

Cash or Credit

A mixed week of earnings reports, higher oil prices and a downgrade of the U.S. debt by rating agency Fitch all combined to move stocks lower last week. The weekly return for the S&P 500 Index was -2.3%, the Dow was -1.1%, and the NASDAQ was -3.0%. Within the S&P 500, the Energy sector posted the only positive return for the week. The Utility, Technology, and Communication Services sectors were the biggest laggards. The 10-year U.S. Treasury note yield increased to 4.062% at Friday's close versus 3.969% the previous week.

The July Employment Situation report showed 187,000 net new jobs created versus an expectation of 200,000. The July unemployment rate declined to 3.5% from 3.6% in June. Influential economic reports this week include the July Consumer Price Index (CPI) scheduled for Thursday and the July Producer Price Index (PPI) scheduled for Friday.

We are on the downslope of the second quarter earnings period with 422 companies in the S&P 500 Index reported. The earnings flow moderates this week with 33 companies in the S&P 500 scheduled to report earnings. Second quarter earnings expectation for the S&P 500 Index is a 4.2% year-over-year earnings decline on a revenue increase of 0.2%. Current consensus for full year 2023 earnings is an increase of 1.2% on revenue growth of 1.8%.

In our *Dissecting Headlines* section, we look at the Fitch downgrade of its credit rating for the United States.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.3%	17.8%	Aggregate Bond Index	-0.5%	1.7%
Dow Jones Industrial Average	-1.1%	7.0%	U.S. Dollar Index	0.4%	-1.5%
NASDAQ 100	-3.0%	40.3%	WTI Crude Oil	2.8%	3.2%
Russell 2000 (Small Cap Index)	-1.2%	12.1%	Gold	-0.9%	6.4%
International Stocks (MSCI ex-US)	-2.4%	10.9%	Real Estate (US REIT Index)	-2.1%	3.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: U.S. Credit Rating

Fitch, one of the three credit rating agencies, lowered its credit rating for the United States from AAA to AA+, citing an expected fiscal deterioration over the next three years, an increasing debt burden, and an erosion of governance. The increase in the debt ceiling and the accompanying heated political debate brought some of these issues to the forefront earlier in the year. Standard & Poor's had first downgraded its credit rating on the United States in 2011 from AAA to AA+, also after a government debt ceiling standoff.

There are currently nine countries with still AAA credit ratings: Australia, Denmark, Germany, Luxembourg, the Netherlands, Norway, Singapore, Sweden, and Switzerland.

The downgrade from Fitch follows an announcement earlier last week that the U.S. Treasury boosted its estimate for federal borrowing for the third quarter due to a deteriorating fiscal deficit and the need to replenish its cash buffer following a drawdown of cash heading into the debt ceiling negotiations. The Treasury's borrowing estimate for the quarter is \$1 trillion, up from \$733 billion it had estimated in May prior to the debt ceiling showdown.

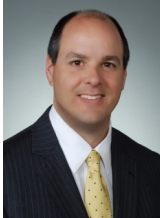
Many influential individuals in finance ranging from Warren Buffet to Jamie Diamond to Janet Yellen saw little value in the downgrade announcement. The story should play itself out between the Federal Reserve's conclusion of its rate increase cycle and the 2024 U.S. election, after which the president and congress will need to re-visit the debt ceiling issue in early 2025.

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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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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