



Prior to the Russia-Ukraine invasion last Wednesday evening the S&P 500 had lost another -2% pushing the S&P 500 return to a YTD cumulative loss of over -10%. With the overnight invasion, International Developed and Emerging Markets ended the week down -2.5% and -4.9%, respectively, while the S&P 500 gained 0.84%. In addition, the best performing S&P 500 sectors for the week were Healthcare, Utilities, and Real Estate further validating a flight-to-safety environment. Though U.S. equity markets rallied that last two days, Sowell's tactical signal was tipped into negative cautious territory as the underlying fundamental factors exhibit short-term macro uncertainties when it comes to interest rates, bond spreads, and inflation. It remains to be seen if the Ukraine conflict fuels a surge in global inflation or an economic boom. The Fed has a great responsibility to take surgical action not seen since Fed Chairman Paul Volcker of the late 1970s.

## GAUGE OF THE GRADE



BEARISH



NEUTRAL

BULLISH



Equity markets volatility reached two-year high last week following the Russian invasion of Ukraine. On a shortened trading week (markets were closed Monday in observation of Presidents Day), the week saw dramatic reversals. Major indexes closed mostly higher with the consumer discretionary sector underperforming relatively as geopolitical tensions affected travel-related stocks. Communication services outperformed as some of the technology giants such as Alphabet pulled the sector higher. News of the Russian attack on Ukraine sent stocks sharply lower on Wednesday but recovered the following day after President Biden's speech as investors took clues that sanctions against Russia were not as severe as initially thought. On the economic front, the core personal consumption expenditures price index came in line with estimates while the pending home sales dropped in January. Data also showed that manufacturing and services sectors showed continued growth in the US. The 10-year Treasury yield closed the week higher, just below 2%.

This week, Fed Chair Jerome Powell is expected to testify before Congress on monetary policy. The Federal Reserve will release its latest beige book on Wednesday. The Federal Open Market Committee's two-day meeting starts on March 15, and it is highly expected that they will raise rates then. The Labor Department will report nonfarm payrolls for February on Friday. Companies from a variety of sectors will be releasing earnings. Notable companies

reporting are Best Buy, AMC, Target, Salesforce, and Broadcom.

### MONDAY FEBRUARY 28, 2022

Wholesale Inventories
Dallas Fed Mfg Business Index
China Mfg PMI
Acadia, Freshpet, HP, Lucid, SBA Communications, Viatrix, Workday, and Zoom earnings

### TUESDAY MARCH 1, 2022

President Biden State of the Union
Redbook
Construction Spending
ADT, AMC Entertainment, AutoZone, Baidu, Domino's Pizza, HP Enterprise, Salesforce, and Target earnings

### WEDNESDAY MARCH 2, 2022

Euro Zone CPI and Core CPI
Fed Beige Book
Mortgage Market Index
Abercrombie, Dollar Tree, Prudential, Snowflake, Splunk, and Veeva earnings

### THURSDAY MARCH 3, 2022

Initial jobless claims (weekly)
Continuing jobless claims
Nonfarm Productivity
Fed Chair Powell Testifies
BestBuy, BJ's, Burlington, Cooper, Costco, Broadcom, Kroger, Marvell, Toronto Dominion, and Vizio earnings

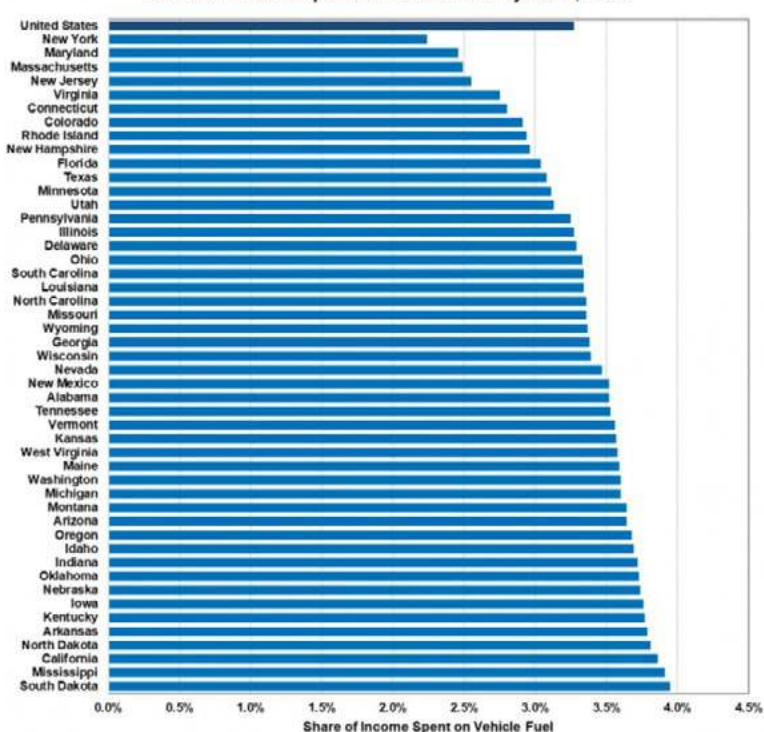
### FRIDAY MARCH 4, 2022

Unemployment Rate
Nonfarm Payrolls
Euro Zone Retail Sales
Dole 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	(7.80)	0.84	0.80	(6.40)	16.12	18.19	20.16
S&P 500 Growth Index	(12.58)	1.01	0.75	(11.93)	16.32	21.81	24.23
S&P 500 Value Index	(2.48)	0.68	0.86	(0.06)	15.37	13.28	14.80
Basic Materials	(6.39)	1.03	2.46	(3.27)	17.51	17.66	23.09
Communication Services	(13.00)	1.76	(1.88)	(14.52)	(4.30)	15.55	21.55
Consumer Cyclical	(13.92)	(1.81)	(1.56)	(16.40)	5.61	21.50	28.25
Consumer Defensive	(2.34)	(0.18)	1.45	2.51	19.56	16.01	18.85
Energy	22.76	1.68	5.57	18.70	46.61	6.80	6.83
Financial Services	(1.49)	(0.02)	1.60	(3.05)	14.29	15.63	20.74
Healthcare	(8.06)	2.74	2.38	(3.09)	10.34	13.62	17.26
Industrials	(7.48)	0.83	(1.28)	(7.62)	8.14	11.64	18.84
Real Estate	(10.59)	1.98	(1.25)	(6.08)	19.17	9.96	15.27
Technology	(12.42)	1.65	2.57	(11.68)	17.61	30.28	38.98
Utilities	(5.30)	2.28	0.83	0.49	16.56	8.84	12.93

### Share of Income Spent on Vehicle Fuel by State, 2018



Russia's invasion of Ukraine looks like the most serious war in Europe since 1945. Last week, Russian forces carried out airstrikes, captured army bases while advancing towards the capital city Kyiv. Weeks of tensions before the assault already had affected the global economy through higher energy prices. Oil crossed the \$100 a barrel for the first time since 2014 last week. As an ever-larger portion of household incomes go towards fuel and heating, less cash is left for other goods and services, potentially lowering economic growth. Jittery equity markets will also affect consumer confidence. The sense of having less wealth because of declining markets will also hold back consumer spending. How much of an effect the Ukraine-Russian conflict will have on economic growth will depend on the length and scope of the conflict. Regardless of how the conflict transpires, the oil price will likely remain elevated for some time, and that will continue to eat into household consumption which does not bode well for economic growth and inflation. Source: [energy.gov](http://energy.gov)

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