

## Dog Days

A geopolitical crisis in Afghanistan and hints from the Federal Reserve that it could soon begin tapering monthly bond purchases combined to lead the equity markets to a negative week. The S&P 500 Index closed the week -0.5%, the NASDAQ -0.3% and the Dow -1.0%. The U.S. 10-year Treasury bond yield decreased to 1.260% at Friday's close versus 1.297% the previous week.

We are pushing into the final stages of the second quarter earnings reports. In the S&P 500 Index, 476 companies have already reported second quarter earnings. The current expectation is for S&P 500 earnings growth of 94.7% year-over-year versus a 93.8% forecast last week. This week, 13 companies in the S&P 500 are scheduled to report earnings. Looking ahead, the current forecast for third quarter earnings for the S&P 500 Index is +29.7% year-over-year and a fourth quarter earnings forecast of +21.6% year-over-year. This ramp down in growth reflects the impact of year-over-year comparisons versus the second half of 2020 as the economy was in its early rebound from the COVID-induced recession.

Initial unemployment claims for the week of August 14th decreased to 348,000 versus the previous week at 377,000. Continuing claims for August 7th were 2.820 million versus 2.899 million the week prior. Continued improvement in employment is a key element to the Federal Reserve's eventual change in monetary policy.

In our *Dissecting Headlines* section, we look at the Fed Chairman's upcoming speech at the Jackson Hole Economic Symposium.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.5%	19.4%	Aggregate Bond Index	0.2%	-0.4%
Dow Jones Industrial Average	-1.0%	16.1%	U.S. Dollar Index	1.1%	4.0%
NASDAQ 100	-0.3%	17.7%	WTI Crude Oil	-8.9%	28.4%
Russell 2000 (Small Cap Index)	-2.5%	10.4%	Gold	0.1%	-6.1%
International Stocks (MSCI ex-US)	-2.9%	5.3%	Real Estate (US REIT Index)	-0.4%	25.0%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Jackson Hole Economic Symposium

The Jackson Hole Economic Symposium is an annual event sponsored by the Federal Reserve Bank of Kansas City. This year's conference could be significant when Fed Chairman Jerome Powell speaks on Friday on the U.S. economic outlook. The Chairman's remarks will be scrutinized for signals regarding changes in monetary policy, particularly about timing of a taper of the Fed's monthly bond purchases.

The minutes of the July Federal Open Market Committee (FOMC) meeting were released last week. The discussion showed that several committee members felt that "provided that the economy were to evolve broadly as they anticipated, they judged that it could be appropriate to start reducing the pace of asset purchases this year". A confirmation of both economic conditions and the Fed's willingness to start tapering purchases could be a key component of Powell's speech.

The Fed leapt into action at the onset of COVID in 2020 by reducing short-term interest rates to zero and purchasing bonds to inject liquidity into the financial system. Given the economic recovery from COVID, the Fed will eventually need to reduce this overly accommodative monetary policy. Tapering monthly bond purchases would be a first step in this policy transition.

A policy shift to raise the Fed Funds target rate still is not likely until well into 2022, but the next update for that would be the release of the quarterly summary of economic projections at the conclusion of the September FOMC meeting.

## The NovaPoint 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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Tim has over 15 years of experience in the investment management industry. Prior to joining NovaPoint, Tim was the managing partner of Bull's Eye Wealth Management. Tim began his investment career at Raymond James & Associates and was a co-founder of Black Diamond Investment Partners. Following Black Diamond's merger with Waterloo Capital Management, Tim left to found Bull's Eye. He holds a BS from the University of South Carolina and an MBA from the University of Rochester. Tim is a Certified Financial Planner (CFP).

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