

Earnings Horizon

Equity markets opened the new quarter with a whimper. The weekly return for the S&P 500 Index was -1.1%, the Dow was -1.9%, and the NASDAQ was -0.9%. The 10-year U.S. Treasury note yield increased to 4.048% at Friday's close versus 3.819% the previous week.

The June employment report showed 209,000 net new jobs created versus an expectation of 230,000. The unemployment rate declined to 3.6% from 3.7% in May. Wage growth was +0.4 % month-to-month and +4.4% year-over-year. Job growth and wage growth were strong enough to keep the Federal Reserve focused on an increase in the Fed funds rate at the July 26 Federal Open Market Committee (FOMC) meeting. Current probability for a 0.25% increase in the Fed funds rate is 92.4% versus 86.8% a week ago.

This week's key economic data includes the June Consumer Price Index (CPI) scheduled for Wednesday and Producer Price Index (PPI) for Thursday. With wage growth remaining high, core inflation likely remained high in June.

Second quarter earnings expectations for the S&P 500 Index is a 6.4% year-over-year earnings decline on a revenue decline of 0.8%. Current expectations for full year 2023 earnings are an increase of 1.0% on revenue growth of 1.7%. Eleven companies in the S&P 500 Index are scheduled to report earnings this week.

In our *Dissecting Headlines* section, we look at the upcoming second quarter earnings.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-1.1%	15.6%	Aggregate Bond Index	-1.1%	1.2%
Dow Jones Industrial Average	-1.9%	2.9%	U.S. Dollar Index	-0.6%	-1.2%
NASDAQ 100	-0.9%	38.1%	WTI Crude Oil	4.6%	-8.0%
Russell 2000 (Small Cap Index)	-1.3%	6.7%	Gold	0.2%	5.5%
International Stocks (MSCI ex-US)	-1.7%	7.7%	Real Estate (US REIT Index)	0.1%	3.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Second Quarter Earnings

Eleven companies in the S&P 500 Index are scheduled to report earnings this week. At current consensus forecasts, earnings for the S&P 500 Index companies are expected to see a 6.4% year-over-year decline and a 0.8% decline in revenue growth.

Part of the earnings decline can be attributed to lower energy prices year-over-year. Crude oil was over \$100/barrel during much of 2022's second quarter versus the mid-\$70's in the second quarter of 2023. Excluding the impact of the energy sector's 45.5% decline in earnings, second quarter earnings for the rest of the S&P 500 companies are expected to decline only 0.7%.

As seen by the recent stress tests, the financial sector may be out of crisis mode. Earnings for the financial sector are expected to grow 5.4% year-over-year in the second quarter. Several major banks report at the end of this week and early next week.

The health of the consumer is in focus during this period of strong employment and wage growth, but high inflation. The consumer discretionary, consumer staples, and communication services sectors are all expected to grow their earnings this quarter. Each company's ability to grow demand while passing along inflationary inputs should be key areas to watch, along with current outlook for the remainder of the year.

The S&P 500's largest sector is information technology and tech earnings are expected to decline 3.0% year-over-year. The recent buzz around artificial intelligence (AI) needs to translate into growth for this key sector to maintain its market leadership.

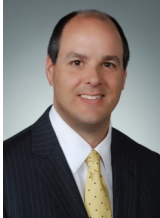
The industrial sector is expected to see growth of around 6.7%. GDP should be positive for the second quarter of 2023 versus negative in the second quarter of 2022 which provides a tailwind to the industrial sector.

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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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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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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