

## Rapid Movement

The S&P 500 Index fell sharply last Monday, down 3% on the day, but slowly gained that back over the course of the week to finish near flat. For the week, the S&P 500 was unchanged, the Dow was -0.6%, and the NASDAQ was +0.4%. Within the S&P 500 Index, the Industrial, Energy, and Communication Services sectors led the market, while the Materials, Consumer Discretionary, and Utility sectors lagged. The 10-year U.S. Treasury note yield increased to 3.932% at Friday's close versus 3.796% the previous week.

The macroeconomic focus shifts back to inflation this week with the July Producer Price Index (PPI) scheduled for release on Tuesday and Consumer Price Index (CPI) on Wednesday. CME Fed funds futures for September imply a 0.25% rate cut versus a 0.50% cut last week. Between now and year-end, a total of 1.00% in cuts is seen versus 1.25% last week.

We are 91% done with second quarter earnings reports. Another nine companies in the S&P 500 Index scheduled to report earnings this week. For the second quarter, earnings growth is expected to be 10.8% higher year-over-year with revenue growth of 5.2%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 10.2% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we look at one catalyst for the sell off last Monday, the yen carry trade.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.0%	13.0%	Aggregate Bond Index	-0.7%	2.5%
Dow Jones Industrial Average	-0.6%	6.0%	U.S. Dollar Index	-0.1%	1.8%
NASDAQ 100	0.4%	10.5%	WTI Crude Oil	4.5%	7.2%
Russell 2000 (Small Cap Index)	-1.3%	3.5%	Gold	-0.5%	17.7%
International Stocks (MSCI ex-US)	0.0%	4.9%	Real Estate (US REIT Index)	0.7%	7.6%

Sources: S&P Global, FactSet

## Dissecting Headlines: Carry Trade

The S&P 500 Index closed down 3.0% last Monday. Part of the reason for the selloff was a potential unwinding of the yen carry trade. A carry trade involves borrowing money where interest rates are low and investing them where rates are higher. The yen carry trade borrows in yen and invests in dollars. Up until March of this year, interest rates in Japan were negative and U.S. rates were high due to the Federal Reserve's fight against inflation.

When the Bank of Japan recently raised interest rates to 0.25% and the Federal Reserve held rates steady at the 5.25% to 5.50% range at the end of July, doubt crept in that the Federal Reserve was behind the curve in reducing interest rates. This concern elevated after the lower than expected Employment Situation Report for July. Thoughts that the Federal Reserve would need to potentially lower rates before its September meeting triggered some investors to unwind their U.S. dollar positions and repay their borrowed yen. This gained steam and sent through a shock through the markets last Monday that both the Japanese and U.S. equity markets declined. Markets steadied themselves over the course of the week.

The global financial system is highly interconnected and money can move rapidly to both chase opportunity and retreat from risk. These unwinding trades can be painful when they are happening, but serve to tamp overspeculation.

## 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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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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Steven is a Vice President at NovaPoint. Prior to joining NovaPoint, Steven's financial experience includes corporate finance at The Home Depot, contributing on Seeking Alpha, and leading investments in real estate projects. Prior to starting his business career, he served in the U.S. Army as a Special Forces Medic with 1st Special Forces Group. Steven is currently attending the Georgia Institute of Technology, Scheller College of Business for his MBA. He also has a Master of Science in Finance degree from Auburn University and a Bachelor of Science in Mechanical Engineering degree from Georgia Southern University. He is currently a member of a local Special Forces Association Chapter.

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