



Sowell's tactical signals currently remain neutral from weaker economic sentiment and heightened market volatility caused by fears of rapid inflation and rising rates. There was a flight to quality equities with Consumer Staples and Energy, the only two sectors posting positive gains for the week. High growth stocks led by the top five largest stocks by weight underperformed the S&P 500 index with Google, Meta (aka Facebook), and Tesla declining over 6%.

GAUGE OF THE GRADE



BEARISH



BULLISH



Inflation data, hawkish Fed officials, and geopolitical tensions all weighed on equities last week. After another volatile week, most indexes ended the week lower. Technology-heavy Nasdaq underperformed the most while cyclicals and small-cap securities fared better. The consumer price index for January for all items rose 0.6%, driving up annual inflation by 7.5%. This price increase was the highest since February 1982, according to cnbc.com. Core prices, which exclude food and energy, rose 6%, the most also since 1982. In February, inflation worries were reflected in the University of Michigan's preliminary gauge of consumer sentiment. The reading came in well below expectations, reaching the lowest level since towards the end of 2011. High consumer prices caused the St. Louis Fed President James Bullard to make hawkish comments which sent short-term rates sharply higher and the US 10-year Treasury yield to surpass 2%. Adding to investors' already heightened anxiety was Friday's geopolitical scare as US officials warned about the imminent Russian invasion of Ukraine.

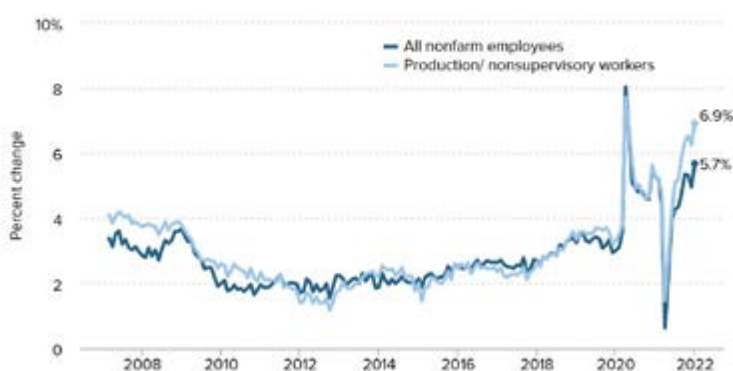
National Association of Realtors throughout the week. The number of available homes for sale has hit two decades low, according to forbes.com.

The Senate Banking Committee will vote on Tuesday on Fed Chair Jerome Powell's reappointment and the nomination for Fed Governor Lael Brainard for the position of Fed vice-chair. There will be plenty of company earnings scheduled to be released with the likes of NVIDIA, Roku, Walmart, ViacomCBS, and Marriot International reporting. On Tuesday, we will get new data on inflation as the Producer Price Index will be released. The PPI measures price increase for sellers, and the expectation is that they rose from the previous month. There will be several reports on the state of the housing market, with the NAHB releasing its Housing Market Index, the Census Bureau releasing housing starts and building permits, and the latest existing-home sales reported by the

Source: <https://www.epi.org/nominal-wage-tracker/>

Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007-2022



A key to the outlook for inflation is wage-price increase. Wages have been increasing, especially in some of the lowest-paying jobs, helping to insulate some of the cash-strapped households from rising prices for staples like food. If wages continue to increase at a higher rate, the current inflation we face will prove less transitory and stickier. Last week's US Labor market report for January showed that average earnings (nonfarm) rose by 5.7% over the past year. At the same time, the latest inflation data showed that prices rose by 7.5% year over year. Wage increases in real terms are failing to keep pace with prices. Put another way, a higher inflation rate gave the average worker a 1.8% pay cut. Given that wage increase is lower than the inflation rate, it suggests that the US is not in a wage increase spiral which could help tame inflation in the future.

MONDAY FEBRUARY 14, 2022	
FOMC Member Bullard Speaks	
Euro Zone Industrial Production	
Advance Auto, Arista Networks, Avis Budget, Omnicell, Primerica, Trinet, and Voronado Realty earnings	
TUESDAY FEBRUARY 15, 2022	
PPI and Core PPI	
US Treasury Foreign Buying	
Euro Zone GDP	
Airbnb, Alibaba, Akamai, Marriott, Restaurant Brands, Roblox, ViacomCBS, and Wyndham Hotels earnings	
WEDNESDAY FEBRUARY 16, 2022	
Retail Sales	
Industrial Production	
Business Inventories	
Albemarle, AIG, Applied Materials, Baidu, Boston Beer, Charles River Laboratories, Cisco, Crocs, Doordash, Garmin, Hilton, Kraft Heinz, Nvidia, Owens Corning, Rio Tinto, Shopify, and Trade Desk earnings	
THURSDAY FEBRUARY 17, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
Housing Starts	
Philly Fed Employment Index	
Auto Nation, Baxter, Dropbox, Roku, Southern Company, Targa, Visteon, and Walmart earnings	
FRIDAY FEBRUARY 18, 2022	
Existing Home Sales	
US Leading Index	
Euro Zone Consumer Confidence	
Deere, DraftKings, and PPL earnings	

SELECT INDICES							
	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	6 Mo Daily	1 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(7.16)	(1.79)	(6.15)	(4.63)	14.41	19.75	20.16
S&P 500 Growth Index	(11.84)	(3.10)	(8.77)	(9.10)	11.01	23.51	24.23
S&P 500 Value Index	(1.96)	(0.44)	(3.37)	0.27	17.76	14.69	14.80
Basic Materials	(7.47)	1.62	(6.19)	(5.89)	17.15	19.60	23.09
Communication Services	(12.20)	(3.31)	(10.60)	(15.08)	(6.59)	17.42	21.55
Consumer Cyclical	(11.78)	(1.65)	(9.45)	(12.33)	2.28	23.83	28.25
Consumer Defensive	(3.01)	(0.38)	(2.33)	2.15	15.66	16.08	18.85
Energy	25.13	2.10	10.33	21.42	66.55	8.99	6.83
Financial Services	0.58	(0.59)	(3.99)	(1.68)	20.82	17.70	20.74
Healthcare	(8.25)	(1.00)	(5.02)	(4.45)	5.98	14.78	17.26
Industrials	(7.37)	(0.56)	(6.74)	(7.44)	9.83	13.19	18.84
Real Estate	(11.00)	(1.80)	(6.63)	(5.38)	17.38	9.88	15.27
Technology	(12.05)	(2.31)	(8.31)	(9.35)	9.92	32.17	38.98
Utilities	(6.45)	(2.13)	(3.50)	0.93	8.87	9.09	12.93

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