

## Earnings Watch

Concerns over widening violence in the Middle East pressured financials markets last week. The weekly return for the S&P 500 Index was -2.4%, the Dow was -1.6%, and the NASDAQ was -2.9%. The Energy sector was the only sector with a positive return for the week. The bottom performing sectors were Health Care, Materials, and Consumer Discretionary. Both crude oil and gold rose during the week. The 10-year U.S. Treasury note yield increased to 4.924% at Friday's close versus 4.629% the previous week.

Fed Chair Jerome Powell suggested that he is pleased with inflation's decline and that the Federal Open Market Committee (FOMC) is unlikely to raise short-term interest rates again unless it sees clear evidence that stronger economic activity jeopardizes the fight against inflation. He stopped short of officially declaring an end to the current monetary policy tightening cycle. Current CME futures place a 98.5% probability the Fed will hold rates steady at the November 1st FOMC meeting. A key economic report scheduled for this week is the September Personal Consumption Expenditures (PCE) Price Index on Friday.

The third quarter earnings reporting period continues this week with 158 companies in the S&P 500 Index scheduled to report earnings. S&P 500 Index earnings are expected to grow by 1.1% year-over-year on revenue growth of 1.0%. For full-year 2023, S&P 500 Index earnings are expected to grow by 1.8% on revenue growth of 2.0%.

In our *Dissecting Headlines* section, we look at the how the third quarter earnings period has progressed as earnings reports ramp up over the coming two weeks.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-2.4%	11.5%	Aggregate Bond Index	-1.5%	-2.1%
Dow Jones Industrial Average	-1.6%	1.4%	U.S. Dollar Index	-0.4%	2.6%
NASDAQ 100	-2.9%	34.0%	WTI Crude Oil	1.2%	10.6%
Russell 2000 (Small Cap Index)	-2.3%	-3.4%	Gold	2.6%	8.6%
International Stocks (MSCI ex-US)	-2.6%	1.9%	Real Estate (US REIT Index)	-3.8%	-8.8%

Sources: S&P Global, Thomson Reuters

## Dissecting Headlines: Earnings Progression

The pace of third quarter earnings reports ramps up this week with 158 companies in the S&P 500 Index scheduled to report earnings. Of the 86 companies that have already reported, 77.9% have reported earnings above consensus expectations. According to data from IBES, for the companies that have reported earnings there has been an aggregate 6.9% upside surprise versus consensus expectations. Upside surprises have been highest in the Financial sector with a 9.6% surprise and the Technology sector with a 7.7% surprise. The only negative surprise so far has been in the Real Estate sector.

While oil prices have risen recently, companies in the Energy sector are facing an expected earnings decline of 33.2% since prices were lower during the comparative reporting period, July to September 2023 versus 2022. Excluding the negative impact of the Energy sector, third quarter earnings for the S&P 500 would be +5.7% versus the current +1.1% growth forecast. In addition to the Energy sector, third quarter earnings are currently expected to decline in the Materials (-20.6%), Health Care (-19.5%), and Real Estate (-7.8%) sectors. The highest year-over-year growth is forecast for the Communication Services sector (+34.6%), Consumer Discretionary (+22.1%), Financial (+18.1%), and Utilities (+10.7%).

S&P 500 Index earnings for full-year 2023 are currently forecast to grow by 1.8% and the early forecast for full-year 2024 is earnings growth of 12.5%.

## 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.



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



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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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