

Open Government

The U.S. government avoided an October 1st shutdown but legislators were only able to agree on a 45-day extension. The weekly return for the S&P 500 Index was -0.7%, the Dow was -1.3%, and the NASDAQ was +0.1%. The Energy, Materials, and Consumer Discretionary sectors were the only positive sectors in the S&P 500 Index, with the remaining eight sectors negative for the week. The 10-year U.S. Treasury note yield increased to 4.571% at Friday's close versus 4.440% the previous week.

August Personal Consumption Expenditures (PCE) Prices increased by 0.4% month-to-month due to higher energy prices, but core PCE Prices which exclude the impact of food and energy rose only 0.1% month-to-month. The slower rise in core inflation is a welcome sign. The September employment report is scheduled for this Friday and should add another data point for the Federal Reserve to consider ahead of its November 1st Federal Open Market Committee (FOMC) meeting. Current Chicago Mercantile Exchange (CME) futures place a 74.3% probability the Fed will hold rates steady at the November 1st FOMC meeting.

For the upcoming third quarter earnings reporting period, S&P 500 Index earnings are expected to grow by 1.6% year-over-year on revenue growth of 0.8%. For full-year 2023, S&P 500 Index earnings are expected to grow by 2.4% on revenue growth of 2.0%.

In our *Dissecting Headlines* section, we look at the earnings growth projections for the S&P 500 sectors heading into the third quarter reporting period.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.7%	13.4%	Aggregate Bond Index	-0.8%	-0.4%
Dow Jones Industrial Average	-1.3%	2.7%	U.S. Dollar Index	0.6%	2.6%
NASDAQ 100	0.1%	35.4%	WTI Crude Oil	0.8%	13.1%
Russell 2000 (Small Cap Index)	0.6%	2.5%	Gold	-4.0%	1.3%
International Stocks (MSCI ex-US)	-1.3%	5.3%	Real Estate (US REIT Index)	-1.8%	-5.0%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Third Quarter Earnings Forecast

The S&P 500 Index is expected to return to positive earnings growth in the third quarter with 1.6% earnings growth on 0.8% revenue growth. This is a positive reversal from the second quarter which saw earnings decline 2.8% year-over-year. Much of the drag in the second quarter was due to the energy sector which saw earnings decline due to lower commodity prices year-over-year. Seven of the eleven S&P 500 sectors grew earnings year-over-year in the second quarter.

For the third quarter, the same seven sectors are expected to grow earnings led by the communication services sector with 34.0% earnings growth, followed by the consumer discretionary sector with 23.0% growth. The utilities sector is forecast at 12.4% earnings growth and the financials sector is forecast at 11.9% earnings growth. Rounding out the growing sectors is the industrial sector at 8.6% growth, the information technology sector at 5.9%, and the consumer staples sector at 1.3%.

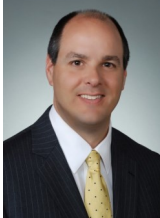
The four sectors expected to contract in earnings growth are the energy sector at -35.0%, materials at -20.5%, health care at -9.7%, and real estate at -7.1%. These are the same four sectors which experienced an earnings contraction in the second quarter.

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).



Alan J. Conner / President and Chief Compliance Officer / aconner@novapointgroup.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@novapointgroup.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@novapointgroup.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).



Larry Dixon, EA / Tax Managing Partner / ldixon@novapointgroup.com

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. Larry is a certified Enrolled Agent, recognized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service.

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