

Don't Get Spooked

Mixed earnings from the mega cap Technology and Communications Services companies and on-going concerns of events in the Middle East sent equity markets down last week. The weekly return for the S&P 500 Index was -2.5%, the Dow was -2.1%, and the NASDAQ was -2.6%. The Utility sector was the only sector with a positive return for the week. The bottom performing sectors were Health Care, Communication Services, and Energy. The 10-year U.S. Treasury note yield decreased to 4.845% at Friday's close versus 4.924% the previous week.

Despite a strong third quarter advance Gross Domestic Product (GDP) report, the Federal Reserve is not likely to make changes to the Fed funds rate this week. Current CME futures place a 98.6% probability the Fed will hold rates steady at the November 1st Federal Open Market Committee (FOMC) meeting. While rates may stay higher for longer, the Fed isn't likely to keep raising rates unless economic activity jeopardizes the progress being made against inflation.

We are halfway through the third quarter earnings reporting period with 245 companies in the S&P 500 Index having reported. Another 164 companies are scheduled to report earnings this week. S&P 500 Index earnings are expected to grow by 4.3% year-over-year on revenue growth of 1.4%. This is an increase from the 1.6% earnings and 0.8% revenue growth forecasted at the start of the earnings reporting period. For full-year 2023, S&P 500 Index earnings are expected to grow by 2.2% on revenue growth of 2.0%.

In our *Dissecting Headlines* section, we look closer at Third Quarter GDP.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	-2.5%	8.7%	Aggregate Bond Index	0.7%	-1.5%
Dow Jones Industrial Average	-2.1%	-0.8%	U.S. Dollar Index	0.4%	2.9%
NASDAQ 100	-2.6%	30.5%	WTI Crude Oil	-3.6%	6.6%
Russell 2000 (Small Cap Index)	-2.6%	-5.9%	Gold	1.2%	9.9%
International Stocks (MSCI ex-US)	-0.9%	1.0%	Real Estate (US REIT Index)	-2.6%	-11.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Third Quarter GDP

Third quarter advance GDP increased at an annual rate of 4.9% which is the strongest expansion since late 2021. The growth was largely driven by personal consumption expenditures, which contributed approximately 55% to growth, while private domestic investment and government consumption expenditures and gross investment accounted for approximately 30% and 16% contribution, respectively. The second estimate for third quarter GDP, based on more complete data, will be released on November 29, 2023.

Highlights from the report shows strong growth in several categories from the second quarter GDP report. Some of the highlights include a large personal consumption expenditure increase from 0.8% in the second quarter to 4% in the third quarter. According to the *Wall Street Journal*, Americans spending on travel, concerts, and movies is still being supported by a strong labor market and residual savings from the past two years while the negative effects of supply chain constraints are improving. As we highlighted back in July, the Taylor Swift tour and summer blockbuster movies helped capture consumer spending dollars.

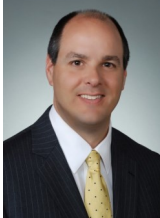
Private inventories also increased substantially, potentially indicating a healthier balance of inventory being held by businesses anticipating levels of consumer demand. The federal government expenditure on defense also jumped from 2.3% in the second quarter to 8.0% in the third quarter likely fueled by global demand for defense goods. For context, forecasters polled in July of 2023 predicted that the third quarter GDP would be 0.6%. The current forecast for fourth quarter GDP is 0.9%.

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. 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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