



Fed Chairman Powell's announcement on Wednesday, the only day the S&P 500 posted positive gains for the week, was an affirmation of the Fed's transparency to temper markets by providing interest projections. The week's market volatility was primarily driven by corporate guidance and possibly a renewed rotation away from high-growth stocks. Sowell's tactical indicators remain in steady positive territory. Although 3Q corporate earnings were largely ahead of consensus, the forward guidance, particularly for high-growth companies, has been mixed. With inflation headwinds and forthcoming rate hikes, increased market volatility is expected during this transitory period.

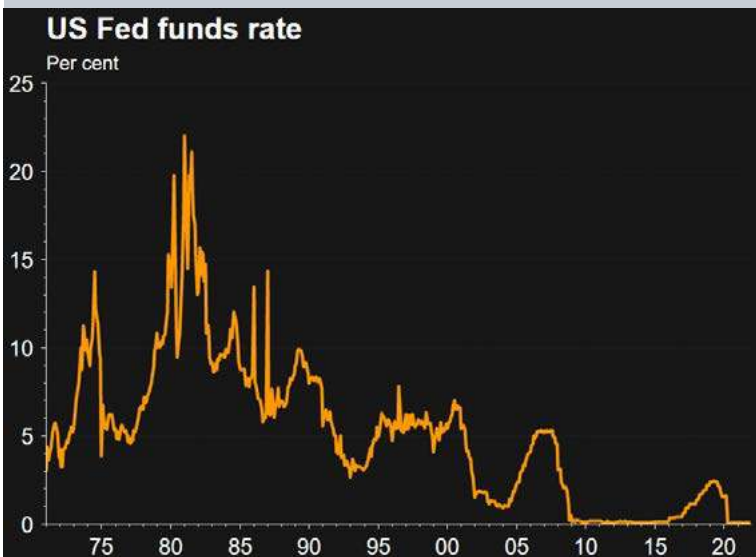
## GAUGE OF THE GRADE



Volatility in the equity markets rose last week following the Federal Reserve's decision to end bond purchases sooner and raised the prospects of rate hikes in 2022. Markets ended the week lower, with the technology-heavy Nasdaq underperforming by a wide margin. As expected, the Federal Reserve accelerated the pace at which it will taper its bond purchasing program but left interest rates unchanged. The outlook for higher interest rates weighed on technology shares while value stock relatively performed better. Globally, other central banks, including the Bank of England, also tightened monetary policies by raising interest rates. Retail sales grew in November in the U.S. but not as much as they did the previous month. The 10-year U.S. Treasury bond yield fell to 1.4% by the week's end, down from 1.49% at the start of the week.

This week will be a short one for the markers as in the U.S. and around the world, markets will be closed on Friday in observance of the Christmas Eve holiday. Some economic data are to be released this week, such as home sales, durable goods orders, and Personal Consumption Expenditures (PCE). On Thursday, home sales for November will be reported. The expectation is a rise in home sales despite a fall in the previous month. Durable goods orders for November will also be released on Thursday. October durable goods orders saw a large increase, and we'll see how November's orders turn out to be.

Source: Refinitiv Datastream/Fathom Consulting



At the end of their two-day meeting, the Federal Reserve announced last Wednesday that they are leaving interest rates unchanged but signaled that the majority of its members expect three rate hikes next year. The pace of expected rate hikes is up from recent projections and came as the Federal Reserve accelerated its tapering of monthly asset purchases. The central bank is trying to wind down monetary stimulus in an inflationary and a strong economy. Inflation is running at the highest rate since the early 1990s, and price increases seem to be less transitory and stickier, as Fed Chair Jerome Powell has admitted. The pivot by the central bank seems appropriate as the economy is strong and is no longer in need of stimulus.

MONDAY DECEMBER 20, 2021
Euro Zone Current Account
American National Group, Micron Technology, and Nike earnings
TUESDAY DECEMBER 21, 2021
Redbook
Current Account
Euro Zone Consumer Confidence
BlackBerry, FactSet Research, and General Mills earnings
WEDNESDAY DECEMBER 22, 2021
GDP
Mortgage Market Index
Existing Home Sales
CarMax, Cintas, and Paychex earnings
THURSDAY DECEMBER 23, 2021
Initial jobless claims (weekly)
Continuing jobless claims
PCE and Core PCE Index
New Home Sales
Adobe, Accenture, FedEx, Jabil, Rivian Automotive, and Steelcase earnings
FRIDAY DECEMBER 24, 2021
Christmas Holiday -markets closed

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	(1.91)	(1.33)	4.56	24.62	25.80
Basic Materials	(0.86)	(1.73)	8.69	23.21	24.38
Comm Services	(1.25)	(6.59)	(8.29)	11.59	11.71
Consumer Cyclical	(4.46)	(7.25)	3.11	17.10	17.88
Consumer Defensive	0.78	1.74	4.13	11.47	11.91
Energy	(5.06)	(5.39)	10.18	44.45	38.80
Financial Services	(1.45)	(3.57)	0.21	22.84	26.10
Healthcare	2.68	1.56	1.44	16.83	17.32
Industrials	(2.90)	(4.44)	2.66	15.57	16.07
Real Estate	0.74	1.16	5.11	28.98	28.36
Technology	(4.05)	(2.29)	7.26	28.71	29.92
Utilities	1.12	3.59	5.91	10.45	11.09

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