

Tailwind

Stocks kept up their post-Fed meeting momentum last week. For the week, the S&P 500 was +0.6%, the Dow was +0.6%, and the NASDAQ was +1.1%. Within the S&P 500 Index, the Materials, Consumer Discretionary, and Industrial sectors led the market. The Health Care, Energy, and Financial sectors lagged. The 10-year U.S. Treasury note yield increased to 3.748% at Friday's close versus 3.734% the previous week.

The August Personal Consumption Expenditures (PCE) Prices were +0.1% month-over-month and +2.2% year-over-year. Excluding food and energy prices, PCE was +0.1% month-over-month and +2.7% year-over-year. This was sufficient to show progress toward the Fed's 2% inflation target. The key economic data for this week is the September Employment Situation Report scheduled for Friday. CME fed funds futures currently favor a 0.25% rate reduction at the November Federal Open Market Committee (FOMC) meeting. One additional item to watch is the potential for a port worker strike covering 36 ports along the East Coast and Gulf of Mexico.

The third quarter ends today and the third quarter earnings reporting period begins next week. Third quarter earnings growth is currently forecast at 4.6% year-over-year with revenue growth of 4.8%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 10.0% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we look at the sector-level expectations for third quarter earnings.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.6%	21.6%	Aggregate Bond Index	0.0%	4.8%
Dow Jones Industrial Average	0.6%	13.9%	U.S. Dollar Index	-0.3%	-0.9%
NASDAQ 100	1.1%	19.7%	WTI Crude Oil	-5.2%	-4.8%
Russell 2000 (Small Cap Index)	-0.1%	10.9%	Gold	1.3%	28.6%
International Stocks (MSCI ex-US)	4.3%	15.9%	Real Estate (US REIT Index)	-0.2%	14.9%

Sources: S&P Global, FactSet

Dissecting Headlines: Third Quarter Earnings

The third quarter earnings reporting season begins next week. Earnings growth for the S&P 500 Index is currently forecast at +4.6% year-over-year with revenue growth of +4.8%. This would be the fifth consecutive quarter of year-over-year earnings growth.

Within the sectors of the S&P 500, the highest earnings growth should be in the Technology sector at +15.6% year-over-year, followed by the Health Care sector at +11.2%, Communication Services at +10.4%, Real Estate at +5.1%, Utilities at +4.1%, Industrials at +1.6%, Consumer Staples at +0.5%, and Financials at +0.1%. Three sectors are expected to see a year-over-year decline in earnings with the Energy sector at -18.3% year-over-year, Materials at -1.9%, and Consumer Discretionary at -0.3%.

Semiconductors remain the growth engine of the Technology sector given demand for AI and other applications. The steep decline in the Energy sector is being driven by lower prices.

Issues we may hear on earnings conference calls are likely to range from the potential of a soft landing based on the current rate reduction cycle versus impacts of inflation and labor market strength, to how companies are integrating AI tools and services into their businesses, to the health of the consumer heading into the holiday shopping season.

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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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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