

## Navigating Earnings

The equity market rebounded strongly at the start of last week but declined sharply on Friday following a stronger employment report. Despite Friday's decline, the major markets held on to gains for the week. The S&P 500 was +1.6%, the Dow was +2.0%, and the NASDAQ was +0.7%. The 10-year U.S. Treasury note yield increased to 3.885% at Friday's close versus 3.804% the previous week. Crude oil rose 16.5% following an OPEC+ decision to reduce oil output quotas by two million barrels per day.

The economy produced 263,000 net new jobs in September. This was ahead of the consensus forecast of 250,000. Job gains were led by the Education and Health Services industry (+90,000 jobs), the Leisure and Hospitality industry (+83,000) and the Professional and Business Services industry (+83,000). Job declines were seen in the Government (-25,000), Financial industry (-8,000), Transportation and Warehousing industry (-7,900), and the Retail industry (-1,100). The unemployment rate declined to 3.5% from 3.7% in August.

The continued strength in the labor market gives the Federal Reserve runway to keep raising rates until it sees a meaningful decline in inflation. There is a sense that higher rates will eventually take its toll on the labor market, but this is likely to be a slow bleed versus a sharp drop.

The third quarter earnings season kicks off this week with 14 companies reporting earnings. The current consensus expectation for the third quarter is 4.1% earnings growth on 9.7% revenue growth. For the full-year 2022 earnings growth is currently forecast at 7.4% on 11.6% revenue growth.

In our *Dissecting Headlines* section, we look at expectations for the upcoming third quarter 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	1.6%	-22.7%	Aggregate Bond Index	-0.2%	-13.7%
Dow Jones Industrial Average	2.0%	-18.1%	U.S. Dollar Index	0.6%	17.5%
NASDAQ 100	0.7%	-31.9%	WTI Crude Oil	16.5%	23.2%
Russell 2000 (Small Cap Index)	2.3%	-23.4%	Gold	2.1%	-7.3%
International Stocks (MSCI ex-US)	2.0%	-25.0%	Real Estate (US REIT Index)	-3.0%	-32.1%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Third Quarter Earnings

Third quarter earnings reporting season starts this week. The current consensus expectation is 4.1% earnings growth on 9.7% revenue growth. Within sectors, there is a meaningful disparity in the level of year-over-year growth. Based on consensus data from Refinitiv, only four of the eleven economic sectors are expected to show positive growth in earnings: Energy (+121.0% earnings growth year-over-year), Industrials (+26.3%), Consumer Discretionary (+13.5%), and Real Estate (+11.0%).

The remaining seven sectors are projected to show a contraction in year-over-year earnings: Materials (-2.1%), Consumer Staples (-2.4%), Information Technology (-3.5%), Health Care (-4.2%), Utilities (-7.4%), Financials (-10.5%), and Communications Services (-16.1%).

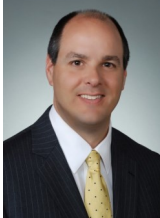
Key data and commentary to look for in the upcoming earnings reports include the impact of higher interest rates, material and labor inflation, observed areas of economic slowing, potential layoffs, and impact of a stronger dollar on earnings. At the same time investors are navigating the earnings reports, the macroeconomic backdrop of inflation should continue to impact overall market sentiment leading into the November Federal Open Market Committee (FOMC) meeting on November 1st - 2nd. The outcome of the U.S. midterm elections could also impact market sentiment as we close out the earnings reporting season in November.

## The NovaPoint 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.



**Frederick Wright, CFA / Managing Director & Portfolio Manager / [fwright@novapointcapital.com](mailto:fwright@novapointcapital.com)**

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).



**Timothy Benbow, CFP / Managing Director & Portfolio Manager / [tbenbow@novapointcapital.com](mailto:tbenbow@novapointcapital.com)**

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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Allan has over 7 years of investment industry experience. Prior to joining NovaPoint, he worked at an independent RIA firm. Allan began his investment advisory career with Edward Jones. He earned his BA from the University of West Georgia.

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