

Political Homestretch

Despite a slew of strong company earnings reports, concerns about an accelerating spread of COVID-19 in both the U.S. and abroad pushed stocks lower last week. The Dow Jones Industrial Average declined 6.5%, the S&P 500 Index declined 5.6%, and the NASDAQ 100 Index declined 5.5%.

The earnings reporting season is rolling on and actual results are generally coming in ahead of expectations. The current third quarter consensus is for earnings to now be down 10.2% year-over-year (versus down 16.7% last week and down 21.7% at the start of earnings season) on a 2.9% decline in revenue. Of the 319 companies that have reported, 86.2% have reported earnings above consensus versus the long-term average of 65.1%, and 80.3% have reported revenue above consensus versus the long-term average of 60.3%. The current estimate for calendar 2020 earnings is -17.5% versus -18.5% last week and the estimate for calendar 2021 earnings is +24.9 versus +25.9% last week. The shrinking decline for 2020 is also causing a modest shrink in the relative gain predicted by analysts for 2021. This week, 129 additional companies in the S&P 500 are scheduled to report earnings.

The labor market continues to improve. Initial unemployment claims for the week of October 24th were 751,000 versus the previous week at 791,000. Continuing Claims for the week of October 17th were 7.756 million versus 8.465 million the week prior.

This should be another busy week with the election on Tuesday, the November Federal Reserve meeting on Wednesday and Thursday, and the October employment report on Friday.

In our *Dissecting Headlines* section, we follow-up on the 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	-5.6%	1.2%	Aggregate Bond Index	-0.2%	4.3%
Dow Jones Industrial Average	-6.5%	-7.1%	U.S. Dollar Index	1.4%	-2.6%
NASDAQ 100	-5.5%	26.6%	WTI Crude Oil	-10.2%	-41.4%
Russell 2000 (Small Cap Index)	-6.2%	-7.8%	Gold	-1.2%	23.8%
International Stocks (MSCI ex-US)	-4.8%	-8.3%	Real Estate (US REIT Index)	-5.3%	-21.7%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Third Quarter GDP Follow-Up

The first estimate for third quarter Gross Domestic Product (GDP) increased at an annual rate of 33.1% versus the 31.4% decrease in the second quarter. The total annualized size of the economy in the third quarter was \$21.16 trillion versus \$19.52 trillion in the second quarter. The data continues to get refined and the second estimate is scheduled for release on November 25th.

Personal consumption, private inventory investment, residential and nonresidential fixed investment, and exports all increased. Government spending declined partly due to lower Payroll Protection Program administrative fees and lower spending by state and local governments. Personal consumption was led by healthcare and food services, as well as spending on motor vehicles, clothing and footwear. Residential fixed investment was led by housing and nonresidential fixed investment was led by equipment purchases.

While we look at many discrete data points each week and month, the culmination in the size and growth of the economy can be measured quarterly with the GDP report.

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.



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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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