



Sowell's tactical indicators remain in favorable territory reinforced by strong economic expansionary activity as corporate earnings announced during the past week surpassed consensus estimates notwithstanding the supply chain bottlenecks.



BEARISH

GAUGE OF THE GRADE

NEUTRAL



BULLISH



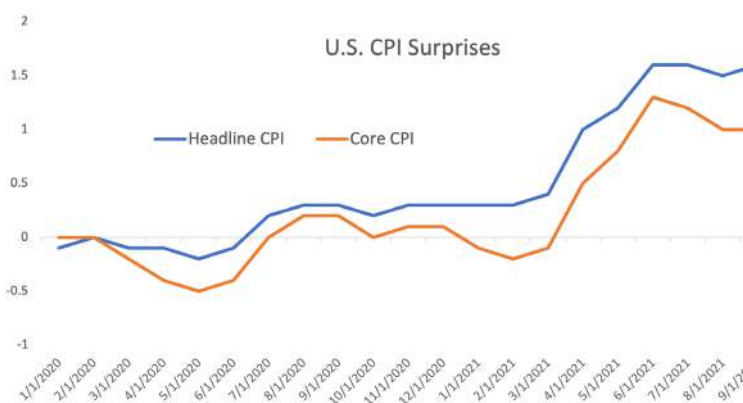
Gains in the equity markets led to new record highs last week. Earnings reported by companies continued to beat expectations, pulling indices higher. Real estate, utilities and health care shares outperformed. The communication services sector lagged as guidance from Snap caused their underperformance. Energy companies also lagged despite their strong overall performance year to date. Gains this month have been led by sectors sensitive to the economy and higher interest rates such as energy and financials whereas technology stocks have underperformed. The U.S. 10-Year Treasury rates rose to as high as 1.7% before settling at 1.64%. Negotiations over Biden's proposed infrastructure bill continued last week which also had a positive sentiment on the markets.

Earnings reporting continues this week as more companies from a variety of sectors report. On technology, major companies such as Amazon, Facebook, Apple, Microsoft, and Google are all reporting. These names alone account for more than 20% of the weight of the S&P 500. Focus will be on the continuing impact from rising consumer prices and supply chain issues such as semiconductor shortages. Technology shares in general have higher bar to clear when it comes to earnings given their high growth expectations. The possibility of government regulatory intervention is a headwind for these large technology companies. Last week, the U.S. consumer watchdog mentioned that it has demanded information from several technology firms on how they gather and use consumer payment

data. Robinhood will report earnings on Tuesday, and it will be interesting to see how much cryptocurrencies trading is accounting for its overall revenue. On the economic front, we will receive data on pending home sales on Thursday and personal income on Friday.

MONDAY OCTOBER 25, 2021	
Chicago Fed National Activity	
Dallas Fed Mfg Business Index	
Bank of Hawaii, Facebook, Kimberly-Clark, Logitech, Otis, Restaurant Brands, and Trinet earnings	
TUESDAY OCTOBER 26, 2021	
S&P Case-Shiller Housing Price Index	
New Home Sales	
Conference Board Consumer Confidence	
3M, Alphabet, Capital One, Eli Lilly, Lockheed Martin, Microsoft, MSCI, Sherwin Williams, Texas Instrument, UPS, Visa, and Waste Management earnings	
WEDNESDAY OCTOBER 27, 2021	
Mortgage Refinance Index	
Mortgage Market Index	
Wholesale Inventories	
ADP, Boeing, Boston Scientific, Bristol-Myers Squib, Coca-Cola, eBay, General Dynamics, KLA, Kraft, McDonalds, Spotify, Sony, and Twilio earnings	
THURSDAY OCTOBER 28, 2021	
Initial jobless claims (weekly)	
Continuing jobless claims	
Euro Zone Consumer Confidence	
GDP	
Apple, Amazon, American Tower, Bio-Rad, Comcast, Gilead, MasterCard, Merck, Northrup Gruman, Shopify, Starbucks, and Yum Brands earnings	
FRIDAY OCTOBER 29, 2021	
Euro Zone CPI & GDP	
PCE and Core PCE	
Inflation Expectations	
Aon, Chevron, Colgate-Palmolive, Exxon, and Newell Brands earnings	

SOURCE: Refinitiv Datastream/Fathom Consulting



The continued debate on whether higher inflation will be transitory or more persistent has heated up as the U.S. consumer prices surprised to the upside once again in September, rising by 0.4%. The outperformance of higher inflation sensitive assets this year and general slowing in economic growth have some investors worried about stagflation. The Federal Reserve officials see this inflationary pressure as only transitory caused by the current supply chain issues and labor market shortages which they see as in themselves as temporary. The graph below from Refinitiv illustrates how inflation (both headline and core) have surprised to the upside this year. It measures the percentage point errors in Reuters poll forecast, graphed cumulatively since Jan 2020.

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	1.65	3.49	4.39	22.30	33.40
Basic Materials	0.91	6.73	4.70	19.45	32.98
Comm Services	(0.78)	(1.33)	(0.89)	17.89	32.22
Consumer Cyclical	1.72	4.14	5.06	17.45	32.65
Consumer Defensive	0.99	1.59	0.94	7.65	12.64
Energy	1.13	18.69	19.91	56.17	93.85
Financial Services	1.97	8.01	8.44	31.27	51.95
Healthcare	2.60	(0.41)	0.75	13.77	21.42
Industrials	1.65	5.69	2.27	18.04	31.38
Real Estate	2.60	2.51	4.11	26.39	35.13
Technology	2.05	2.87	5.81	23.02	37.32
Utilities	2.16	2.79	3.50	6.63	4.79

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