



Sowell's tactical indicators are in favorable territory tempered by the lower-than-expected inflated GDP growth rate and the Fed's expected tone in tightening interest rates to curb inflation.

GAUGE OF THE GRADE



BEARISH

NEUTRAL



BULLISH



Strong quarterly earnings reports lifted the equities market to new highs last week. Earnings, in general, have surprised to the upside except for a few notable names such as Apple and Amazon that disappointed, blaming supply chain bottlenecks. For the week, consumer discretionary companies performed well, helped by Tesla, saying that rental company Hertz agreed to buy 100,000 of its electric vehicles. Energy stocks underperformed as oil prices dropped. Positive development from Washington on Biden's infrastructure plan also helped sentiment. Economic data came in mixed with jobless claims falling to a new pandemic low once again, but inflation surprised to the upside with the PCE headline inflation. A 2% U.S. GDP growth estimate for the third quarter was a significant slowdown from the second quarter's growth rate of 6.7%. The U.S. 10-Year Treasury yield closed lower for the week at 1.56%.

The Federal Open Market Committee (FOMC) meets this Tuesday and Wednesday to discuss tapering and interest rates. The October employment report on Friday could show some improvement in hiring as Covid-19 cases continue to come down. More companies are reporting this week from a broad range of sectors. Expect to hear more about supply chain issues affecting net incomes. Several energy companies will be reporting and expect to see improvement in net incomes given higher oil prices. Pharmaceutical companies such as Pfizer and Moderna will also be reporting earnings.

SOURCE: Refinitiv Datastream/Fathom Consulting



Fiscal support during the pandemic helped household incomes to rise despite restrictions due to lockdowns. This resulted in household savings rising in the U.S. and around the world. According to Fathom Consulting, savings in the U.S. as a percentage of annual GDP increased to 11% and to 34% as a percentage of disposable income. Retail sales have had a strong rebound from the initial shock of the pandemic. If this spending sustains as households draw down on their savings, it will put upward pressure on inflation and make price increases less transitory and stickier. The Federal Reserve has insisted on numerous occasions that inflation is transitory. We will see how transitory inflation is.

MONDAY NOVEMBER 1, 2021	
Mfg PMI	
Construction Spending	
Total Vehicles Sales	
Arista Networks, Clorox, CNA Financial, McKesson, Public Storage, Simon Property, and Voronado Realty earnings	
TUESDAY NOVEMBER 2, 2021	
Redbook	
API Weekly Crude Oil Stock	
Euro Zone Mfg PMI	
Activision Blizzard, Akamai, Amgen, BP, ConocoPhillips, Estee Lauder, KKR, Lyft, Pfizer, T-Mobile, Thomson Reuters, Under Armour, Zebra Technologies, and Zillow earnings	
WEDNESDAY NOVEMBER 3, 2021	
Euro Zone Unemployment Rate	
Trade Balance	
Factory Orders	
Allstate, Booking, CDW, CVS, Etsy, Exelon, Hyatt, Marriott, MetLife, New York Times, Norwegian Cruise Line, Qualcomm, Roku, Take-Two, and Trane earnings	
THURSDAY NOVEMBER 4, 2021	
Initial jobless claims (weekly)	
Continuing jobless claims	
Nonfarm Productivity	
Imports & Exports	
AIG, Airbnb, Alibaba, Carvana, Cigna, Dropbox, Duke Energy, Kellogg, Moderna, Monster Beverage, Parker-Hannifin, Regeneron, Square, Trade Desk, and Uber earnings	
FRIDAY NOVEMBER 5, 2021	
Unemployment Rate	
Nonfarm Payrolls	
Euro Zone Retail Sales	
Berkshire Hathaway, Dish, DraftKings, Honda, Johnson Controls, Toyota, and Sempra earnings	

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	1.35	5.73	4.55	23.74	41.03
Basic Materials	0.51	8.23	1.38	20.07	39.27
Comm Services	0.63	1.42	(1.45)	18.63	27.84
Consumer Cyclical	3.86	10.36	9.71	21.98	46.72
Consumer Defensive	0.21	4.11	(0.11)	7.88	18.51
Energy	(1.03)	9.88	17.57	54.56	104.75
Financial Services	(1.81)	5.17	6.04	28.89	59.08
Healthcare	1.38	4.46	0.80	15.35	29.74
Industrials	(0.08)	6.87	1.46	17.94	39.38
Real Estate	(0.32)	6.89	2.52	25.99	40.21
Technology	2.55	9.69	7.95	26.15	50.35
Utilities	(0.48)	4.94	1.42	6.12	8.25

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