

## A Shot in the Arm

Following a strong post-election day rally the week prior, the S&P 500 Index (+2.2%) and Dow Jones Industrial Average (+4.2%) followed with a second week of gains while the NASDAQ 100 Index retreated modestly (-1.3%). Much of the differential in performance was driven by sentiment that a potential COVID vaccine was imminent which boosted many of this year's beaten down industries that have suffered from COVID-induced shutdowns such as airlines, lodging, retail, restaurants, and energy. Crude oil rallied 8.1% for the week.

This week holds the last round of significant earnings announcements with the major retailers scheduled to report. In all, 12 companies in the S&P 500 Index are scheduled to report earnings this week. The current Q3 consensus is for EPS to be down 7.4% y/y (versus down 7.8% last week and down 21.7% at the start of earnings season) on a 1.4% decline in revenue. Of the 462 companies that have reported, 84.4% have reported earnings above consensus versus the long-term average of 65.1% and 77.7% have reported revenue above consensus versus the long-term average of 60.3%. The current estimate for calendar 2020 earnings is -15.6% and the estimate for calendar 2021 earnings is +22.9%.

The labor market continues to improve. Initial unemployment claims for the week of November 7th were 709,000 versus the previous week at 757,000. Continuing Claims for the week of October 31st were 6.786 million versus 7.222 million the week prior.

In our *Dissecting Headlines* section, we look at the change in market sentiment from the American Association of Individual Investor's weekly sentiment survey.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	2.2%	11.0%	Aggregate Bond Index	-0.1%	4.7%
Dow Jones Industrial Average	4.2%	3.3%	U.S. Dollar Index	0.6%	-3.8%
NASDAQ 100	-1.3%	36.7%	WTI Crude Oil	8.1%	-34.3%
Russell 2000 (Small Cap Index)	6.1%	4.5%	Gold	-3.3%	24.5%
International Stocks (MSCI ex-US)	3.3%	1.8%	Real Estate (US REIT Index)	8.3%	-11.9%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: The AAI Survey

The American Association of Individual Investors (AAII) is an independent, nonprofit corporation formed for the purpose of assisting individuals in becoming effective managers of their own assets through programs of education, information and research. AAIL conducts a weekly survey of its members and asks the same simple question each week, Do they feel the direction of the stock market over the next six months will be up (bullish), no change (neutral) or down (bearish)?

The Survey is widely followed as a contrarian indicator for the stock market. When the Survey hits an extreme Bearish stance, the stock market typically is higher both six and twelve months later. Similarly, when respondents are above average Bullish, the market has produced a muted return.

Last week, AAIL's Bullish sentiment rose 17.9 points to 55.8%, its highest level since January 3, 2018. Prior to this week's reading, bullish sentiment had been at or below its historical average of 38.0% for 35 consecutive weeks. Likewise, Bearish sentiment declined 6.6 points to 24.9%, its lowest level since January 22, 2020. Prior to this week's reading, bearish sentiment had been above its historical average of 30.5% for 37 consecutive weeks. Continued positive COVID related and reopening news is likely needed to maintain the recent market momentum.

## 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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