

## Strong Start

The stock market shrugged off a down first trading day of the year and finished the first week of 2021 with gains. For the week, the Dow Jones Industrial Average was +1.7%, the S&P 500 Index was +1.9%, and the NASDAQ 100 Index was +1.7%. Oil also continued its year-end rally and opened 2021 with a 7.7% increase.

Many of the COVID-recovery economic data we watched through 2020 are still on the radar to monitor here in early 2021. Initial unemployment claims during the week of January 2nd decreased to 787,000 versus 790,000 the previous week. Continuing claims for the week of December 26th were 5.072 million versus 5.198 million the week prior. Continued improvement in employment is one of the major factors required to sustain economic recovery in 2021.

The Federal Reserve is scheduled to release its Summary of Commentary on Current Economic Conditions (aka the “Beige Book”) for January this week. That should provide access to data and commentary from each of the Fed Regions.

Fourth quarter earnings reports kick off this week with ten companies in the S&P 500 Index scheduled to report earnings. Fourth quarter 2020 earnings are expected to decline 9.8% year-over-year on a revenue decline of 1.3%. Full-year 2020 earnings are expected to decline 15.1% on a revenue decline of 3.1%. Full-year 2021 earnings are expected to rise 23.6% on revenue growth of 8.3%.

In our *Dissecting Headlines* section, we look at the pick up in U.S. rail traffic.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.9%	1.9%	Aggregate Bond Index	-0.8%	-0.8%
Dow Jones Industrial Average	1.7%	1.7%	U.S. Dollar Index	0.2%	0.2%
NASDAQ 100	1.7%	1.7%	WTI Crude Oil	7.7%	7.7%
Russell 2000 (Small Cap Index)	5.9%	5.9%	Gold	-2.5%	-2.5%
International Stocks (MSCI ex-US)	4.4%	4.4%	Real Estate (US REIT Index)	-2.6%	-2.6%

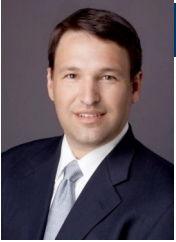
Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: U.S. Rail Traffic

U.S. rail traffic for December was +4.4% higher than December 2019. If we think back to before the pandemic, some rail traffic was weaker due to the US-China tariffs in 2019 and early 2020. Still, December’s momentum shows a strong recovery in this key sector of the economy. Total 2020 U.S. rail traffic was down 7.2% year-over-year with commodity carloads down 12.9% and Intermodal carloads down 1.8%. Coal saw the largest volume decline for 2020 (-24.6%) and Grain saw the only year-over-year gain (+4.6%).

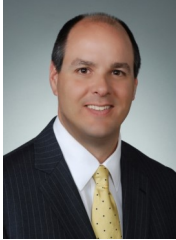
Rail traffic is reported weekly and gives us a real time look into multiple parts of the economy. There are ten commodity categories plus Intermodal. The commodity, or “unfinished goods”, categories are Chemicals, Coal, Farm Products and Food (excluding Grain), Forest Products, Grain, Metallic Ores and Metals, Motor Vehicles and Parts, Nonmetallic Minerals, Petroleum, and Other. Intermodal, or “intermediate and finished goods”, represent freight loaded into containers and transported via rail. Much of this originates from containers being cross-docked from shipping ports to rail.

## The NovaPoint Capital Team



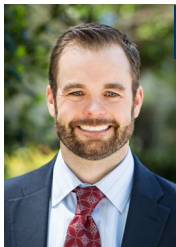
**Joseph Sroka, CFA, CMT / Chief Investment Officer / [jsroka@novapointcapital.com](mailto:jsroka@novapointcapital.com)**

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).

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