

What a Difference a Year Makes

Thursday's market decline was met with a rally on Friday. The S&P 500 has been positive eight out of the past 10 sessions. The S&P 500 Index closed the week +0.4%, the NASDAQ +0.7% and the Dow +0.3%. The U.S. 10-year Treasury bond yield decreased to 1.361% at Friday's close versus 1.431% the previous week.

The second quarter earnings reporting season starts this week with many of the big banks reporting earnings. The current expectation is for S&P 500 earnings growth of 65.8% year over year. Cyclical sectors, especially those hit hard by COVID-19 a year ago, are poised to see the largest year-over-year earnings increases. Industrials, Consumer Discretionary, Energy, Materials, and Financials are all forecasted to see >100% earnings growth for the quarter.

In addition to the earnings reports, we get more data points on the state of inflation with the July Consumer Price Index (CPI) scheduled for Tuesday and the Producer Price Index (PPI) on Wednesday.

Initial unemployment claims for the week of July 3rd increased to 373,000 versus the previous week at 371,000. Continuing claims for June 26th were 3.339 million versus 3.484 million the week prior. Further progress on jobs may stay tentative until the fall when the remaining half of the states have the federal unemployment supplement expire.

In our *Dissecting Headlines* section, we take a closer look at the upcoming earnings reporting season.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.4%	17.2%	Aggregate Bond Index	0.3%	-1.0%
Dow Jones Industrial Average	0.3%	15.0%	U.S. Dollar Index	-0.1%	2.4%
NASDAQ 100	0.7%	15.5%	WTI Crude Oil	-0.8%	53.7%
Russell 2000 (Small Cap Index)	-1.1%	16.0%	Gold	1.2%	-4.7%
International Stocks (MSCI ex-US)	-0.4%	8.1%	Real Estate (US REIT Index)	2.5%	23.8%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Second Quarter Earnings

It almost seems hard to remember this time a year ago. We were only a few months into the social and economic impact of the COVID-19 pandemic. In previewing corporate earnings for the second quarter of 2020, the expectation was initially for a decline of 43% with the U.S. economy (GDP) expected to decline 35%. The "U" shape of earnings in 2020 with the second and third quarters seeing the greatest decline has been met with the inverse this year as the U.S. exited the COVID-induced recession and travel and other consumer activities has started returning to normal.

As mentioned above, the current earning expectation for the second quarter is S&P 500 earnings growth of 65.8% year-over-year. Cyclical sectors, especially those hit hard by COVID-19 a year ago, are poised to see the largest year-over-year earnings increases. Industrials, Consumer Discretionary, Energy, Materials, and Financials are all forecasted to see >100% earnings growth for the quarter. Sectors that saw more stable growth in 2020 such as Information Technology, Healthcare, Communication Services, and Utilities are expected to see more moderate rates of growth in 2021.

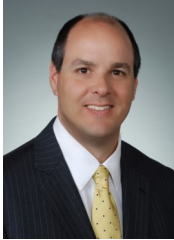
Important commentary to listen for in company earnings reports and conference calls is how management teams are handling inflationary pressures in various material and service inputs and how they are handling issues with workers both in retaining workers who may decide to leave rather than return to the workplace as well as find new workers in a disjointed labor market.

The NovaPoint Capital Team



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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 30 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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