

Dog Days

A combination of favorable earnings reports and economic data moved stocks higher last week. The weekly return for the S&P 500 Index was +1.0%, the Dow was +0.7%, and the NASDAQ was +2.1%. Within the S&P 500, the Communication Services, Energy, and Materials sectors led the market. The 10-year U.S. Treasury note yield increased to 3.969% at Friday's close versus 3.839% the previous week.

The Federal Open Market Committee (FOMC) raised the Fed funds rate by 0.25% to a 5.25% to 5.50% target range. Current Fed funds futures indicate a 79.5% probability the Federal Reserve could pause at its September meeting. The data-dependent Fed will have lots to consider between now and the September meeting, starting with the July employment report this Friday.

Second quarter Gross Domestic Product (GDP) growth was 2.4%, showing resiliency in the economy despite the impact of higher interest rates. Inflation continued to moderate with the June Personal Consumption Expenditures (PCE) Price Index +3.0% year-over-year and core PCE, which excludes food and energy prices, +4.1% year-over-year.

We are halfway through the second quarter earnings reporting period with 254 companies reported. The earnings flow continues this week with 169 companies in the S&P 500 Index scheduled to report earnings. Second quarter earnings expectation for the S&P 500 Index is a 6.4% year-over-year earnings decline on a revenue decline of 0.4%. Current consensus for full year 2023 earnings is an increase of 0.7% on revenue growth of 1.6%.

In our *Dissecting Headlines* section, we look at second quarter GDP.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	1.0%	19.3%	Aggregate Bond Index	-0.4%	2.2%
Dow Jones Industrial Average	0.7%	8.2%	U.S. Dollar Index	0.5%	-1.8%
NASDAQ 100	2.1%	44.6%	WTI Crude Oil	4.6%	0.4%
Russell 2000 (Small Cap Index)	1.1%	13.5%	Gold	-0.1%	7.4%
International Stocks (MSCI ex-US)	1.4%	13.6%	Real Estate (US REIT Index)	-1.9%	5.4%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is a measure of the total dollar value of all goods and services produced by a nation's economy. It can be calculated by summing personal consumption expenditures, gross private domestic investment, government consumption expenditures and gross investments, and net exports of goods and services. The U.S. is the largest economy in the world with GDP of approximately \$26.8 trillion, followed by China, Japan, and Germany.

Second quarter real GDP increased at an annual rate of 2.4%. This is the advance number and is subject to revision. The second estimate for 2Q GDP, based on more complete data, will be released on August 30, 2023. Approximately half of the quarter's growth came from personal consumption expenditures, both goods & services, while private domestic investment accounted for approximately 40% of growth, government spending accounted for approximately 19% of growth, and net exports (exports minus imports) subtracted modestly.

Recreational goods and vehicles, gasoline and other energy goods were the primary positive drivers for the personal consumption expenditure goods, while motor vehicles and parts decreased. The services subcategory was driven upwards primarily by housing and utilities, health care, and financial services, while negatively affected by food services and accommodations. Fixed investments were disproportionately driven by transportation equipment and software IP products while negatively affected by residential fixed investments. In the federal subcategory, national defense spending remained consistent from the first quarter, while non-defense spending dropped in comparison to last quarter.

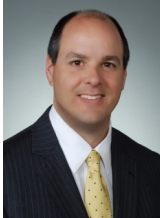
The U.S. economy has shown resilience despite the impact of the Federal Reserve's tightening of economic conditions, leading to the view that the Fed could indeed engineer a soft landing for the economy.

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointgroup.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.



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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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Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from the U.S. Military Academy at West Point, where he was a four-year letterman on the football team.

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