NovaPoint Capital Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / 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

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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