

Best Foot Forward

The world bid farewell to the disruptive year of 2020 and an optimistic hello to 2021. All the uncertainty hasn't disappeared simply because of the calendar transition, but there is a sense of optimism that 2021 will be a year of positive improvement in the economy, social and family interaction, and healthcare regarding COVID.

For the final week of the year, the Dow Jones Industrial Average was +1.3%, the S&P 500 Index was +1.5%, and the NASDAQ 100 Index was +1.4%.

Initial unemployment claims during the week of December 26th decreased to 787,000 versus 806,000 the previous week. Continuing claims for the week of December 19th were 5.219 million versus 5.322 million the week prior. Continued improvement in employment is one of the major factors required to sustain economic recovery in 2021.

We will soon be seeing fourth quarter earnings reports and then focusing on an earnings recovery for 2021. Fourth quarter 2020 earnings are expected to decline 10.3% year-over-year on a revenue decline of 1.4%. Full-year 2020 earnings are expected to decline 15.3% on a revenue decline of 3.1%. Full-year 2021 earnings are expected to rise 23.3% on revenue growth of 8.3%.

In our *Dissecting Headlines* section, we look at annual returns for the S&P 500 Index and how the Index goes up more often than not on an annualized basis.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	1.5%	18.4%	Aggregate Bond Index	0.1%	8.1%
Dow Jones Industrial Average	1.3%	9.7%	U.S. Dollar Index	-0.4%	-6.7%
NASDAQ 100	1.4%	48.9%	WTI Crude Oil	0.6%	-20.5%
Russell 2000 (Small Cap Index)	-1.4%	20.0%	Gold	1.1%	25.0%
International Stocks (MSCI ex-US)	1.4%	8.0%	Real Estate (US REIT Index)	1.1%	-11.1%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: S&P 500 Annual Returns

A new year can be cause for optimism. For stock market investors this is probabilistically true. Using the S&P 500 Index as a proxy, since 1926 the Index has produced a positive annual return 70-years out of that 95-year span, or 73.7% of the time.

Even a down year shouldn't be cause for alarm. Multiple consecutive down years happen rarely, and are usually accompanied by a severe economic event such as the Great Depression which witnessed four consecutive down years in 1929 to 1932. The years 1939 to 1941 also saw three-year consecutive declines. More recently, the Index experienced a back-to-back loss in 1973 to 1974 and a three consecutive year loss in 2000 to 2002.

Multi-year market increases are more common with consecutive year increases as long as nine-years happening twice from 2009 to 2017 and 1991 to 1999, and eight-years from 1982 to 1989.

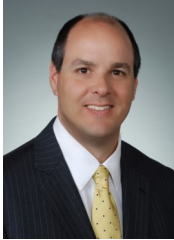
As we saw in 2020, even a severe downturn early in the year can turn into a positive return by year-end.

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).



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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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